



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

5.19.3

JULY 30, 2025

EFFECTIVE DATE

(07-30-2025)

PURPOSE

- (1) This transmits revised IRM 5.19.3, *Liability Collection, Backup Withholding Program*.

MATERIAL CHANGES

- (1) IRM 5.19.3.1(2)(3)(7): Editorial changes.
- (2) IRM 5.19.3.5.1.4: Added additional information and table for BWH.
- (3) IRM 5.19.3.1.6 Acronyms: Editorial changes.
- (4) IRM 5.19.3.5.2.7(1): Editorial changes.
- (5) IRM 5.19.3.5.2.8 NOTE: Editorial changes.
- (6) IRM 5.19.3.5.2.15(2)(b): Changed letter from 1979C to 2027C.
- (7) IRM 5.19.3.2.15(5): Editorial changes.
- (8) IRM 5.19.3.5.2.15(5)(b): Changes letter from 1079C to 2027C.
- (9) IRM 5.19.3-2 Exhibit(10): Editorial changes

EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 5.19.3 dated July 12, 2023. This IRM incorporates IPU 23U1174 dated December 13, 2023.

AUDIENCE

SBSE Collection employees

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5.19.3

Backup Withholding Program

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5.19.3.1
(07-30-2025)
Program Scope and Objectives

- (1) **Purpose:** This IRM provides instructions for employees who work taxpayer contacts in the IMF BWH program. The Backup Withholding Program (BWH) objective is to promote filing and reporting compliance by withholding taxes on interest and dividends paid by payors.
- (2) **Audience:** Small Business Self Employed (SBSE) employees in Compliance Services Collection Operations (CSCO), Automated Collection Systems (ACS-), Taxpayer Service (TS) employees staffing IMF toll free telephone application, SBSE Exam Operation, and Field Assistors Taxpayer Assistance Centers (TAC).
- (3) **Policy Owner:** Director, Collection Inventory Delivery and Selection.
- (4) **Program Owner:** Nonfiler and Inventory Analysis (NIA) which is an organization within SBSE Collection Headquarters, Collection Inventory, Delivery and Selection (CIDS).
- (5) **Primary Stakeholders:** SBSE tax examiners in CSCO, Exam, ACS employees, Taxpayer Services (TS) employees staffing IMF toll free telephone application, Field Assistors at TAC.
- (6) **Program Goals:** This IRM contains instructions for the BWH program, to promote filing of IMF tax returns and to ensure proper reporting of interest and dividends and other payments reportable on Form 1099. The BWH program promotes accurate information reporting by ensuring payors have correct payee TINs. It also ensures the collection of tax from payees who fail to furnish correct TINs or have a history of underreporting interest or dividends. By following this IRM, employees will be able to accurately and appropriately work BWH case issues.

5.19.3.1.1
(09-23-2020)
Background

- (1) IRM 5.19.3 provides instructions for employees receiving written or telephonic responses to IMF BWH notices. It includes procedures for determining if a taxpayer should be subject to BWH and how a payor should react when receiving a BWH notice.
- (2) The IRS is committed to a customer service program that encourages taxpayers to comply voluntarily with the tax laws and assists them in meeting their obligations.
- (3) The SBSE CSCO Nonfiler Operation is committed to achieving excellence in the service it provides to its customers. The program provides assistance in a manner that warrants the highest degree of public confidence. Representatives must be courteous and provide responses that are technically and procedurally accurate and complete.

5.19.3.1.2
(09-23-2020)
Authority

- (1) The following provide authority for the instructions in this IRM:
 - a. Internal Revenue Code section 3406(a) provides that a payor of a reportable payment must withhold at a rate of 24% if one of the four conditions exist. Backup withholding applies if the payee fails to furnish a TIN in the manner required, if the IRS notifies the payor that the payee's TIN is incorrect, if there is notified underreporting of interest and dividends, or if the payee fails to certify that he is not subject to withholding for notified underreporting of interest or dividends.
 - b. See IRM 1.2.1.6, *Policy Statements for the Collecting Process*.

- c. Internal Revenue Code Section 6331 and Treasury Reg. 301.6331-2(a)(1) provide the IRS with the authority to issue levies.
- d. Congressional Acts which outline additional authorities and responsibilities, such as the Travel and Transportation Reform act of 1998 or the Tax Reform Act of 1986.

5.19.3.1.3
(09-23-2020)

Roles and Responsibilities

- (1) The Director, Collection Inventory Delivery & Selection (CIDS), is responsible for all policy and procedures related to non-filer programs. They are responsible for overseeing program coordination for Campus procedures related to non-filer programs. They work closely with Campus Collection programs. They work closely with Campus Collection directorships and operations in each campus as primary contact and support for non-filer programs.
- (2) The Operations Manager is responsible for managing remote collection activities including telephone, correspondence, and face-to-face transactions, following the procedures in the IRM. They oversee department, team and employee responses to taxpayer inquiries. They oversee department, team and employee actions to resolve nonfiler accounts by taxpayers who did not timely file tax returns.
- (3) The Department Manager is responsible for overseeing team and employee responses to taxpayer inquiries, following the procedures in the IRM. They oversee team and employee actions to resolve non-filer accounts by taxpayers who did not timely file tax returns.

5.19.3.1.4
(09-23-2020)

Program Management and Review

- (1) **Program Reports:** The following daily and weekly reports are generated by management and can assist with evaluating the performance of the BWH program:
 - Embedded Quality Review System (EQRS) Reports
 - National Quality Review System (NQRS) Reports
 - Accounts Management Services (AMS) Reports
 - Monthly Monitoring Report (MMR)
 - Work Planning & Control (WP&C) Reports
 - Collection Activity Report (CAR)
- (2) **Program Effectiveness:** The program results are housed on the Collection Program and Campus Reports Share Point site in the Monthly Monitoring Report (MMR). The MMR captures NQRS results to show monthly and cumulative stats Evaluative (EQRS) and National (NQRS) quality reviews and consistency reviews are routinely conducted, along with Headquarters reviews to ensure case actions are timely and in accordance with the procedures in the IRM.
 - Phone and paper cases are routinely reviewed by Planning Analysis System (PAS) to ensure case actions are timely and in accordance with the procedures in this IRM.
 - Case reviews are conducted by managers to ensure compliance with this IRM.
 - Operational reviews are conducted by the Department and Operation Managers annually to evaluate program delivery, conformance to administrative requirements and ensure compliance with this IRM.

- Headquarters Collection Inventory Delivery & Selection (CIDS) Policy will conduct ad hoc program reviews as necessary to verify compliance with IRM requirements, address TIGTA/GAO findings and address any trends that appear.

5.19.3.1.5
(09-23-2020)
Program Controls

- (1) Incoming telephone calls are distributed to telephone representatives using the Aspect systems.
- (2) Taxpayer responses are distributed to correspondence tax examiners.
- (3) The AMS system track employees actions and monitored by Operation, Department, and Front-Line Managers along with Collection HQ employees.
- (4) Managers are required to follow program management procedures and controls addressed in:
 - IRM 1.4.11, *Field Assistance Guide for Managers*
 - IRM 1.4.16, *Accounts Management Guide for Managers*
 - IRM 1.4.20, *Filing & Payment Compliance Managers Handbook*

5.19.3.1.6
(07-30-2025)
**Terms/Definitions/
Acronyms**

- (1) The tables below define some of the terms and acronyms used throughout this IRM. This list is not all inclusive; for details on other terms or acronyms, use the “Search” feature on the IRS Home Page.

Defined Terms

Word	Definition	Example
Batching	The area in Submission Processing responsible for establishing control of the documents through processing using the Block Batch Tracking System (BBTS)	Send the tax return to Batching for processing as original.
Calendar Year	Accounting period beginning January 1 and ending December 31.	The taxpayer is a calendar year filer for their form 1040, which means the form will be for income earned between January 1 and December 31.
Campus Support	Commonly referred to as “Ramp-down” or “Back-end” sites. These are Campus sites that no longer have a Submission Processing (SP) organization.	For example: Andover, Atlanta, Brookhaven, Covington, Memphis and Philadelphia are Campus Supports sites as they no longer have a Submission Processing (SP) Organization.

Word	Definition	Example
Form 1099 Family	The Form Family is defined as reporting various “types of income” -not reported on Form W-2.	The bank provided a Form 1099-INT that included interest earned for the year
Payors	Payors make payments that are reportable on Forms 1099, such as interest, and must file the appropriate Forms 1099 (such as Form 1099-INT) and furnish a payee statement to the recipient.	For example: The bank is a payor of interest on savings accounts and provides the payee with a Form 1099 INT
Payees	Payees are the recipients of the payments required to be reported on Forms 1099, and will be furnished a payee statement by the payor.	The payee received a Form 1099 for the interest paid on his saving account
Received Date	Date the item was received	The taxpayer’s correspondence must be stamped with the date the IRS received it, i.e. the IRS Received Date

Acronyms

Acronym	Definition
ACS	Automated Collection System
ACSS	Automated Collection System Support
ASED	Assessment Statute Expiration Date
BWH	Backup Withholding
CP	Computer Paragraph
CSCO	Compliance Services Collection Operations
CSED	Collection Statute Expiration Date
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IRP	Information Returns Program
MFT	Master File Tax code
SBSE	Small Business/Self-Employed Business Operation Division (BOD)
SSN	Social Security Number

Acronym	Definition
TS	Taxpayer Services (BOD)

5.19.3.1.7
(07-12-2023)

Related Resources

- (1) While many topics are touched upon in this IRM section, comprehensive guidance about all of them cannot always be included here. While using this IRM section, remain alert for references to other resources, such as related IRMs and websites. Access guidance as needed to ensure a thorough understanding of all topics.
- (2) Additional resources can be found as applicable in:

IRM	Title
IRM 2.3	<i>IDRS Terminal Responses</i>
IRM 2.4	<i>IDRS Terminal Input</i>
IRM 3.13.62	<i>Media Transport and Control</i>
IRM 5.19.2	<i>Individual Master File (IMF) Return Delinquency</i>
IRM 5.19.4	<i>Enforcement Action</i>
IRM 5.19.16	<i>Compliance Services Collection Operations (CSCO) Clerical Procedures</i>
IRM 21.1	<i>Accounts Management and Compliance Services Operations</i>
IRM 21.2	<i>Systems and Research Programs</i>
IRM 21.3	<i>Taxpayer Contacts</i>
IRM 21.5	<i>Account Resolution</i>
IRM 21.10	<i>Quality Assurance</i>
IRM 20.1	<i>Penalty Handbook</i>
IRM 20.2	<i>Interest</i>
Document 6209	<i>IRS Processing Codes and Information</i>
IRM 4.5	<i>TE/GE Aims Manual</i>
IRM 4.19	<i>Liability Determination</i>
IRM 4.23	<i>Employment Tax</i>
IRM 5.19	<i>Collection</i>
IRM 21.3	<i>Taxpayer Contacts</i>
IRM 21.7	<i>Business Tax Returns and Non-Master File Accounts</i>

IRM	Title
IRM 21.8	<i>International</i>

(3) Employees may also find the following information helpful:

- *Servicewide Electronic Research Program (SERP)*
- *Servicewide Notice Information Program (SNIP)*
- *Correspondex Letters*
- *Integrated Automated Technologies (IAT) Tools*

(4) The IRS adopted the Taxpayer Bill of Rights (TBOR) in June 2014. Employees are responsible for being familiar with and acting in accordance with taxpayer rights. See IRC 7803(a)(3), *Execution of Duties in Accord with Taxpayer Rights*. For additional information about the TBOR, see *Taxpayer Bill of Rights* FAQ on IRS Source.

