



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

5.21.7

JUNE 3, 2020

## EFFECTIVE DATE

(06-03-2020)

## PURPOSE

- (1) This transmits a revision of IRM 5.21.7, *International and Insular Issues, Special Cases*.

## MATERIAL CHANGES

- (1) IRM 5.21.7.1: Updated to include internal controls under Program Scope and Objectives.
- (2) IRM 5.21.7.2(3): Updated Rev. Proc. to Rev. Proc. 2015-40.
- (3) IRM 5.21.7.2(4): Updated Rev. Proc. to Rev. Proc. 2015-40.
- (4) IRM 5.21.7.2(5): Updated to include Rev. Proc. 2006-23 and Rev. Proc. 2015-40 to contact and coordinate with the United States Competent Authority.
- (5) IRM 5.21.7.2.1(2): Updated Rev. Proc. to Rev. Proc. 2015-40.
- (6) IRM 5.21.7.3(1): Added Rev. Proc. 2017-15 to discuss Qualified Intermediary Agreements.
- (7) IRM 5.21.7.3.1(6)(b): Note updated link.
- (8) IRM 5.21.7.4(3): Clarified the type of tax covered by Denmark, France, the Netherlands, and Sweden, including Japan as the new treaty partner.
- (9) IRM 5.21.7.4(4)(b): Deleted Western and added Northwest.
- (10) IRM 5.21.7.4.1(1): Describes Inbound Mutual Collection Assistance Request.
- (11) IRM 5.21.7.4.1(3): Clarified Inbound Mutual Collection Assistance Request.
- (12) IRM 5.21.7.4.1(5)(e): Added reference to Foreign Collection Deadline.
- (13) IRM 5.21.7.4.1(6): Added reference to the MCAR Database and relocated this subsection to IRM 5.21.7.4.1(9). Renumbered subsequent subsections.
- (14) IRM 5.21.7.4.1(7): Restructured paragraph.
- (15) IRM 5.21.7.4.1(8): Restructured paragraph.
- (16) IRM 5.21.7.4.1(9): Restructured paragraph.
- (17) IRM 5.21.7.4.1(10): Added references to the new Letter 6195, Letter 6196 and Letter 6197.
- (18) IRM 5.21.7.4.1(10)(a): Explained Letter 6195.
- (19) IRM 5.21.7.4.1(10)(b): Explained Letter 6196.
- (20) IRM 5.21.7.4.1(10)(c): Explained Letter 6197.
- (21) IRM 5.21.7.4.1(11)(b): Referenced new Letter 6077, MCAR Short Term Payment Plan.
- (22) IRM 5.21.7.4.1(11)(c): Note clarified procedures when MCAR coordinator should report an update to United States Competent Authority.

- (23) IRM 5.21.7.4.1(11)(d): Clarified procedures when U.S. Citizenship limits Mutual Collection Assistance Request collection.
- (24) IRM 5.21.7.4.1(11)(f): Clarified proceed when TP files bankruptcy.
- (25) IRM 5.21.7.4.1(11)(g): Clarified procedures relating to OIC.
- (26) IRM 5.21.7.4.2: Inserted new paragraph and clarified procedures regarding closed MCAR case files.
- (27) IRM 5.21.7.4.3: Relocated this section from IRM 5.21.7.4.11 and clarified procedures for processing payment for inbound MCAR cases.
- (28) IRM 5.21.7.4.4(1): Added reference to check IDRS for inbound MCAR cases.
- (29) IRM 5.21.7.4.7: Added reference to check IDRS for inbound MCAR cases.
- (30) IRM 5.21.7.4.8(2): Added explanation relating to dual citizenship.
- (31) IRM 5.21.7.4.8(11): Added reference to MCAR database.
- (32) IRM 5.21.7.4.9(2): Added reference to Letter 6196.
- (33) IRM 5.21.7.4.11: Inserted new subsection to incorporate Interim Guidance SBSE-05-0318-0009, Guidance for Withdrawing an Outbound Mutual Collection Assistance Request Case Referral.
- (34) IRM 5.21.7.4.11.1: Restructured paragraph.
- (35) IRM 5.21.7.4.11.13: Updated reference to IRM 11.3.26.
- (36) Editorial changes have been made throughout this IRM.