5.19.3.2 (07-12-2023)

Backup Withholding Programs (“B” and “C”) Overview

- (1) The objective of the Backup Withholding (BWH) program is to ensure payors withhold tax from certain Form 1099 income when taxpayers have underreported their income, or incorrectly reported a Taxpayer Identification Number (TIN) to the payer. Internal Revenue Code (IRC) 3406 authorizes the withholding of tax for the BWH program.
- (2) Backup Withholding “B” and “C” are the two programs that require payers to withhold at the backup withholding rate from recipients’ (payees’) payment of Form 1099 income.
- (3) The backup withholding rate is 24% for payments made after December 31, 2017. For tax years 2002 — 2017 the withholding rate was 28%, but the enactment of the Tax Cuts and Jobs Act (2017) **Pub. Law. 115-97**, reduced the withholding rate to 24% **for payments made** after December 31, 2017, **and before** December 31, 2025.
- (4) BWH “B” is not a Collection program and is governed by SBSE Exam. Additional information can be found in IRM 4.23.8.13 IRC 3406-Backup Withholding.
- The CP2100 and CP2100A “BWH-B” program is a Reporting Compliance issue governed by SBSE Exam.
 - The Automated Underreporter (AUR) program is a Payment Compliance issue governed by SBSE Exam/AUR.
 - The Return Delinquency (RD) program is a Filing Compliance issue governed by SBSE Collection.
- (5) Employees in Collection and Accounts Management functions may receive inquiries from taxpayers regarding Backup Withholding on their income. Only BWH employees in the Philadelphia (PSC) and Kansas City (KCSC) Collection functions are authorized to make changes to the Backup Withholding indicator.

Note: SBSE Collection maintains responsibility for resolving payee disputes and requests to stop BWH ONLY. The BWH B and underreported C portion is governed by SBSE Exam.

5.19.3.3

(09-23-2020)

What Are BWH“B” and “C” Programs?

- (1) The BWH-“B” program, (IRC 3406(a) and Regulation 31.3406(d)-5) provides notices to payors (a financial institution, business or person) who filed certain information returns with incorrect Taxpayer Identification Numbers (TINs). The notices, CP 2100 and CP 2100A, advised payors that backup withholding could become necessary if payees (recipients of Forms 1099) failed to certify their TIN. The CP 2100 and CP 2100A notices listed accounts with missing TIN's of payers subject to backup withholding under section 3406 (a) (1) (A). Payors with missing TIN accounts should not wait to receive a CP 2100 or CP 2100A to begin backup withholding. The “B” program includes Forms 1099-B, 1099-NEC, DIV, INT, K, G, MISC, OID, PATR information returns.
- (2) The BWH-“C” program (IRC 3406(a)(1)(C) and Regulation 31.3406 (c) - 1) provides notices to payees (recipients of Forms 1099 below) who have under-reported their interest or dividend income or failed to file a tax return reporting such income when required. These notices inform the payee what must be done to prevent BWH. See IRM 5.19.3.5.2.4, *BWH-“C” Supplemental Notices*, for an explanation of notices sent to payees and payors for the BWH-“C” program. The “C” program includes Forms 1099-DIV, INT, OID, and PATR information returns.

5.19.3.4

(07-12-2023)

BWH “B” and “C” Programs Research

- (1) Employees are responsible for providing the payee/payor with an explanation of BWH, the reason for the notice, and advising the payee/payor how to resolve the problem. When a payee/payor contacts the IRS by phone, walk-in, or correspondence, first determine which BWH program the taxpayer is inquiring about. See Exhibit 5.19.3-1, *Taxpayer Inquiries for BWH -“B”*, and Exhibit 5.19.3-2, *Taxpayer Inquiries for BWH -“C”*, for reference charts of notice actions.
- (2) Research IDRS command code TXMOD or CFOL command code IMFOL to determine what type of notice was received by the taxpayer. See Exhibit 5.19.3-3, *IMF Balance Due (BD) Accounts*, and Exhibit 5.19.3-4, *IMF Return Delinquency (RD) Accounts*, for a quick reference chart of BWH- “C” Program notice actions.
 - a. The BWH notification statement appears as a “pop-up” paragraph on existing IRS notices (i.e. Balance Due, Underreporter, Return Delinquency and Exam notices) and forms if the taxpayer is potentially subject to BWH.
 - b. Identify BWH-“C” cases on IDRS when a TC 140 is present on a return delinquency case, and either a TC 922 or TC 300 appears on balance due cases. A TC 924 with the amount of IRP income, the cycles of all BWH-related (AUR, Return delinquency, Exam, Balance Due or Unique BWH) notices, and a three-digit reference number will appear on both types of cases. See Exhibit 5.19.3-5, *TC 924 Reference Number Break Down*, for the meaning of each of the three position reference numbers for TC 924.
 - c. A literal BWH indicator is updated periodically on CC IMFOL and IDRS with the current Individual Master File (IMF) screens.

Note: IDRS statuses are not always current with the MF because of systemic delays. Check IMFOL for actual status. The literal displays the letters “BWI” followed by the number 0, 1, 2, 4 or 8 (see IRM 2.3.11, *Command Codes TXMOD and SUMRY*, for TXMOD format).

- (3) The BWH status codes and definitions are:

- 0 — No BWH consideration.
- 1 — Potentially liable (BWH notices will be issued).
- 2 — Subject to BWH (payor is withholding on reportable payments).
- 4 — Account satisfied (BWH condition satisfied when the account module becomes compliant when in potential status, or in any status when a manual stop is input).
- 8 — BWH suspended (BWH actions suspended for a period of time).

- (4) The following indicates the “B” Program: First or second CP 2100 or CP 2100A and listing received by a payor.

Note: There is no indicator on IDRS when the payor is subject to BWH “B” for TIN-related problems.

- (5) The following indicates the “C” program:

- CP 531, CP 538, CP 539, CP 540, received by a payee.
- CP 543, and CP 544 received by a payor.

- (6) Once it has been determined which programs are involved, refer to the appropriate sections of this IRM for additional information.

- (7) Taxpayers with balance due or delinquent returns that are potentially subject to BWH under the “C” program must satisfy all outstanding BWH-related accounts to avoid imposition of BWH. Only account modules either in potential or subject BWH status must be compliant. Any other tax year modules that did not have underreporting of interest or dividend income do not have to be compliant.

- (8) An extension of time to pay or an installment agreement does not stop BWH.

- a. If an installment agreement (IA) is granted, the taxpayer should be advised that BWH will continue until the account is paid in full.

Note: If the taxpayer has an IA in good standing, and is experiencing a specific/imminent hardship, advise the taxpayer he/she may receive relief by having the case accepted into the Taxpayer Advocate program. Refer to IRM 5.19.3.4.2, *Taxpayer Advocate Program Criteria*; and IRM 13.1.7, *Taxpayer Advocate Service (TAS) Case Criteria*, for criteria qualifying for Taxpayer Advocate Handling.

- b. BWH may be imposed on the taxpayer prior to expiration of the agreement when the agreement period will exceed the time remaining in the BWH notice routine.

Note: See IRM 5.19.3.5.2.4, *BWH-C Supplemental Notices*.

- c. An account reported as Currently Not Collectible (CNC) will not prevent BWH.

5.19.3.4.1
(09-23-2020)
BWH Technical Inquiries

- (1) See IRS Pub 1281, *Backup Withholding for Missing and Incorrect Name/TINs (Including instructions for reading tape cartridges and CD/DVD Formats)*. If the customer has additional questions, refer them to Technical Services Operation (TSO) Customer Service Section (CSS) at (866) 455-7438 (toll-free) or (304) 263-8700 (not toll-free). A general informational response will be provided.

- (2) Campus employees may receive copies of taxpayer CP 2100 or CP 2100A Notices attached to written correspondence. Provide an explanation to the taxpayer via IDRS Letter 3667-C, *Respond To CP2100/2100A Notice*.
- (3) See Exhibit 5.19.3-2, *Taxpayer Inquiries for BWH-C*, for common questions/answers on the BWH-“C” notice program. The following questions from taxpayers/payees about the BWH-“C” underreporter/nonfiler program should be referred to the Examination function according to local procedures:
 - a. Determinations of whether transactions meet the requirements under specific IRC sections.
 - b. Issues relating to “forward contracts” or “regulated futures contract”
 - c. Issues involving foreign currency transactions
 - d. Questions involving the determination of whether an alien is an “exempt foreign person”
 - e. Determinations of whether income is considered foreign or U.S. source income.

5.19.3.4.1.1
(09-23-2020)
BWH Missing TINs

- (1) A TIN may be a:
 - Social Security Number (SSN)
 - Employer Identification Number (EIN)
 - Adoption Taxpayer Identification Number (ATIN)
 - Individual Taxpayer Identification Number (ITIN)
- (2) The IRS considers a TIN missing if it was not provided. Backup withholding should be imposed on all reportable payments if the TIN is missing; no IRS notice is required. Backup withholding should already be imposed on missing TIN's.
- (3) A TIN can ONLY have nine (9) numbers. If it has more or less than nine numbers or contains an alpha character, it is obviously incorrect and is a missing TIN.

Note: Correct TIN: 801–45–6789

Note: Missing TIN: 901–45–678

Note: Missing TIN: 810–45–678Q

Note: There is no indicator on IDRS when the payor is subject to BWH for TIN-related problems.

5.19.3.4.2
(04-23-2014)
**Taxpayer Advocate
Program Criteria**

- (1) Taxpayers meeting Taxpayer Advocate Service (TAS) criteria will get priority handling.
- (2) Refer to IRM 13.1.7, *Taxpayer Advocate Service (TAS) Case Criteria*, for criteria qualifying for Taxpayer Advocate handling.
- (3) Refer taxpayers to TAS when the contact meets TAS criteria and you can't resolve the taxpayer's issue the same day. The definition of “same day” is within 24 hours. “Same day” cases include cases you can completely resolve in 24 hours, as well as cases in which you have taken steps within 24 hours to *begin* resolving the taxpayer's issue. Do not refer “same day” cases to TAS

unless the taxpayer asks to be transferred to TAS *and* the case meets TAS criteria. Refer to IRM 13.1.7.5, *Same-Day Resolution by Operations*. When you refer cases to TAS, use Form 911, *Request for Taxpayer Advocate Service Assistance (and Application for Taxpayer Assistance Order)*, and forward to TAS.

5.19.3.5
(09-23-2020)
**BWH “B” and “C”
Program Procedures**

- (1) The following subsections explain the BWH “B” and “C” program procedures.

5.19.3.5.1
(11-02-2020)
**TIN-Related BWH- “B”
Notices (CP2100 and
CP2100A)**

- (1) The purpose of the CP 2100 and CP 2100A Notices, is to tell payors they may be responsible for BWH. The CP 2100 is issued as a paper notice, CD or DVD file. The CP 2100A Notice is only issued in a paper format. The notices are accompanied by a list(s) of missing and/or incorrect payee name/TIN combinations. Missing TIN’s identified on notice/listing must have already imposed backup withholding status. The payor must not wait until a notice is received to impose backup withholding.

- (2) The CP 2100 Notice is sent to **large** payors (those that have 250 or more missing and/or incorrect payee name/TIN combinations on the lists) on a CD or DVD file. A paper CP 2100 Notice is sent to **mid-size** payors (those that have less than 250, but more than 50 missing and/or incorrect payee name/TIN combinations). A paper CP 2100A Notice is sent to **small** payors (those that have less than 50 missing and/or incorrect payee name/TIN combinations,

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taxpayer. It’s an indicator to know what inventory falls within this category.

- (3) A payor who received a CP 2100 or CP 2100A Notice should compare the list(s) to its business records.
- If a payee name/TIN combination on the list(s) DOES NOT AGREE with what is on the payor’s records, this could be the result of a recent update, a payor error in submission, or an IRS processing error.
 - A payor should correct/update its records. THE PAYOR DOES NOT HAVE TO DO ANYTHING ELSE. Payor is not required to write or call the campus (or the Information Reporting Program call site in Martinsburg, WV) to say that he or she made the correction/update.
 - If a payee name/TIN combination on the list(s) AGREES with the payor’s records, he or she must determine whether this is the “first” or “second” time within three calendar years that he or she was notified by IRS that the name/TIN combination was incorrect (two notices received during the same year count as one notice). The actions a payor must take are different for the first and second notification.

5.19.3.5.1.1
(09-23-2020)
**BWH “B” First
Notification**

- (1) A payor should send a First “B” Notice, a copy of Form W–9, *Request for Taxpayer Identification Number and Certification* (or an acceptable substitute), and an optional reply envelope to the payee within 15 business days from the date it receives the CP 2100 or CP 2100A Notice, defined as the date set forth on the notice or the date of actual receipt, if later.

- (2) A payor should include the return date on the First “B” Notice which is no later than 30 business days after the date of the receipt of the CP 2100 or CP 2100A notice defined in (1) above.
- (3) A payor must clearly mark the outer envelope with “IMPORTANT TAX INFORMATION ENCLOSED” or “IMPORTANT TAX RETURN DOCUMENT ENCLOSED.”
- (4) A payor must begin backup withholding on payments made to a payee no later than 30 days after receipt of the CP 2100 or CP 2100A notice, unless the payee returns a signed Form W-9.
- (5) A payor must stop BWH within 30 calendar days after receiving the Form W-9 from the payee.
- (6) A payor should update his or her records with the corrected information received from the payee and include it on any future information returns (Forms 1099) they may file.

Note: A payer SHOULD NOT send the signed Form W-9 to the IRS.

Note: A payer SHOULD NOT file a correction merely to update the payee TIN on Form 1099 unless it is making a change to the dollar amount reported.

5.19.3.5.1.2
(09-23-2020)
**BWH “B” Second
Notification**

- (1) A payor should send the Second “B” Notice and an optional reply envelope to the payee within 15 business days from the date of the receipt of the CP 2100 or CP 2100A Notice, defined as the date set forth on the notice or the date of actual receipt, if later.

Note: A payor SHOULD NOT send a Form W-9 with the Second “B” Notice.

- (2) A payor must include the return date on the Second “B” Notice which is no later than 30 business days from the date of the receipt of the CP 2100 or CP 2100A Notice, defined as the date set forth on the Notice or the date of actual receipt, if later.
- (3) A payor must clearly mark the outer envelope with “IMPORTANT TAX INFORMATION ENCLOSED” or “IMPORTANT TAX RETURN DOCUMENT ENCLOSED”.
- (4) The payee may need to contact the Social Security Administration (SSA) to validate an SSN or the IRS to validate an EIN. This validation must be provided to the payor within 30 business days from the date of the Second “B” Notice to avoid BWH.
- (5) If TIN is an SSN:
 - a. The payee must provide the payor with a copy of their Social Security card. The Social Security card must show their correct name/SSN combination that differs from the name and SSN combination appearing on the Second “B” notice or it must show a date of issuance that is no earlier than six months prior to the date on the notice.
 - b. If the payee does not have a card meeting the requirement in item a, above, they must obtain a new or replacement Social Security card by

submitting SSA Form SS-5 to the SSA in person or by mail. That form and further information regarding application for a Social Security card is available at ssa.gov.

- c. Once the payee receives their Social Security card, they must make a copy of the card and send the copy directly to the payor with a copy of the Second "B" notice attached.
- d. When the payor receives the copy of the social security card, it should update its business records and use the corrected information on any future information returns it files.

(6) If the TIN is an EIN:

- a. The payee must write to the service center where they file their tax return, Attn: Entity Section, and ask for IRS Letter 147-C, *EIN Previously Assigned*. They must enclose a copy of the Second "B" Notice with the request.

Note: BWH regulations require that a payee request Letter 147-C in writing. Acceptable written requests may be received by IRS personnel via United States Postal Service or by fax. The payee must provide the Letter 147C to the payor.

- b. When the payor receives a copy of the Letter 147-C, it should update its business records and use the corrected information on any future information returns it files.

(7) If a payor does not receive the required validation (social security card meeting the requirements above) within 30 business days, they must begin BWH on payments made to the payee if they have not already withheld. The payor may begin BWH on payments to the payee during the 30 business day period.

(8) When the payor receives the required validation, they must stop BWH within 30 calendar days.

5.19.3.5.1.3
(09-23-2020)

Taxpayer Replies to CP 2100 or CP 2100A Notice

- (1) Receipt of correspondence from taxpayers with or without a CP 2100 or CP 2100A is considered to be unsolicited or erroneous correspondence. The payor is not to submit any correspondence.
- (2) The entire contents of any erroneous correspondence should be held for 30 days and then classified waste (CW).

Note: The payors do not have to call or write to the IRS to say that they made the correction or update to their records.

5.19.3.5.1.4
(07-12-2023)

BWH "B" Undeliverable Notification

- (1) Sort undeliverable (UD) Backup Withholding B (BWH B) CP2100/CP2100A mail:
 - a. UD mail with yellow "Return to Sender" label.
 - b. UD mail with a "Forwarding Time Expired" label.
 - c. UD CP2100 with a Compact Disc (CD).

Note: Batch UD mail according to Operation guidelines. Include one batch sheet with each batch, only date stamp the batch sheet.

Reminder: The barcode scanner sheet has a maximum capacity of 25 entries.

- (2) For UD mail with no new address, take the following actions:

- a. Using the bar code scanner, scan the barcode on each notice to IAT GII spreadsheet.
 - b. Export the results of scan to RTF 202203021121 Undeliverable Research Tool file folder.
 - c. Import the Excel worksheet to the IAT GII Tool and run the tool.
 - d. **New address found: Include the original CP2100/A notice and envelope to the address found and re-mail.**
 - e. **No new address found: Destroy the CP2100/A notice.**
- (3) For UD mail with a forwarding time expired label, take the following actions: Follow steps listed in (2).
- (4) For UD CP2100 with a Compact Disc (CD) mail, take the following actions: Destroy the CP2100 notice and CD.
- (5) Work around when the GII tool is unavailable.
- a. Sort undeliverable (UD) Backup Withholding B (BWH B) CP2100/CP2100A mail:
 - b. UD mail with yellow "Return to Sender" label.
 - c. UD mail with a "Forwarding Time Expired" label.
 - d. UD CP2100 notice with a Compact Disc (CD).

Note: Batch UD mail according to Operation guidelines. Include one batch sheet with each batch, only date stamp the batch sheet.

- (6) Access IDRS and utilize the command codes listed below to identify a current address. A current address can be recognized by reviewing cycle date when available within specific command codes, which is after the notice date printed on the CP2100/CP2100A notice. These command codes include:

Command Codes
IRPTR
FINDE
FINDS
PMFOL
AMDIS
ENMOD
BMFOLE (IMFOLE for SSN numbers)

- a. New address found: Include the original CP2100/A notice and envelope to the address found and re-mail.
 - b. No new address found: Destroy the CP2100/A notice.
- (7) For UD CP2100 with a Compact Disc (CD) mail, take the following actions: Destroy the CP2100 notice and CD.

Note: Utilize the SERP IDRS Command Code Job Aid as needed. **SERP-IDRS Command Code Job Aid-Job Aids ([irs.gov](https://www.irs.gov)).**

5.19.3.5.1.5
(09-23-2020)

**BWH “B” Recreated
Notification Request**

- (1) Filers may contact Technical Services Operation (TSO) Customer Service Section (CSS), to request recreated copies of CP 2100 or CP 2100A Notices. A request to recreate a notice may be submitted two weeks after the mailing of each notice. If a call/request comes into the campus requesting a recreated notice, refer that contact to the Technical Services Operation (TSO) Customer Service Section (CSS) at (866) 455-7438 (toll-free) or (304) 263-8700 (not toll-free). TSO will enter the request into the Notice Recreate System (NRS).
- (2) For campus paper notices: Bi-weekly
 - a. When an individual campus has at least one recreated notice, an E-mail will be automatically generated by the system to the Management Support Branch Analyst responsible for BWH Program.
 - b. Campus locations are required to print, manually stuff, and mail all recreated notice requests received for paper listings of missing and/or incorrect TINs throughout the calendar year as they are received. Each Management Support Branch analyst must respond to the automatic E-mail confirming the mail out of the recreated notices. The recreated notice must be sent to the customer within 7-10 business days of the automated E-mail date.
- (3) For tape notices: Bi-weekly
 - a. The Technical Services Operation (TSO) will fill all requests received for tape listings of missing and/or incorrect TINs within the four year retention period (i.e., 4 years from original CP 2100/ CP 2100A Notice Date).
 - b. Recreated tape requests received by individual campuses must be routed through the Management Support Branch Analyst to the IRP Centralized Call Site.

5.19.3.5.1.6
(09-23-2020)

**e-Services Taxpayer
Identification Number
(TIN) Matching Program**

- (1) Payors who receive a CP 2100 or CP 2100A Notice may be assessed penalties for filing Forms 1099 with incorrect or missing TINs when filing their annual Information Returns.
- (2) Prior to filing annual Information Returns with the IRS, payors of reportable payments potentially subject to backup withholding under IRC 3406 (b) may be eligible to match payee name/TIN combinations against IRS records through the TIN Matching program.
- (3) Payors of reportable payments reported on Forms 1099 B, 1099-G, 1099-NEC, DIV, INT, K, MISC, OID and PATR, are eligible if they, are listed in the Payor Authorization File (PAF).
- (4) The Payor Authorization File contains tax filing records on all payors filing Information Returns.