#### **EFFECT ON OTHER DOCUMENTS**

IRM 5.21.7 supersedes IRM 5.21.7, dated 11/13/2015. This IRM also incorporates Interim Guidance SBSE 05-0318-009, Guidance for Withdrawing an Outbound Mutual Collection Assistance Request Case Referral.

#### **AUDIENCE**

Revenue officers in SB/SE Field Collection (FC)

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Small Business/Self Employed

5.21.7  
Special Cases

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5.21.7.1  
(06-03-2020)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM provides instructions and guidelines for working cases which have unusual international aspects that must be considered. The procedures are written for international revenue officers but also apply to domestic revenue officers. Employees in SB/SE and employees in other functions may also refer to these procedures.
- (2) **Audience:** Revenue officers in Small Business/Self Employed (SB/SE) in Field Collection.
- (3) **Policy Owner:** Director, Collection Policy, SBSE.
- (4) **Program Owner:** Collection Policy, SBSE, Global Strategic Compliance (GSC).
- (5) **Primary Stakeholder:** SB/SE Collection and Large Business and International (LB&I).
- (6) **Primary Goals:** This IRM provides the fundamental knowledge and procedural guidance for working International cases

5.21.7.1.1  
(06-03-2020)  
**Background**

- (1) This IRM section provides guidelines and procedures for working international cases that require special handling.

5.21.7.1.2  
(06-03-2020)  
**Authority**

- (1) The authority for collection actions described in this Section is delegated from the Secretary of the Treasury. See IRM 1.2.2.6, Delegations of Authority for the Collecting Process, IRM 1.2.2.14, Delegations of Authority for Special Topics Activities, and IRM 1.2.65.3, SB/SE Functional Delegation Orders - Collection. These sections include:
  - Delegation Order 5-3, Levy on Property in the Hands of a Third Party (not to include Levy Form 668-B)
  - Delegation Order 5-4, Federal Tax Lien Certificates
  - Delegation Order 25-1, Summonses, Oaths, Certifications, and Related Functions
  - Other SB/SE specific delegation orders, such as SBSE 1-23-2, Authority to Sign and Issue Levy and Related Documents

5.21.7.1.3  
(06-03-2020)  
**Responsibilities**

- (1) The Director, Collection Policy, is responsible for overseeing policy and procedures regarding the International Collection Program.
- (2) Field Collection territory managers and group managers are responsible for ensuring compliance with the guidance and procedures described in this IRM.
- (3) IRM authors are responsible for drafting IRM procedures consistent with the Internal Revenue Code, regulations, and other legal guidance. IRM authors also clear sections of the IRM through the affected offices.

5.21.7.1.4  
(06-03-2020)  
**Program Management and Review**

- (1) Program Reports:
  - Director, Field Collection Report - This monthly report encompasses all Field Collection including International and provides measures on the performance of Field Collection.
  - International Territory Report - This monthly report provides measures on the performance of the International Territory.

## (2) Program Effectiveness:

- International program reviews are conducted on an ad hoc basis to verify compliance with IRM procedures and to address findings by the Treasury Inspector General for Tax Administration/U.S. Government Accountability Office.
- Operational reviews are conducted by the territory manager and area director annually to evaluate program delivery and conformance to administrative and compliance requirements.

5.21.7.1.5  
(06-03-2020)

**Program Controls**

- (1) Managerial approval of certain case actions by group managers, territory managers and area directors ensure compliance with procedural requirements.
- (2) International ROs use the Integrated Collection System (ICS) to manage their inventory and record their case activity.