5.19.3.5.2
(09-23-2020)

**Underreporter/Nonfiler
BWH “C” Notices**

- (1) Taxpayers who have under reported their interest or dividend income or failed to file a tax return reporting such income when required, are identified for BWH by:
 - Examination during routine audit processing
 - Return delinquency checks which identify taxpayers who receive interest or dividend income, but fail to file a return
 - Underreporter Program (URP)

5.19.3.5.2.1
(09-23-2020)

**BWH “C” Addresses and
Inquiries**

- (1) Use this section to resolve BWH-C inquiries only. Refer to other IRM sections to resolve all other issues prior to referral.
- (2) If the Backup Withholding Indicator (BWI) is on the module (TXMOD), refer to IRM 5.19.3.5.2.2, *BWH “C” Procedures*. If the BWI is shown as “2” and any of the following conditions exist, forward the information via Form 4442 to the appropriate BWH unit for your BOD per the information in paragraph number 3, 4 & 5 below:
 - Taxpayer is deceased.
 - Account is closed “Not Liable”, “Refund Due”, or “Little or No Tax Due”.
 - The return has been previously filed, but posted to another module (e.g. filed joint with spouse, filed on an incorrect TIN, filed with an incorrect name [entity problem]).

Note: Only send the information to the BWH unit to make a determination to close BWH-C or not. You must work all the RD issues.

- (3) For TS campuses, send the Form 4442 or correspondence to: Internal Revenue Service Stop 5000 P-4333 W. Pershing Road Kansas City, MO 64108-4302. Fax number - 855-233-8562.
- (4) For SB/SE campuses, send the Form 4442 or correspondence to: Internal Revenue Service, Mail Stop 4-N-31.1422970 Market St. Philadelphia, PA 19104 Fax number for BWH “C” Indicator - 855-284-0690.
- (5) For International SBSE backup withholding issues, send the Form 4442 or correspondence to: Internal Revenue Service Mail Stop 4-N-31.1432970 Market St. Philadelphia, PA 19104.

5.19.3.5.2.2
(09-23-2020)

BWH “C” Procedures

- (1) When a taxpayer is in a **potential BWH-“C” status (BWI-1)** and its been determined no underreporting exists or has been corrected (e.g., abatement or TC 59X), check for CC TXMOD/IMFOL to verify the program has updated during monthly analysis from January 1st to December 31st. If not, take the following actions:
 - a. Verify the input of a manual stop. The BWH-“C” indicator will show a satisfied status (BWI-4) and freeze the notice counter at the last notice issued (BWNC 1, 2, 3, 4). You can further verify the stop by referring to the TC 924 in the IDRS TXMOD display. If you verify that a manual stop was input, no further action is required.
 - b. If a manual stop has not been input, see IRM 5.19.3.5.2.13, *TC 971 AC 190 Input Action for Entry on the BWH-“C” File - CSCO KCSC and PSC use only*, and request the manual stop to suspend further BWH-“C” actions and notices. Request a manual stop if a satisfactory response is received from the taxpayer within six weeks after the issuance date of the CP 538 and/or CP 540.

Note: Critical notice responses will require input action before the weekend update to prevent issuance of subsequent notices.

Note: The following procedures are only for inputting manual stops on **potential BWH-“C” status (BWI-1)**.

- (2) Master File analysis pre-BWH processing begins during the following cycles (YYYY52, 04, 08, 13, 17, 21, 26, 30, 34, 39, 43, 47, and 52) will be the cycle numbers generated on all unique BWH-"C" notices to payees. TC 924 on CC TXMOD will show the cycles of when the BWH notices were issued.
- (3) If the taxpayer is in BWH-"C" subject status (BWI-2), he or she will normally remain subject to BWH-"C" until the following (2nd) January 1 if the condition causing BWH is **not** resolved on or before October 15th.
- (4) Prepare Form 4442, *Inquiry Referral*, and list the detailed information provided by the taxpayer to indicate no underreporting exists or has been corrected. Forward the Form 4442 to Collection Branch at Kansas City - KCSC or Philadelphia PSC campuses, refer to IRM 5.19.3.5.2.1, *BWH-C Addresses and Inquiries*, for the KCSC or PSC addresses. Include research prints, as appropriate. Advise the taxpayer the response will be reviewed and will be notified of the decision. **KCSC and PSC (BWH employees) are the only functions authorized to make changes or updates to the BWI.** The TC 971 AC 190 with appropriate secondary action code may or may not be input depending upon the results of the Inquiry Referral Form 4442, *Inquiry Referral*.

5.19.3.5.2.3
(09-23-2020)
**Reportable Payments
Subject to BWH "C"**

- (1) Payments are generally considered made when they are credited to the taxpayer's account.
- (2) Reportable payments subject to the "C" program are:
 - Interest Income — reported on Form 1099-INT, *Statement for Recipients of Interest Income*
 - Dividend Income — reported on Form 1099-DIV, *Statement for Recipients of Dividend Distributions*
 - Patronage Dividends — reported on Form 1099-PATR, *Statement for Recipients of Taxable Distributions Received from Cooperatives*
 - Original Issue Discount — reported on Form 1099-OID, *Statement for Recipients of Original Issue Discount*

5.19.3.5.2.4
(07-12-2023)
**BWH"C" Supplemental
Notices**

- (1) The (CP 531) BWH-"C" notice and other separate (CP 538/CP 539/CP 540/CP 542/CP 543/CP 544/) BWH-"C" notices include a notification statement, but do not include account or balance due information. Only Balance Due, AUR, and Exam notices with a BWH paragraph explaining the underreported or missing interest/dividend income, will show the balance due information if previously assessed. The Return Delinquency notices (CP 516 and CP 518) will only contain a "pop-up" BWH paragraph explaining the need to file the tax return(s) to report interest/dividend income.
- (2) The taxpayer will receive at least two notices from either Return Delinquency, Balance Due, AUR or Exam and two additional BWH notices within a period of at least 120 days to attempt to resolve the underreporter or non-filer issue. A taxpayer who does not resolve the problem is issued a final BWH-"C" Notice (CP 539) with notification that BWH is now in effect. This final (fifth) notice is generated by the BWH-"C" system. It does not contain balance due information, nor does it affect the regular IDRS notice routine.
- (3) Simultaneously with the final notification to the taxpayer, the payors are sent a BWH-"C" Notice (CP 543) advising them to begin backup withholding within 30 business days on all reportable payments made to the taxpayer. No further

action needs to be taken on taxpayers that are no longer on the payor's files. See Pub 1335, *Underreporter Backup Withholding Questions and Answers*, for this information.

- (4) A listing of the supplemental BWH-“C” notices can be found in Document 6209, Section 9, *IDRS Notices and Notice Codes*. Also listed in Document 6209 is CP 546, Special Backup Withholding Listing. CP 546 is generated when a payor requests a listing of all payees under their TIN that should be on BWH. This generally happens when one payor takes over another.

5.19.3.5.2.5
(09-23-2020)
**BWH“C” Status
Indicators and Module
Conditions**

- (1) The list below provides module conditions that caused a taxpayer to become potentially liable for BWH-“C” or “subject” to BWH. This list also provides the literal BWH status indicators that will appear on IDRS.
- a. The literal indicator BWI-1 will be displayed when either a TC 300 with a Reference Number 890 exists in the module or a TC 140 or a TC 922 with an income field meeting the criteria. See IRM 5.19.3.5.2.3, *Reportable Payment Subject to BWH-“C”*.
 - b. The literal BWI-2 will be displayed after a minimum of four notices have been issued to the taxpayer over a period of at least 120 days that indicate the underreporting condition has not been satisfied or suspended. A final BWH “Start” notice will be issued to the payor to begin BWH.
 - c. The literal BWI-4 will be displayed when the taxpayer resolves the BWH condition prior to receipt of a final notice (in potential status) or when the BWH is previously imposed and a manual stop is input.
- (2) If the BWH indicator is in subject status (BWI-2), the BWH status indicator will change to “blank” when the conditions below indicate that BWH has been satisfied and is removed from BWH during the annual MCC cleanup analysis after October 15th. If the module was in potential status, (BWI-1), the BWH indicator will change to satisfied (BWI-4).
- a. The collection statute for the balance due module has expired per IRC 6502, See IRM 25.6.1.12, *Collection Statue Expiration Date (CSED)*.
 - b. Module goes into Status 12 for a reason other than the posting of a tax return (e.g., full payment, abatement, etc.).
 - c. Full paid return posts causing the module to go into Status 12 and the interest/dividend income is equal to or greater than the IRP data.
 - d. TC 590, TC 591, or TC 596 posts.
 - e. Unreversed TC 540 for a deceased taxpayer posts.
 - f. TC 922 with process codes for TY 198812 and subsequent periods are 69, 70, 71, 73, 74, 89, 91, and 93, posts.
 - g. Manual stop (Action Codes 1, 2, 3, or 7) posts from the input of a TC 971 AC 190, refer to IRM 5.19.3.5.2.13, *TC 971 AC 190 Input Action for Entry on the BWH-“C” File - CSCO KCSC and PSC only*.
 - h. TC 290 or TC 300 for zero posts to a module containing a dummy TC 150.
- (3) The literal BWI-8 suspends BWH until further action is taken. These transactions below will suspend the module until the account is resolved. The BWI-8 will only occur if the taxpayer was previously in a potential BWH-“C” status (BWI = 1). These transactions will have no effect on the case where the taxpayer has already been subject to BWH-“C” (BWI = 2).

- a. Unreversed or unexpired TC 460 posts.
- b. TC 520 (cc 81 or 85–89) is present in any module.
- c. TC 610, TC 594, or TC 599 (exception closing code 88 or 89 for Automated Substitute for Return.
- d. Unreversed TC 910, TC 914, TC 916, or TC 918 posts.
- e. Unreversed TC 470 posts.
- f. Return posts, the module goes into Status 12, and the interest/dividend income is less than the IRP data.
- g. Return posts (other than a substitute for return), causing the module to go into a Status 21 and the interest/dividend income is zero.
- h. Dummy TC 150 posts.
- i. Unreversed TC 494 posts.

5.19.3.5.2.6
(07-12-2023)

Processing BWH“C” Notice Responses

- (1) Once BWH-C process is imposed, it will remain in effect until January 1 if the condition for withholding is resolved during the 12 month period ending October 15th. If it is not resolved by October 15th, BWH will continue another year. BWH may also be resolved by a “manual stop”, generally in one of the following circumstances:
 - Module is in Potential BWI-1 and the taxpayer satisfied the underreporter or unfiled return condition
 - A hardship request
 - Expired CSEDs
 - The tax year is over 6 years old (Non-filers only)
- (2) If there is more than one module in subject status (BWI-2) and only one module is resolved during response processing, the BWI indicator **will not update** from current subject status. You need to contact the taxpayer to advise that all BWI-2 modules must be satisfied before the BWH can be stopped.

Note: Modules in BWH subject status may drop off IDRS. This means you must use CC IMFOL to check each tax year beginning with the current tax year (TY) through the past six years for non-filers or ten years for unexpired CSEDs on balance due accounts. Check those modules for BWH subject status before requesting a manual stop. Once the CSED expires on a module, Master File will update BWH as satisfied.
- (3) An Installment Agreement (IA) or Currently Not Collectible (CNC) does not affect BWH.
 - a. The tax, penalty, and interest must be full paid for all subject status tax modules before the taxpayer can be released from BWH.
 - b. When granting an IA or CNC, advise the taxpayer that BWH will continue, using Letter 681-C, Letter 1962-C, or Letter 2273-C, with the appropriate selective paragraphs.
- (4) No action is required when the payer states this is not their payee on Notice 543 or Notice 544. See Pub 1335, *Underreporter Backup Withholding Questions and Answers*, for additional information. If the payer requests to be contacted, inform them that no further action is required.
- (5) Disaster - O freeze modules will be systemically suspended from BWH and will re-start BWH that is unsatisfied after the -O freeze is no longer on the module. Disaster -S freeze modules will continue with BWH, however, it allows IRS flexibility to grant filing and payment relief without suppressing Compliance ac-

tivities. Affected taxpayers located outside the covered disaster areas should be advised to call the toll free number, 866-562-5227, to self identify for disaster relief. See IRM 25.16.1.7.2, *-O Freeze*, and IRM 25.16.1.7.1, *-S Freeze*, for additional information.

- (6) BWH is suspended on Combat Zone (-C freeze), until six months after the payee leaves the designated combat zone. Payers will be notified to stop BWH. BWH resumes after the six month period See IRM 5.19.3.5.2.13, *TC 971 AC 190 Action on the C BWH File - CSCO KCSC and PSC use only*, if module is not in suspense status.

5.19.3.5.2.7
(07-12-2023)
BWH“C” Undeliverable Processing

- (1) If any BWH-“C” Notice is returned as undeliverable and there is a yellow label which shows a forwarding address from the U.S. Postal Service (USPS), then compare the yellow label entity to the name on the Undelivered Mail and CC ENMOD or IMFOL with an “E” definer (IMFOLE) to verify that it is the same taxpayer. For example, if the yellow label shows John S. Smith, and ENMOD/IMFOLE shows John Smith, then conclude that it is the same taxpayer. Update the forwarding address from the yellow label using CC ENREQ with the appropriate location code. Rev. Proc. 2010-16 Sections 4.05 and 4.06 allows the IRS to change the address when the taxpayer notifies the USPS facility. After updating the new address on ENREQ, destroy the notice. If you determine the information on the yellow label shows a name change or you are not sure it is the same taxpayer, or does not contain a better address, then follow the procedures below:

- a. CP 539 - See IRM 5.19.3.5.2.13, *TC 971 AC 190 Input Action for Entry on the BWH“C” File - CSCO KCSC and PSC use only*. If the subject status has changed or a stop was requested, no TC 971 is required, destroy the notice.

Note: Research using INOLE on “single” entities will often show joint filing.

For example, if the CP 539 is for the spouse on a jointly filed account, the TC 971 will be input on the joint module.

- b. CP 543 - See IRM 5.19.3.5.2.13, *TC 190 Input Action for Entry on the BWH-“C” File - CSCO KCSC and PSC use only*.
- c. CP 531, CP 538, CP 540, CP 542, CP 543, or CP 544, - Destroy UD mail after extracting any useful information (i.e., taxpayer does not live here, incarcerated, deceased, (see paragraph 2 below), etc.) and input AMS Comments.

- (2) If the UD mail indicates that the taxpayer is deceased, input TC 540 for the year the taxpayer died, if known, otherwise, use the current year. This will stop BWH-“C” systemically if the taxpayer is in potential status. If the taxpayer is in subject status, input a TC 971 AC 190 with the appropriate secondary action code for the manual stop, see IRM 5.19.3.5.2.13, *TC 190 Input Action for Entry on the BWH-“C” File - CSCO KCSC and PSC use only*.

5.19.3.5.2.8
(09-23-2020)
IDRS Actions for BWH “C” Notices

- (1) When the taxpayer responds to a notice status account and indicates BWH will be resolved, initiate action to prevent the issuance of subsequent IDRS notices.
 - a. Input CC STAUP for balance due accounts where you determined the next notice will be issued prior to completion of the action. Allow sufficient time (six – eight weeks) for the action to process. The next notice should

be specified as the subsequent IDRS status. The input of a STAUP will not stop unique BWH notices, only Balance Due notices.

- b. Input a "Delay" for return delinquency (RD) modules that are in SC-02 status to prevent it going into TDI SC-03, see IRM 5.19.2.6.1.1, *Accelerate and/or Delay To TDI Status 03*, for further information on how to delay the RD module.

Note: Whenever taxpayers contact the IRS by phone, or are contacted by phone, IRS employees must follow IRM 21.1.3.2.3, *Required Taxpayer Authentication* procedures, to ensure they are speaking to the appropriate taxpayer and to prevent unauthorized disclosure of tax information.

- (2) Input transaction codes that will satisfy the BWH-"C" condition.
 - a. Input a TC 590 with appropriate closing code (cc) if the taxpayer verifies he or she is not required to file a return, see IRM 5.19.2.6.4.5, *IMF - Determining Liability*.
 - b. Input a TC 540 and 591 if the taxpayer with the income was deceased in the year in question, and the surviving spouse filed a joint return, reporting all income.
 - c. Input a TC 291 if the taxpayer can provide sufficient information for an adjustment within tolerance amounts. See IRM 21.5.1.4.12, *Tolerances*. For example: A taxpayer is assessed additional tax because of no response to a CP 2000 for underreporting interest/dividends.
 - d. Other examples are IDRS Actions for BWH-C Notices:

If	You should	Then
The taxpayer responds and provides information on how the income was reported	Review and verify (use CC RTVUE) that the amount was reported	Use REQ54/ADJ54 to input the TC 291 to correct the amount of additional assessed tax.

If	You should	Then
The taxpayer states the unreported amounts were actually reported under another TIN, such as a spouse, child or parent	Review the other account using CC RTVUE to verify the amounts were reported	Input TC 291 using CC REQ54/ADJ54 if the taxpayer provides sufficient information. Note: For most telephone responses, underreporter issues require written documentation if unable to determine the oral statements are valid, See IRM 4.19.3.22.2, <i>IMF Automated Underreporter Telephone Responses</i> .
The taxpayer questions income listed on IRS records	Research IRP data via IRPTR, which provides names of payors of wages, interest, dividends, and other income	Depending on research results, take the appropriate action. Refer to CSCO, Examination or AUR for re-work or take action to reverse assessments.

5.19.3.5.2.9
(09-23-2020)
**BWH “C” Program
Annual Analysis**

- (1) Once BWH-“C” is imposed, it normally will remain in effect until January 1st of the following year if the condition causing BWH-“C” is resolved on or before October 15th. Martinsburg Computing Center (MCC) will analyze for satisfied modules after October 15th of each year. Any taxpayer subject to BWH-“C” who has not resolved the condition on or before October 15th will continue under BWH-“C” the following year.
- (2) If all BWH modules are satisfied on or before October 15th, BWH will systemically stop on January 1st.
- (3) If the taxpayer is in BWH subject status (BWI-2) and the account is resolved during October 16th to January 1st, their module will remain in subject status for at least an additional 12 months, until the second January 1st. For example, if BWH issue is resolved on November 1, 2015, the BWH will be not be released until January 1, 2017.

5.19.3.5.2.10
(09-23-2020)

**Requests to Stop
Underreporter BWH “C”**

- (1) If the taxpayer is in potential status and meets one of the two conditions below, BWH analysis will suspend or satisfy the current status automatically during MCC analysis based upon normal processing.
 - a. No underreporting existed (e.g., abatement of the CP 2000 assessment or taxpayer is not liable (TC 590/591).
 - b. The underreporting condition has been corrected, including full payment of all tax, penalty and interest due.
- (2) If the taxpayer is in potential status or subject status and requests BWH not be started or be discontinued based on one or more conditions listed below, refer the case to the BWH tax examiners in KCSC or PSC, See in IRM 5.19.3.5.2.1, *BWH-“C” Addresses and Inquiries*.
 - a. No underreporting existed (e.g., abatement of the CP 2000 assessment or taxpayer is not liable (TC 590/591).
 - b. The underreporting condition has been corrected, including full payment of all tax, penalty, and interest due.
 - c. The taxpayer disputes that any underreporting has occurred (Examination Referral Criteria).
 - d. BWH will, or is, causing a hardship (as defined in IRM 13.1.7, *Taxpayer Advocate Service (TAS) Case Criteria*) and it appears unlikely that the taxpayer will underreport again. If appropriate, prepare Form 911 and refer to the Taxpayer Advocate, not to the BWH tax examiners. See IRM 5.19.3.4.2, *Taxpayer Advocate Program Criteria* for referral criteria.

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5.19.3.5.2.11
(09-23-2020)

**BWH“C” Satisfying
Transactions**

- (1) When a taxpayer is in potential BWH-“C” status (BWH-1) and its been determined that one of the following **satisfying** transactions has posted, do not input a TC 971 AC 190 (unless 4 notices have already been issued. Then you **must input** a TC 971 AC 190 with the appropriate secondary action code for the manual stop, see IRM 5.19.3.5.2.13, *TC 971 AC 190 Input Action for Entry on the BWH-“C” File - CSCO KCSC and PSC use only*.
 - a. A full paid tax return, TC 150, posted to a return delinquency module (except a dummy TC 150) and the interest and dividend income reported on the return is equal to, or greater than, the Information Return Program (IRP) data (the module status will be 12).
 - b. A balance due module satisfied by full payment, abatement, or credit transfer (Status 12).
 - c. An unreversed TC 590, 591, 596 (unless input closing is a Substitute for Return (SFR) case), See Document 6209, Chapter 11, *TDI Closing Codes*.
 - d. An indication that the taxpayer is deceased (TC 540).
 - e. Expiration of Collection Statute Expiration date (CSED).
 - f. TC 922 with process codes for TY 198812 and subsequent periods are 69, 70, 71, 73, 74, 89, 91, and 93.
 - g. A dummy TC 150 and a posted TC 290 or TC 300 for zero in the same module.
- (2) The following are satisfying transactions for taxpayers in potential or subject status (BWI-1/BWI-2):

- a. A manual stop has posted.
- b. A TC 590 or 591 posts and updates the status to 06.
- c. A TC 291 or 301 posts and updates to Status 12.
- d. A TC 594 cc 84 posts which indicates that the taxpayer filed jointly with the spouse under the spouse's SSN
- e. A TC 540 posts to the year of death. This will satisfy BWH for all modules for the deceased taxpayer (not just the module for the year of death).