5.21.7.1.6  
(06-03-2020)

**Terms and Acronyms**

- (1) This table lists commonly used acronyms and their definitions.

| Acronym  | Definition                                  |
|----------|---|
| AMS      | Accounts Management System                  |
| APMA     | Advance Pricing & Mutual Agreement          |
| CAP      | Collection Appeals Program                  |
| CCP      | Centralized Case Processing                 |
| CIP      | Compliance Initiative Program               |
| CNC      | Currently Not Collectible                   |
| CSED     | Collection Statute Expiration Date          |
| FCD      | Foreign Collection Deadline                 |
| IDRS     | Integrated Data Retrieval System            |
| IRC      | Internal Revenue Code                       |
| IRM      | Internal Revenue Manual                     |
| LB&I     | Large Business & International              |
| MCAR     | Mutual Collection Assistance Request        |
| PALS     | Property Appraisal & Liquidation Specialist |
| Pub      | Publication                                 |
| QI       | Qualified Intermediary                      |
| Rev Proc | Revenue Procedure                           |
| RO       | Revenue Officer                             |
| SB/SE    | Small Business Self Employed                |

| Acronym | Definition                              |
|---------|---|
| TAIT    | Treaty Assistance & Interpretation Team |
| TBOR    | Taxpayer Bill of Rights                 |
| USCA    | United States Competent Authority       |
| USD     | United States Dollar                    |
| UTL     | Unable to Locate                        |

5.21.7.1.7  
(06-03-2020)

#### Related Resources

- (1) Additional resources can be found in:
  - Rev. Proc. 2006-23
  - Rev. Proc. 2015-40
  - IRM 5.21.1, *Overview*
  - IRM 5.21.2, *Offshore Information Gathering Techniques*
  - IRM 5.21.3, *Collection Tools for International Cases*
  - IRM 5.21.4, *Payments Made in Foreign Currency*
  - IRM 21.8.1, *IMF International Adjustments*
  - IRM 21.8.2, *BMF International Adjustments*
  - IRM 21.8.4, *United States Certification for Reduced Tax Rates in Tax Treaty Countries*
  - IRM 21.8.6, *Exemptions From U.S. Withholding (Form 8233)*
  - Document 12990, *IRS Records Control Schedules, RCS 28 for Tax Administration - Collection*
- (2) The following publications are used for International Issues. They can be used as technical reference material or provided to taxpayer. These publications are available for reference on SERP and on the internet at <http://www.irs.gov>.
  - Pub 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*
  - Pub 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*
  - Pub 901, *U.S. Tax Treaties*
- (3) 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 <https://irssource.web.irs.gov/Lists/General%20News/DispItemForm.aspx?ID=126>

5.21.7.2  
(06-03-2020)

#### Cases Controlled by the United States Competent Authority Office

- (1) The U.S. Competent Authority (USCA) coordinates tax cases involving another country or a U.S. territory. A taxpayer can request the USCA assistance in cases involving treaty benefits claimed by the taxpayer and resolve cases of double taxation. See IRM 4.60.2, *Mutual Agreement Procedures and Report Guidelines*.
- (2) The Commissioner, LB&I, is the USCA and is charged with administering the provisions of tax treaties, interpreting and applying the tax treaties, and reaching mutual agreement in specific cases. The USCA conducts the competent authority process through two offices, the Advance Pricing and

Mutual Agreement Program (APMA) and the Treaty Assistance and Interpretation Team (TAIT). APMA has primary responsibility for cases arising under the business profits and associated enterprises articles of U.S. tax treaties. TAIT has primary responsibility for cases arising under all other articles of U.S. tax treaties. TAIT also has primary responsibility for cases arising under U.S. tax treaties with respect to estate and gift taxes. APMA and TAIT each can consider cases arising under the permanent establishment articles of U.S. tax treaties, and both offices will coordinate and collaborate on such cases, and on any other cases, as appropriate.

- (3) Rev. Proc. 2015-40 contains the procedures that allow a U.S. taxpayer to request assistance from the USCA on issues arising under a tax treaty between the United States and a foreign country. Rev. Proc. 2006-23 provides procedures for requesting assistance from the USCA under the provisions of a tax coordination agreement between the United States and a U.S. Territory.
- (4) As per Rev. Proc. 2015-40 and Rev. Proc. 2006-23 "the IRS will suspend further administrative action, including assessment and collection procedures, with respect to the issues under Competent Authority consideration unless and until USCA instructs otherwise. "Standard administrative procedures will continue to apply to issues over which the USCA has not assumed jurisdiction.
- (5) Sometimes the cases being worked by the USCA are also assigned to a Revenue Officer (RO) in either status 26 or status 03. Contact and coordinate with the USCA prior to initiating collection actions in such cases to avoid violating the suspension guidelines in Rev. Proc. 2006-23 and Rev. Proc. 2015-40. Commencing collection action without prior coordination with the USCA could be counter-productive to the Service's interest or unfair to the taxpayer. See Rev. Proc. 2006-23.