5.19.3.5.2.12
(09-23-2020)

BWH "C" Suspending Transactions

- (1) The following are suspending transactions for taxpayers in potential BWH-"C" status (BWI-1):
 - a. TC 594, 599 (unless input on a SFR case), a TC 610, or an unreversed/unexpired TC 460 (Status 04) posts to a return delinquency module.
 - b. An unreversed TC 910 or 918 posts to the entity.
 - c. An unreversed TC 914 or 916 posts to the module.
 - d. A 47 Status hold (unreversed TC 470) on a balance due module.
 - e. An unreversed TC 520 with a Closing Code 81, 85, 86, 87, 88, or 94 in any module.
 - f. An Other Than Full Paid (OTFP) tax return (TC 150) and the return reflects no interest or dividend income.
 - g. An unreversed TC 494 posted indicating a statutory notice is in process which suspends BWH.

5.19.3.5.2.13
(07-12-2023)

TC 971 AC 190 Action on the BWH"C" File - CSCO KCSC and PSC use only

- (1) The Command Code REQ/FRM77 with Transaction Code (TC) 971/972 AC 190 has replaced the manual paper process using Form 8408. The TC 971 AC 190 will cause changes to the BWH status codes (just like the paper process from Form 8408). TC 971/972 AC 190 will be used to stop BWH, restart BWH, or indicate that an undeliverable notice was returned. Document all actions on AMS.

Note: Use a TC 972 AC 190 to reverse a previous TC 971 AC 190 only if the TC 971 AC 190 was input in error. The TC 972 AC 190 must be input within the **same week** of the incorrect TC 971 AC 190 to allow the reversal. If the TC 972 is not input within the same week, you must input a new TC 971 AC 190 to override the previous input.

- (2) The TC 971 AC 190 must contain a **secondary action code** (1,2,3,4,5,6 or 7) to be input in the MISC-Field of CC FRM/REQ77. The secondary action code will indicate the type of change to the BWH status code as defined by paragraph 3 below. In the MISC-FIELD, the first space will contain secondary action codes 1 - 7. **For secondary action codes 2, 3, and 6**, the XREF-TIN field will always contain the Spouse's SSN for codes 2 or 3 or the payer (TIN or SSN) for code 6. **For secondary code 6 only**, the second space in the MISC-FIELD will always contain the Payer Code either E (for BMF - EIN number) or S (for IMF - SSN) number.
- (3) Definitions of the **secondary** Action Codes to be used in CC REQ/FRM77 MISC-FIELD are as follows:
 - 1 = Stop BWH on Primary Social Security Number (SSN).
 - 2 = Stop BWH on Secondary SSN. In addition, the secondary SSN must be entered on the XREF-TIN field.

- 3 = Stop BWH on both SSNs. In addition, the secondary SSN must be entered on the XREF-TIN field.
- 4 = Restart BWH on primary SSN.
- 5 = Undeliverable taxpayer notice (only on CP 539).
- 6 = Undeliverable payer notice (only on CP 543). The Payer "E" code for BMF and "S" code for IMF will be entered on the MISC-FIELD next to Action Code 6. The Payer's TIN (EIN or SSN) will be entered on the XREF-TIN field.

Note: The Payor Notice may have more than one payee (taxpayer) listed. If so, you must input a separate CC REQ/FRM77 for each payee (taxpayer) listed on the notice.

- 7 = Stop BWH on primary SSN (potential status).

Note: If the input of the TC 971 AC 190 shows no BWH activity, an IDRS error message will display "No Backup Withholding on Module".

- (4) After the TC 971 AC 190 with the appropriate secondary action code is input as stated in paragraph 3 above, a TC 924 with a 3 digit reference number (refer to TC 924 definitions in paragraph 5 below) will post indicating a BWI change. Secondary action code 4 (restart) and 7 (stop in potential status) goes through the next monthly analysis and may take up to six weeks to post a change to update the BWI indicator. All other action codes bypass the BWH monthly analysis to expedite changing/updating the BWI indicator and may post within six weeks.

Note: If there is an unpostable condition for the TC 971 AC 190, the TC 924 will not post to IDRS. You must check the unpostable condition, and if the BWH still needs to be updated, input a new TC 971 AC 190 with the appropriate secondary action code.

- (5) When the TC 971 AC 190 posts on IDRS, the tax module will display a posted TC 924 with the appropriate 3 digit reference number showing the change to the BWH status. The TC 924 will post on IDRS as follows:

- TC 924 reference number 140 will post if the module contains a TC 971 AC 190 with a secondary action code of 1, 2, or 3. This will change the BWI from 2 to 4 indicating "Account Satisfied".
- TC 924 reference number 160 will post if the module contains a TC 971 AC 190 with a secondary action code of 4. This will **re-start** BWH on the primary SSN.
- TC 924 reference number 190 will post if the module contains a TC 971 AC 190 with a secondary action code of 7. This will change the BWI from 1 to "Blank" indicating No BWH Consideration.

Note: TC 971 AC 190 with secondary action codes 5 and 6 will not have a TC 924 transaction code.

Note: Make sure that when working with a spouse or dependent's BWH issue that the TC 971 AC 190 is input on the spouse or dependent's SSN. For example, if the spouse's (or dependent's) module shows BWI-2 and the joint (or parent's) account shows no BWH activity, then verify that the interest/dividend income was reported on the joint (or parent's) return. If reported, then input a

TC 971 AC 190 with secondary Action Code of “1” on the spouse’s (or dependent’s) account to remove the BWH.

5.19.3.5.2.14
(07-12-2023)

**BWH Error List from TC
971 AC 190 Inputs
(CSCO KCSC and PSC
use only)**

- (1) Normally, an unpostable condition will be identified at the time the TC 971 AC 190 is trying to post. However, there may be other error conditions identified through BWH analysis. An Error List (Report number 406-61) will be produced monthly on Control-D and provided to KCSC or PSC for analysis. Review and complete each item on the error list monthly. If the taxpayer’s account needs to be corrected, then input a corrected TC 971 AC 190 with appropriate secondary action code. The following action codes listed will assist you in resolving the errors:

Action Codes	Resolutions
Code “A”	Reserved
Code “B”	Identifies multiple manual inputs being processed during the same extract period which are inconsistent for the same IMF module.
Code “B”	Also identifies inconsistencies when multiple action codes are input the same week. The BWH system will accept the action code for the most recently requested transaction and error out the other transaction.
Code “C”	Identifies the payee is not in subject status.
Code “D”	Identifies manual input which failed to match the name control SSN of the IMF module.
Code “E”	Identifies manual input which have failed to match the tax period of the IMF module or the tax module is not in subject status.
Code “F”	Identifies manual input which have failed to match the secondary SSN in the XREF-TIN field of REQ77 of the IMF module for the required tax year.
Code “G”	Identifies manual input for Action Codes 1, 2, 3, or 7 when the taxpayer was never considered for BWH or has satisfied BWH.

Action Codes	Resolutions
Code "G"	Also identifies manual input for Action Code 4, when the taxpayer has never been considered for BWH or is not in satisfied status due to a prior manual stop.
Code "G"	Also identifies manual input for Action Code 5, when the taxpayer is not in BWH subject statu
Code "H"	Identifies Action Codes 1, 2, or 3 when all BWH modules are not addressed in subject status.
Code "H"	Identifies a stop was issued in error because taxpayer has not resolved all tax years. Issue Letter 1978-C with appropriate selective paragraphs.
Code "Q"	Identifies a secondary Action Code that is not 1, 2, 3, 4, 5, 6, or 7.
Code "R"	Identifies a secondary Action Code 6 and omitted the TIN-Type E or S in the MISC-FIELD or did not include the Payor's EIN/SSN in the XREF-TIN field.
Code "S"	Identifies a secondary Action Code 1 or 4 input and a secondary SSN entered in the XREF-TIN field in error
Code "T"	Identifies a secondary Action Code 2 or 3 was input and omitted the secondary SSN in the XREF-TIN field.
Code "U"	Identifies a secondary Action Code 5 or 7 was input and contained (in error) the secondary SSN in the XREF-TIN field
Code "V"	Identifies a TC 972 with a secondary action code 4 or 7 with no matching secondary action code of the prior TC 971.

Note: Some errors may be caused by BWH status on the spouse's (or dependent's) account where the spouse (or dependent) has filed with the joint (parent) account. For example, spouse's (or dependent's) module shows BWI-2 and joint account shows no BWH status, then verify that the interest/

dividend income was reported on the joint (parent's) return. A TC 971 AC 190 with secondary Action Code of "1" must be used on the spouse's (or dependent's) account.

- (2) Count each item on the register for reporting purposes.

5.19.3.5.2.15
(07-30-2025)

**Further Considerations
When in BWH“C”
Subject Status**

- (1) If the taxpayer states that information we previously requested was provided to the campus but has not been acted upon, the taxpayer may qualify for Taxpayer Advocate priority handling, see IRM 13.1.7.3, *TAS Case Criteria*.

- (2) Certain unusual situations require special handling:

- Taxpayers may demand immediate release of BWH-“C”, based on the fact it was inappropriately imposed due to IRS error;
- MFT 31 (mirrored accounts) of both spouses and the BWH programming will not allow update from BWI 2 to BWI 4.

Note: In rare circumstances, an MFT 30 module may not update correctly to BWI 4.

- (3) Research the account to ensure there are no other modules for which the taxpayer is subject to BWH-“C” (review CC IMFOL, as well as SUMRY, TXMOD, etc.).
- a. If the taxpayer is unwilling to wait for the normal release to take effect (six – eight weeks) and has satisfactory evidence (e.g., copy of returned/ canceled check showing a payment was made to full pay the module before the BWH Start Notice was issued), or your research shows an IRS error, including failure to update to BWI 4 for satisfied modules, then issue Letter 2027-C, *Backup Withholding; Payor Stop Letter*, to payor(s) currently taking BWH from dividend and interest payments. Check CC IRPTR to identify payer on the interest and dividend income. The letter authorizes the payor(s) to stop withholding within 30 days.
 - b. Regulation 31.3406(c) -1(e)(2)(i)(A) requires a 30-day “Quick Release” under the above circumstances. Payor is authorized to stop even sooner but no later than 30 days. The same rule applies to cases of undue hardship.
 - c. Statute requires the IRS to provide a notice to stop BWH within 45 days. See IRC Section 3406 (c) (3) (C) (ii).
- (4) When disputes arise, the taxpayer must provide documentation for claims of hardship in writing as verbal telephone contact is insufficient.
- (5) Review and verify the request or claim for determination as stated in paragraph (2) (a) above.
- a. If the taxpayer/payee are not subject to BWH-“C” for this or any other year, send Letter 1979-C, *BWH Granting of Appeal*, to the taxpayer/ payee. Follow procedures for the issuance of a manual stop refer to See IRM 5.19.3.5.2.13, *TC 971 AC 190 Action on the BWH-“C” File - CSCO KCSC and PSC Use only*.
 - b. If its determined the taxpayer is subject to BWH“C”, deny the request and send Letter 1978-C, *Backup Withholding Denial of Appeal*.