5.21.7.2.1  
(06-03-2020)

**Procedures for Working  
United States Competent  
Authority Cases**

- (1) The USCA analyst working the case will identify Field status via IDRS. The USCA analyst will send an encrypted e-mail to the SB/SE Collection Policy (CP), Global Strategic Compliance analyst who acts as the insular area liaison.

- (2) The USCA e-mail will be worded as follows:

COMPETENT AUTHORITY NOTE: Tax years \_\_\_\_ and \_\_\_\_ are currently under the jurisdiction of the USCA(SE:LB&I:IN). Pursuant to Rev. Proc. 2015-40, [or Rev. Proc. 2006-23, if applicable] the IRS will suspend further administrative action with respect to the issues under Competent Authority consideration, including assessment and collection procedures. Therefore, until negotiations are complete with the other taxing jurisdiction's Competent Authority, the RO should contact the U.S. Competent Authority to discuss any contemplated collection action for these years before proceeding with collection action. The U.S. Competent Authority analyst on this case is \_\_\_\_\_ and can be reached at \_\_\_\_\_. Please make contact with this analyst as soon as possible to discuss any proposed actions on the case. You will be notified when the case is completed and Competent Authority jurisdiction relinquished.

- (3) The CP analyst will copy the USCA analyst's e-mail message and paste it into the ICS history. It will be the obligation of the USCA analyst to notify the CP analyst when the case is closed. The CP analyst will make a note about the closure in the ICS history.



- (4) Consult your manager if you believe that suspension of collection activity will adversely impact the government's interest. Your manager may contact the USCA analyst to discuss the case and resolve any conflict.

5.21.7.3  
(06-03-2020)  
**Qualified  
Intermediary Cases**

- (1) Qualified intermediary (QI) cases involve foreign entities that enter into a qualified intermediary agreement with the IRS. Rev. Proc. 2017-15 discusses QI agreements.
- (2) QIs file Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*.
- (3) QIs are assigned a special QI Employer Identification Number (EIN) ranging from 98-023XXXX to 98-033XXXX.

5.21.7.3.1  
(06-03-2020)  
**Procedures for Working  
Qualified Intermediary  
Cases**

- (1) Check IDRS command code AMDISA when there is a -L freeze on the account indicating open examination activity. If the case is assigned to a revenue agent, contact that agent before proceeding.
- (2) Determine if the liability is correct and not the result of an error by the QI or IRS. QIs can claim the withholding credits even though they are not assuming primary withholding responsibility.
- (3) Check Form 1042, line 67 to verify that the QI claimed the proper withholding credits. Also, verify the credits in IRS systems by checking IDRS command code IRPTRL and the Entellitrak (E-TRAK) system. The Accounts Management System (AMS) may also contain some of the information you need.
- (4) When ROs request the E-TRAK information, they must put something in the ICS history indicating that they sent the request to the group's E-TRAK resource person and include that person's name. GM approval is not required, and there is no need for the E-TRAK resource person to access the case to verify completion of the request.
- (5) Use internal sources such as IDRS to locate a telephone contact number for the QI or contact the QI team for assistance. If telephone contact is not successful, in order to meet your initial contact time requirement, you may send an appointment letter for a telephone meeting and enclose Publication 1, *Your Rights as a Taxpayer*.

**Note:** The RO may also enclose Letter 1058, *Notice of Intent to Levy and Notice of Your Right to a Hearing*, with the appointment letter. However, the RO may not send L-1058 by itself on initial contact.

- (6) Take the appropriate action in the following situations:
  - a. If the QI did not claim any credits, send L-1058 to the QI.
  - b. If the QI claimed the credits correctly on Form 1042, line 67, and the RO has verified on E-TRAK that the credits are there, but the credit was not properly credited on IDRS, contact the QI Technical Advisor Team Manager.

**Note:** Information to contact the QI manager and a list of QI Technical Advisors is located at: <https://www.irs.gov/businesses/corporations/qualified-intermediary-system>.

- c. If the QI mistakenly did not claim the credits, so there are no credits on line 67 of Form 1042, secure from the QI copies of Forms 1042-S,, *Foreign Person's U.S. Source Income Subject to Withholding*, a letter from the QI explaining the reason for requesting an adjustment, and a corrected Form 1042. You will need these documents to prepare an adjustment. See IRM 5.21.8.5, *Adjustments on Qualified Intermediary Cases*.
  - d. Revenue Officers may not report a QI case as Currently Not Collectible (CNC).
- (7) Contact the QI team prior to taking any further case action if no response is received from the QI. The QI team will send a letter to the QI requiring them to contact the revenue officer.
  - (8) Verify that the QI did not contact the QI team before pursuing collection action.
  - (9) Continue with normal collection actions if the QI does not contact you within 60 days, such as filing the notice of federal tax lien, issuing levies, etc.

**Note:** Do not assess the trust fund recovery penalty against the Qualified Intermediaries since the QI agreement contains provisions that penalize the QI for nonpayment of withholding taxes.

5.21.7.4  
(06-03-2020)

**Mutual Collection  
Assistance Requests  
(MCAR)**

- (1) The United States has six bilateral tax treaties that contain broad provisions for mutual assistance in collection.

**Note:** Many U.S. tax treaties contain separate collection assistance provisions intended to prevent improper use of the treaties. These limited collection assistance provisions focus on exemptions or reduced rates of tax granted under the treaty.

- (2) MCAR is used to combat international tax avoidance and evasion by providing a procedure for collecting taxes on behalf of a treaty partner. MCAR provisions create a mutual obligation for each contracting country to use its domestic collection procedures to collect the taxes of a treaty partner upon request.
- (3) There are currently six bilateral income tax treaties that provide for MCAR. These treaties are with the following countries and cover the following taxes:
  - Canada – All taxes including both individual and business
  - Denmark – Income taxes and other specified taxes
  - France – Income taxes and other specified taxes
  - Japan - Income taxes and other specified taxes
  - The Netherlands – Income taxes and other specified taxes
  - Sweden – Income taxes and other specified taxes
- (4) The MCAR program is administered by the USCA, which is part of LB&I, with assistance provided by Small Business & Self Employed (SB/SE) Field Collection Area Operations.
  - a. The USCA is the coordinating authority with the foreign government. All inbound MCARs are received and processed through the USCA . All communications with a treaty partner must be transmitted through the USCA..

- b. SB/SE International Field Collections, which is part of SB/SE Northwest Field Collection, assists the USCA. in carrying out all the collection activities for MCAR Designated Revenue Officer(s) in SB/SE. SB/SE International Field Collections, as the MCAR coordinator, processes and assigns inbound mutual collection assistance requests.

**Note:** The name of the MCAR coordinators is available at: <http://mysbse.web.irs.gov/Collection/international/mcar/contacts/20805.aspx>

5.21.7.4.1  
(06-03-2020)  
**Inbound Mutual  
Collection Assistance  
Request**

- (1) ) Each of the countries listed in IRM 5.21.7.4(3) may request assistance from the United States in collecting taxes owed to it. Such requests are called "Inbound MCARs." All inbound MCARs are sent to the USCA who is the only IRS official authorized to receive such request. When approved, the USCA will forward such inbound MCARs to SBSE for collection action.

- (2) The Service will not pursue collection on behalf of the treaty partner if the individual subject to collection is a citizen of the United States.

**Exception:** For MCAR cases received from Canada and Denmark, this limitation applies to inbound MCARs relating to taxable periods during which the individual was a U.S. citizen.

**Exception:** For cases received from Japan, this citizenship limitation does not apply to individuals who filed a fraudulent tax return or a fraudulent claim for refund, willfully failed to file to evade taxes, or transferred assets to U.S. to avoid collection.