- (6) Where the taxpayer states the IRS has agreed to stop BWH-“C”, but indicates all or some payers did not receive the proper notification:
 - a. Research IDRS to verify whether the taxpayer is subject to BWH-“C”. If not subject to BWH-“C”, advise the taxpayer to give a copy of Letter 1979-C, *Backup Withholding; Granting of Appeal*, to the payor(s).
 - b. If the taxpayer does not have a copy of the letter, secure from the taxpayer their payor(s) name, address, account number, etc., and issue Letter 2027-C, *Backup Withholding; Payor Stop Letter*, to the payor(s).

Note: If the issue involves an MFT 31 module, input AMS comments indicating Letter 1979-C was sent, the account is satisfied, and the BWI = 2 cannot be updated to 4 due to programming. BWH is not recognized for MFT 31 mirrored modules.

5.19.3.5.2.16
(09-23-2020)

**Request for List of
Payees Subject to BWH
“C”**

- (1) When a payor is taken over by another payor, the records of the predecessor are not always available. On these occasions, the current payor should request a listing of all payees subject to BWH under their Taxpayer Identification Numbers (TINs).
- (2) Ensure the closed payor does not have open filing requirements. Use CC ENMOD, CC IMFOL, or CC BMFOL to verify filing requirements have been closed out and verify the new payor has been established.
- (3) To request a current listing of payees subject to BWH, you must secure the following information below and forward a Form 4442, *Inquiry Referral*, to the Lead BWH Tax Examiner, PSC. See IRM 5.19.3.5.2.1, *BWH-C Addresses and Inquiries*.
 - a. Name, address and TIN of the requesting payor or individual;
 - b. Telephone number and name of the person making the request;
 - c. Name, address and TIN of the closed payor;
 - d. Include your name, telephone number, and branch location with the request.
- (4) The Lead TE at PSC will track the request and transmit via secure E-mail to MITS. The E-mail address is “&MITS ACIOAD-CP-Backup Withholding Project”.
- (5) When requests are processed, MITS will forward a tape to the Centralized Print Sites (CPS) requesting issuance of the CP 546. The listing will be printed on CP 546. MITS will notify both the lead at PSC and the SBSE analyst that the task has been completed.
- (6) Remind the originator of the request that the payee’s identity and account listed in the notice is only for their use in complying with BWH regulations; unauthorized disclosures may subject them to civil damages under IRC 7431).

Exhibit 5.19.3-1 (09-23-2020)**Taxpayer Inquiries for BWH “B” Program**

If the taxpayer asks	Then the answer is
1) How does the payor know whether the CP2100 or CP2100A notice is the first or second notification for a specific payee?	1) The CP notice does not identify whether it is the first or second notification for a particular account. Therefore, the payor is required under the backup withholding regulations to institute a system to track the status of these accounts.
2) Does the payor send a B-Notice to every account on the listing?	2) No. The payor notifies only account holders whose name/TIN combination on their records matches the combination IRS identified as incorrect.
3) When does the payor send the B-Notice to the payee?	3) The payor has 15 business days from the date shown on the CP 2100 or CP 2100A notice, or the actual date received, if later, to notify the payee.
4) Can the payor use a substitute B-Notice?	4) A substitute B-Notice may be used as long as the guidelines for the B-Notices in Rev. Proc. 93-37 as modified by Rev. 2014-43 are followed.
5) What should the payor do if the TIN was actually on file but was left off the Form 1099, or reported incorrectly?	5) The payor should note this in his records and use the correct information on future returns. DO NOT send a B-Notice in these situations.
6) What does the payor do if there is no longer a relationship with the payee or if there was only one transaction?	6) The payor should send a B-Notice to the payee and try to obtain a correct TIN. Records should be notated, so that if the relationship is renewed with the same individual it can be tracked for the two out of three year rule. The payor is only required to track these accounts for three years after the date he received the B-Notice.
7) Is it possible to have an SSN for a sole proprietor or do they need an EIN?	7) A sole proprietor must furnish his or her individual name and may use either his/her SSN or assigned EIN. The sole proprietor may provide the business name, but the individual name must be listed before the business name. The payor MAY NOT show only the business name for a sole proprietorship.
8) Must the payor withhold on a payee who is a non-resident alien?	8) YES, unless the payor has a Form W-8 BEN, <i>Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding</i> , on file. This document is good for three years.
9) Is the payor required to report or backup withhold on exempt payees?	9) NO. Refer to the instructions on Form W-9 for a list of payees who may be exempt from BWH and for which information reporting may not be required. In some cases the payor may only treat the payee as exempt if it certifies to the exemption on Form W-9.

Exhibit 5.19.3-1 (Cont. 1) (09-23-2020)
Taxpayer Inquiries for BWH “B” Program

If the taxpayer asks	Then the answer is
10) What does the payor do if the Form W-9 is returned with the same incorrect information?	<p>10) The payor should keep the Form W-9 on file to show the payee certified to the name/TIN combination. Do not backup withhold.</p> <p>Note: This applies to the first “B” notice only.</p>
11) What does the payor do if the B-Notice is undeliverable?	<p>11) The payor should try to obtain a good address for the payee and mail the notice again. If a new address cannot be found the payor should keep the undeliverable document with the payee’s records and start BWH on any future payments.</p>
12) How does the payor report the BWH to IRS?	<p>12) BWH is reported on line 2 of Form 945, Annual Return of Withheld Federal Income Tax. Payments should be remitted through the normal depository procedure. Also, report the amount withheld on the appropriate Form 1099.</p>
13) How does a payor obtain an EIN from IRS if one is needed to report BWH?	<p>13) Apply online, fax or mail a completed Form SS-4, Application for Employer Identification Number.</p> <p>Note: Taxpayers outside of the United States may also apply for an EIN by calling 267-941-1099 (TOLL CALL).</p>
14) What action does the payor take if Form W-9 is returned with the statement “Applied For” in place on the TIN?	<p>14) If the payee returns a properly completed and signed W-9 with “Applied For” written in Part 1, the payor should allow the payee 60 calendar days to provide the TIN, to the payor. If the payer does not receive the TIN within 60 days, BWH must begin on any payments and continue until a TIN is furnished.</p> <p>Note: The 60 day exemption from BWH only applies to interest, dividend, and certain payments relating to readily tradeable instruments.</p>
15) Why are accounts on which the payor has filed corrections still included on the B-Notice listing?	<p>15) Due to the timing of the program, corrections may not be processed at the time the first run is done in preparation of the B-Notice listing. If it is determined the account has been corrected, there is no need to send the B-Notice to the payee.</p>
16) Is the payor required to wait the 30 business days following receipt of the B-Notice to start BWH?	<p>16) NO. The payor may elect, on a case by case basis, to start BWH at any time after receipt of the notice.</p>

Exhibit 5.19.3-1 (Cont. 2) (09-23-2020)**Taxpayer Inquiries for BWH “B” Program**

If the taxpayer asks	Then the answer is
17) What does the payor do if the name/TIN of a specific payee is shown on two CP2100 or CP2100A Notice lists in the same calendar year?	17) Regardless of whether the listings relate to the same or different tax years, the payor may satisfy the mailing requirements by mailing only one B notice to the payee.
18) Is the payor required to mail a second B Notice to a payee if a second CP2100/2100A Notice relating to information returns filed for the same tax year is received in a subsequent year?	18) NO. A second notification must be disregarded.
19) How is Form 1099 prepared if the payee is deceased during the year?	19) If the Administrator/Executor of an Estate has not advised the payor of the assignment of a new TIN, it is advisable to use the SSN of the deceased individual as listed on the existing account.
20) Can a certification based on the information on one account be used to correct all accounts of a specific payee?	20) BWH applies to all existing accounts receiving reportable payments that can be located using reasonable care if the incorrect TIN is used on all such accounts. Therefore, a single certification may be used to correct all accounts of a payee.
21) What does a payor do if the payee refuses or neglects to provide a TIN?	21) If a TIN is not provided, a payor is required to begin BWH on any reportable payments immediately upon opening the account with the individual or business. To avoid penalties, the payor must make the required request for the payee’s TIN.
22) What should a payor do if a payee is currently subject to BWH for another reason?	22) Only one Backup Withholding type is enforced at a time, but the withholding must continue until the payee is no longer liable.

Exhibit 5.19.3-1 (Cont. 3) (09-23-2020)
Taxpayer Inquiries for BWH “B” Program

If the taxpayer asks	Then the answer is
<p>23) What must the payor do if he started BWH and it is determined at a later date that the payee is an organization exempt from backup withholding and has no information reporting requirements?</p>	<p>23) Only those amounts that are withheld erroneously may be returned to the payee and only if it is the result of an error by the payor. All other payees must wait for an information return and claim the BWH on a tax return, Form 1040, Form 1120, Form 1041, Form 1065, or Form 990-T. See the back of Form W-9 for a list of some of the exempt payees. The following actions may be taken:</p> <ul style="list-style-type: none"> • If the payer discovers the error prior to the end of the calendar year and prior to the time of furnishing Form 1099, the erroneous amount may be refunded to the payee at the payor's discretion. Only the amount of BWH not refunded should be reported on Form 945. • If the refund is made to the payee after having made the last deposit for the tax year, but before reported on Form 945 is filed, then only the amount of BWH for that quarter which was not refunded is reported. Any overpayment of previously paid BWH will automatically be refunded to the payor if no other taxes are owed. • Prior to the end of the calendar year, a payor may refund an amount erroneously withheld to the payee. If a payee files a Form 843 for tax withheld before the end of the tax year, advise the payee to seek reimbursement from the payor.