- (3) MCARs are sent by the treaty country to USCA. Only the USCA is authorized to receive such requests. MCARs come in the form of a written request. All MCARs must include a statement to the effect that the tax has been "finally determined," as required by each treaty. The USCA forwards inbound MCARs to SBSE for collection action.

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- (5) An MCAR contains the following information:

- a. Name
- b. Address
- c. Type of tax and tax period(s)
- d. Amount(s) due in the currency of the treaty partner
- e. Date of Foreign Collection Deadline (FCD)

**Note:** The FCD for each MCAR is provided by the treaty partner. The statute date is shown on the Foreign Tax Liability Certificates. No action is required by the Service to protect MCAR collection statutes.

**Note:** If the FCD is set to pass within 12 months, the MCAR coordinator should request an updated FCD from the USCA. If the FCD has not been updated within 90 days after the request, the MCAR coordinator should follow-up with the USCA. If the FCD has passed, keep the case open and follow-up with the USCA to determine whether the treaty partner has extended the FCD prior to the expiration date.

f. Any known levy sources or assets located within the United States

(6) All inbound MCAR case referrals are maintained on the MCAR Database. The MCAR coordinator will add the inbound MCAR case referrals to the MCAR Database. The MCAR Database is used to track inventory, prepare the Foreign Tax Liability Certificate, prepare notices, letters, and post payments.

- A case is also created on ICS as a Compliance Initiative Program (CIP). ICS will be utilized to track inventory, maintain case histories, and charge time for the inbound MCAR cases. The grade of the inbound MCAR case will be determined based on the complexity of the case, using the same grading criteria as in domestic cases. See IRM 5.1.20.2.

**Caution:** MCAR cases are foreign assessments, and therefore the assessment will not show on IDRS. Do not add assessments to IDRS. The MCAR coordinator will prepare a Foreign Tax Liability Certificate to record the liability.

(7) The MCAR coordinator will update the ICS case code/sub code accordingly.

(8) Conduct research using IDRS, Accurint and other locator sources to locate the following information:

- A U.S. Social Security number or Tax Identification number
- Taxpayer's citizenship
- Taxpayer's address and/or contact information
- The latest return filed
- Possible levy sources
- Any open U.S. tax liability

**Note:** Priority should **always** be given to collecting taxes owed to the United States by the taxpayer before collecting the foreign taxes owed.

(9) Since the Internal Revenue Code requires an assessment before the Service can take any enforcement action, the Service must prepare a Foreign Tax Liability Certificate. The foreign tax liability is shown in U.S. dollars (USD) on a Foreign Tax Liability Certificate.

**Note:** IRC 6201(a) authorizes the Service to make assessments of taxes imposed by the IRC. The bilateral treaties become part of US law and may be implemented through the IRC's assessment and collection procedures for domestic taxes.

A Foreign Tax Liability Certificate is prepared by the MCAR coordinator utilizing the MCAR Database and includes the following:

- a. If the foreign tax liability is listed in U.S. dollars, use that figure for the Foreign Tax Liability Certificate, otherwise convert the tax liability into U.S. dollars using the exchange rate on the date the Foreign Tax Liability Certificate is prepared.
- b. A Taxpayer Control Number (TCN) is created automatically when the case is added to the MCAR database. The format for the TCN is 98-MCA-NNNNN. If this taxpayer also has an SSN, the SSN should also appear on the Foreign Tax Liability Certificate.

**Note:** An inbound MCAR case has three different control numbers, one case number assigned by the treaty partner, another case number assigned by USCA, and the TCN. The TCN is used by Collections. The treaty partner and USCA do not use the TCN.

- c. The Foreign Tax Liability Certificate is signed and dated by the MCAR coordinator.

**Note:** The date the MCAR was received by USCA is treated as the date of assessment for all enforcement actions taken by the Service in the United States, including for purposes of completing a Notice of Federal Tax Lien.

- (10) The Letter 6195, *Notice and Demand Under Internal Revenue Code Section 6303, First Notice - Reply in 10 days*, Letter 6196, *Final Notice, Notice of Intent to Levy*, and Letter 6197, *Request for Collection Due Process Hearing - Denied*, are available in the Forms/Pub/Products Repository to complete and send to the taxpayer. If the MCAR liability is not resolved after the Letter 6195, *Notice and Demand Under Internal Revenue Code Section 6303, First Notice - Reply in 10 days*, Letter 6196, *Final Notice, Notice of Intent to Levy*, is sent to advise the taxpayer about possible distraint actions pertaining to the foreign tax liabilities identified in the MCAR notices.