Exhibit 5.19.3-1 (Cont. 4) (09-23-2020)**Taxpayer Inquiries for BWH “B” Program**

If the taxpayer asks	Then the answer is
<p>24) What does the payor send to the payee if the information in his records agrees with the information provided by the IRS?</p>	<p>24a) If this is the first notification from the IRS the payor must provide the recipient:</p> <ul style="list-style-type: none"> • A copy of the B-Notice; • A copy of Form W-9 (or acceptable substitute); • At the payor’s option a reply envelope; and • The outer envelope must be clearly marked “IMPORTANT TAX INFORMATION ENCLOSED” or “IMPORTANT TAX RETURN DOCUMENT ENCLOSED”. <p>24b) If this is the second time within a three year period that the payor has been notified that a particular account has an incorrect name/TIN combination, the payor must provide to the payee:</p> <ul style="list-style-type: none"> • The second B-Notice • At the payor’s option a reply envelope; and • The outer envelope must be clearly marked “IMPORTANT TAX INFORMATION ENCLOSED” or “IMPORTANT TAX RETURN DOCUMENT ENCLOSED”. (Do not send a Form W-9)

Exhibit 5.19.3-2 (07-30-2025)**Taxpayer Inquiries for BWH “C” Program**

If the taxpayer asks	Then the answer is
1) What kind of payments are subject to BWH under the C program?	1) Generally, any interest, dividends, patronage dividends or original issue discounts that are normally reported on Form 1099.
2) What kind of payments are not subject to the backup withholding C program?	2) Payments not covered include, but are not limited to: <ul style="list-style-type: none"> a. Salary or wage payments b. Pensions c. IRA distributions d. “Window Transactions” e. Payments of less than \$10.00 (must not exceed \$10.00 for the year)
3) How does a payee become subject to BWH?	3) Under the BWH-C program, when the payee fails to report, or pay proper tax on dividends or interest on an income tax return, IRS will send at least four notices over at least 120 days asking that the problem be corrected. The final notice tells the payee that he/she is now subject to BWH and IRS is notifying the payers to begin withholding.
4) How long does BWH last?	4) Until the IRS notifies the payor that the payee is no longer subject to BWH. Normally this would be at the end of the current year. However, if the payee has not resolved the problem that caused the BWH by October 15th of the current year, BWH will continue through the following calendar year.
5) Can BWH be avoided?	5) YES, if a payee responds to our notices and resolves the problem, BWH will not start.
6) Once on BWH, can BWH under the C program be stopped before the year ends?	6) YES, if the payee can show that: <ul style="list-style-type: none"> a. No underreporting occurred (e.g., full abatement) b. BWH will cause an undue hardship and future underreporting is unlikely.

Exhibit 5.19.3-2 (Cont. 1) (07-30-2025)

Taxpayer Inquiries for BWH "C" Program

If the taxpayer asks	Then the answer is
<p>7) How can you tell a payee's backup withholding status?</p>	<p>7) BWH status indicators appear on TXMODA and ACS as follows:</p> <ul style="list-style-type: none"> • BWH-1 Potentially liable for BWH • BWH-2 Subject to BWH • BWH-4 BWH satisfied • BWH-8 BWH suspended • BWH-8 BWH suspended • BWH-0 No BWH was considered <p>Because BWH is modular, each period must be checked to determine the status.</p> <p>Note: IDRS BWH module status is not always current because of systemic time delays. USE MFTRA TO DETERMINE CURRENT STATUS.</p>
<p>8) Does filing jointly mean joint BWH liability?</p>	<p>8) Usually, but not always. Example: Payees file jointly in 1996 - divorce in 1997 - wife files her own return for 1997 and husband does not file for 1997. The system will look for the husband's return (primary TIN). If no return is present, the system will initiate notices to the last known address for the primary payee. If no return is filed, the system will look at the last return it has for the TIN and because it was joint, will put both husband and wife on BWH. The wife, in this case, should not be on BWH. The only way we can establish what happened is for the wife to contact us and give us the former husband's SSN so that his account can be researched via MFTRA.</p>
<p>9) Are many payees placed on BWH erroneously?</p>	<p>9) NO, but it does occur in a small volume of cases. Example: Husband dies wife files Form 1040 using her SSN, but does not change her husband's SSN on the joint bank or stock accounts. IRS will get IRP data with the husband's SSN and look for the husband's tax return; finding nothing, the system will generate notices for the husband's return which the wife will not answer because he's deceased and she filed by herself. IRS will eventually send a BWH notice showing the husband's SSN to the payer. The payor will withhold on the dividend or interest payments due the wife on the joint accounts because the husband's SSN is still controlling the account. The payee should be advised to notify payors to change the SSN on all accounts.</p>

Exhibit 5.19.3-2 (Cont. 2) (07-30-2025)
Taxpayer Inquiries for BWH "C" Program

If the taxpayer asks	Then the answer is
10) What if the payee claims not to have gotten any BWH notices?	10) The IRS sends notices to the last address on file. If the mail is not returned, the assumption is that it was delivered. Note: The regular TDA and TDI notices have a BWH notification on the back which some payees overlook.
11) How can IRS employees tell what BWH notices were sent to the payee?	11) A BWH notice count (BWNC-n) appears on TXMODA next to the BWH status indicator (BWI-n). If no notices have been sent, or if the payee is now subject to BWH, the BWNC will be zero. If a manual stop of BWH has been input, the BWNC will be frozen at the number of the last notice issued. Cycles of notice issuance will also appear.
12) Does IRS stop BWH on a payee who shows proof of filing and/or payment?	12) Not necessarily. It will depend on the date of the filing/payment. If the date is prior to the issuance of the CP 539 a stop is appropriate. If the filing/payment date is later, the taxpayer will remain on BWH until the yearly check (October 15th).
13) Should IRS stop BWH if a bank notifies that the payee has closed the account?	13) NO. The payee may have accounts in other banks.
14) What does the payor do if the payee is already subject to BWH for another reason?	14) Only one % withholding at a time is required, but the withholding must continue until the payee is no longer subject to BWH for any reason.
15) How should the payor report BWH funds to IRS?	15) BWH is reported on line 2 of Form 945, Annual Return of Withheld Federal Income Tax. Payment should be remitted through normal depository procedures. Also, report the amount withheld on the appropriate Form 1099.

Exhibit 5.19.3-3 (09-23-2020)

IMF Balance Due (BD) Accounts

BWH Status	Notice of Form	Required Action(s)	Action Time Frames
1st BWH Notification	Master 1st Notice	If information from the taxpayer resolves the balance due, input CC STAUP to suspend further BWH and Balance Due notices.	Input CC STAUP within 3 weeks of next notice issuance (as appropriate).
2nd, 3rd, and 4th BWH Notification from Balance Due (BD) Notices	CP 501, CP 503, and CP 504	If the taxpayer states that no underreporting of Interest of Dividend existed or has been corrected, prepare Form 4442, to suspend BWH notice Issuance. Note: If the taxpayer still owes other taxes and was allowed an IA, Installment Agreement, or CNC, Currently Not Collectible, instruct the taxpayer that an IA or CNC does not affect BWH "C" consideration, see IRM 5.19.3.5.2.6(3).	Input CC STAUP within 3 weeks of the next notice issuance (as appropriate). Complete and submit Form 4442 daily to one of the 2 centralized BWH "C" CSCO campuses in Kansas City or to Philadelphia), see IRM 5.19.3.5.2.1(4).
5th, 6th, and 7th BWH Notification from BWH-"C" BD Notices	CP 531, CP 538 or CP 539 Note: CP 531 is a BWH Alert notice for both BD and RD conditions.	If the taxpayer states that no underreporting of Interest or Dividend existed or has been corrected, prepare Form 4442, to suspend BWH notice issuance.	Complete and submit Form 4442 daily to one of the two centralized BWH-C CSCO campuses in Kansas City or Philadelphia), see IRM 5.19.3.5.2.1(4).
5th, 6th, and 7th BWH Notification from BWH-"C" BD Notices	CP 531, CP 538 or CP 539	If appropriate, prepare Form 911 and refer to Taxpayer Advocate Service. See IRM 5.19.3.4.2, <i>Taxpayer Advocate Program Criteria</i> .	Send Form 911 to Taxpayer Advocate Service within 24 hours.

Exhibit 5.19.3-4 (07-12-2023)**IMF Return Delinquency (RD) Accounts**

BWH Status	Notice of Form	Required Action(s)	Action Time Frames
1st Return Delinquency (RD) Notification for BWH from RD CP Notice	CP 59	If the taxpayer is not liable, input CC TDIAD to prevent further BWH related TDI notices. Input TC 590 of TC 591 per IRM 5.19.2.6.4.5, IMF Determining Liability	Input CC TDIAD within 3 weeks from the next notice issuance.
2nd RD Notification for BWH from RD CP Notice	CP 516 and CP 518 Note: CP 516 is the 2nd RD notice for IMF PC-B modules only. CP 518 is the second RD notice for IMF non-PCB modules.	If the taxpayer is not liable, input TDIAD to prevent further BWH-related TDI notices, input TC 590 or 591 per IRM 5.19.2.6.4.5, IMF Determining Liability.	Input CC TDIAD within three weeks from the next notice issuance.
3rd, 4th and 5th BWH Notification from BWH-C RD Notices	CP 531, CP 540 and CP 539 Note: CP 539 is the Final BWH RD notice and instructs the taxpayer he/she is now subject to BWH.	If the taxpayer is not liable, input TC 590 or 591 per IRM 5.19.2.6.4.5, IMF Determining Liability. Prepare Form 4442 to suspend next notice issuance or update BWH indicator.	Complete and submit Form 4442 daily to one of the two centralized BWH- "C" CSCO campuses in Kansas City or Philadelphia), refer to IRM 5.19.3.5.2.1(4).
3rd, 4th and 5th BWH Notification from BWH "C" RD Notices	CP 531, CP 540 and CP 539	If the taxpayer states that no return was due or had been filed (possibly under another TIN), prepare Form 4442 to suspend next notice issuance or update BWH indicator.	Complete and submit Form 4442 daily to one of the two centralized BWH- "C" CSCO campuses in Kansas City or Philadelphia), refer to IRM 5.19.3.5.2.1(4).
3rd, 4th and 5th BWH Notification from BWH "C" RD Notices	CP 531, CP 540 and CP 539	If appropriate, prepare Form 911 and refer to Taxpayer Advocate. See IRM 5.19.3.4.2, <i>Taxpayer Advocate Program Criteria</i> .	Refer Form 911 to Taxpayer Advocate within 24 hours.

Exhibit 5.19.3-4 (Cont. 1) (07-12-2023)
IMF Return Delinquency (RD) Accounts

BWH Status	Notice of Form	Required Action(s)	Action Time Frames
3rd, 4th and 5th BWH Notification from BWH “C” RD Notices	CP 531, CP 540 and CP 539	If the taxpayer otherwise disputes im- position of BWH, advise the taxpayer to submit a written request to one of the two centralized BWH- “C” CSCO campuses in Kansas City or Philadelphia).	The two centralized BWH campuses addresses are located in IRM 5.19.3.5.2.1.

Exhibit 5.19.3-5 (04-23-2014)**TC 924 Reference Number Break Down**

First digit is always 1	Reference Number
Second digit is always 0, 1, 2, or 8	<ul style="list-style-type: none"> • 0 = BWH initiated by TC 922 • 1 = BWH initiated by TC 140 • 2 = BWH initiated by TC 300 • 8 = Timing problem at Master File BWH is valid
Third digit identifies actions that have occurred on the account	<ul style="list-style-type: none"> • 0 = Taxpayer in Potential Status • 3 = Taxpayer in Potential status, however a tax return has posted with Status 10 or 12 with dividend/interest less than amount on IRP document • 4 = Manual stop input • 5 = Manual restart input • 6 = Supplemental notice issued • 8 = Final notice issued • 9 = Computer generated when BWH was satisfied and yearly analysis determined BWH should be stopped, or when TC 291, TC 590, or TC 591 post