- a. Letter 6195 informs the taxpayer that the Service is collecting the foreign tax liability on behalf of the treaty partner in accordance with the applicable treaty. The MCAR coordinator prepares and sends the Letter 6195 to the taxpayer. Include with the Letter 6195 the following:
  - Copy of the Foreign Tax Liability Certificate
  - Pub 594, *The IRS Collection Process*
  - Pub 1660, *Collection Appeal Rights*

**Caution:** MCAR collection actions do **not** involve U.S. tax deficiencies. Accordingly, do not send IRS materials that imply the taxpayer is under IRS audit, such as a Pub 1, *Your Rights as a Taxpayer*, or a Letter 3164, *Third Party Notice*.

•Form 433-A, *Collection Information Statement for Wage Earners and Self-Employed Individuals*

- b. If there is no response or an inadequate response to the Letter 6195, the Letter 6196, is sent by certified mail to the taxpayer. The Letter 6196 includes:
  - Copy of the Foreign Tax Liability Certificate
  - Pub 1660, *Collection Appeal Rights*

**Caution:** A taxpayer identified in an inbound MCAR case is not entitled to a Collection Due Process (CDP) hearing because the tax liability at issue is a foreign tax liability. A taxpayer may request review under the Collection Appeals Program (CAP). The Appeals Office does not have the authority

to adjust a foreign tax liability, but it does have the authority, for example, to advise the MCAR coordinator to withdraw the Notice of Federal Tax Lien if Appeals determines that one of the conditions in section 6323(j) exists. See IRM 8.24.1., *Collection Appeals Program*..

- c. For taxpayers requesting a CDP hearing, Letter 6197 should be sent to the taxpayer denying their request for a CDP hearing. Taxpayers can request a CAP in connection with the filing of a Notice of Federal Tax Lien or a Notice of Intent to Levy.
- (11) The response from the taxpayer will determine the next action to take in an MCAR case.
- a. Full pay  
The taxpayer has the option to make payments by check or money order, made payable to the treaty partner in either the currency of the treaty partner or in U.S. dollars. Payment in the currency of the treaty partner is preferred. The MCAR coordinator will forward the payment directly to the treaty partner.
  - b. Short Term Payment Plan
    - Secure a complete Form 433-A, Collection Information Statement and verify all financial information in accordance with IRM 5.15.1, *Financial Analysis*, if the taxpayer cannot full pay the MCAR liability.
    - Complete Letter 6077, *MCAR - Short Term Payment Plan*, and mail to the taxpayer. Letter 6077 provides the taxpayer with instructions on how to make the payments, where to send the payments and who to contact if the taxpayer has questions.
    - All short term payment plans are approved and manually monitored by the MCAR coordinator for a period of 90 days. After the taxpayer has complied with the short term payment plan for 90 days, instruct the taxpayer to make further payments directly to the treaty partner.
  - c. Disputed Tax Liability
    - Taxpayer cannot dispute the MCAR tax liability with the IRS.. Direct the taxpayer to raise any dispute regarding the liability to with the treaty partner. *The United States has no statutory authority to adjust a foreign tax liability.*

**Note:** Unless the treaty partner contacts USCA to cease collection action, the MCAR coordinator should continue with collection action. If the dispute is still unresolved after 90 days, the MCAR coordinator should request an update from USCA to determine resolution of the collection matter with the treaty partner.
  - d. United States Citizenship
    - U.S. citizenship limits MCAR collections. The Service cannot collect tax liabilities owed to France, the Netherlands or Sweden from individuals who are U.S. citizens. If the taxpayer provides proof of U.S. citizenship, close the collection case and contact the MCAR coordinator.
    - \* The Service cannot collect tax liabilities owed to Canada or Denmark from individuals who were U.S. citizens during the tax period at issue. If the taxpayer provides proof of U.S. citizenship during the tax period at issue, close the collection case and contact the MCAR coordinator.
    - \* The Service cannot collect tax liabilities owed to Japan from individuals who are U.S. citizens unless the taxpayer filed a fraudulent return or refund claim, willfully failed to file a return to evade tax or transferred



assets to the U.S. to avoid collection. If the taxpayer provides proof of U.S. citizenship, suspend collection and coordinate with Associate Chief Counsel, International, Branch 7.

- e. Secure evidence of U.S citizenship.

| IF   | THEN  |
|--|---|
| The taxpayer is a U.S. Citizen by birth    | Secure a copy of taxpayer's birth certificate or U.S. passport.   |
| The taxpayer is a naturalized U.S. Citizen | Secure the number, date and place of issuance of the taxpayer's Certificate of Naturalization or a copy of U.S. passport. |

- f. Unable to Pay/Unable to locate (UTL)/Currently Not Collectible (CNC)
- If the taxpayer does not have the ability to full pay or set up a short term payment plan on the foreign tax liability, the MCAR coordinator should close the case as unable to pay. The taxpayer should have completed a Form 433-A, *Collection Information Statement for Wage Earners and Self-Employed Individuals*, to show an inability to pay. See IRM 5.16.1.2.9, *Hardship*, and IRM 5.15.1, *Financial Analysis Handbook*, for procedures to make a hardship determination. If the taxpayer cannot be located, follow the same procedures as working a domestic case for a UTL CNC. Advise the MCAR coordinator that the taxpayer cannot be located in the United States. The MCAR coordinator will inform the USCA that the taxpayer cannot be located so the USCA can inform the treaty partner.
- g. Bankruptcy/Deceased Taxpayer
- The taxpayer may file for bankruptcy. The Service can submit a proof of claim to the appropriate U.S. court on behalf of the treaty partner and advise the treaty partner of developments in the proceedings through the USCA.
  - A decedent estate or insolvency proceeding will be handled in a similar manner in state court.
- h. Offer in Compromise
- The Service does not have the statutory authority to accept an offer to compromise for a foreign tax liability. Therefore, an offer in compromise is not an option for the taxpayer to settle the liability. The MCAR coordinator must direct the taxpayer to the treaty partner for resolution of the account if Full Pay, Short Term Payment Plan, or CNC Hardship are not appropriate.

5.21.7.4.2  
(06-03-2020)  
**Closing Letter**

- (1) Once a case is ready to be closed, the MCAR coordinator contacts the USCA to close the case back to the treaty partner. The letter should contain an explanation regarding the disposition of the case.
- (2) The MCAR Coordinator will route the closed MCAR case file to the Centralized Case Processing (CCP) Unit for storage according to record retention procedures. CCP will hold the closed MCAR case file for 90 days. After 90 days, CCP will send the closed MCAR case file to the Federal Records Center for a three-year retention period before the file is destroyed. (See Document 12990, *IRS Records Control Schedules, RCS 28 for Tax Administration - Collection.*)

5.21.7.4.3  
(06-03-2020)

**Processing Payments  
for Inbound MCAR  
Cases**

- (1) All checks or money orders submitted voluntarily by taxpayers may be in either USD or the foreign currency of the particular treaty partner, but the foreign currency is preferred. If payment is in U.S. dollars, the liability is fully paid when the total payments match the dollar amount on the Foreign Tax Liability Certificate. If the payment is in the foreign currency, the tax liability is fully paid when total payments match the tax liability stated by the treaty partner in its currency in the MCAR letter.
- (2) The check or money order should be made payable to the treaty partner rather than the Service.
- (3) Do **not** accept payment in cash because Form 809, *Receipt For Payment of Taxes*, cannot be issued for MCAR liabilities.
- (4) If taxpayer requests a receipt of payment, provide the taxpayer with a date-stamped photocopy of the check or money order.

5.21.7.4.4  
(06-03-2020)

**Enforcement Action on  
MCAR**

- (1) After the Letter 6196, *Final Notice, Notice of Intent to Levy* is sent to the taxpayer, and there is no response, or an insufficient response from the taxpayer, the MCAR coordinator will, if possible, utilize internal and external locator sources to find levy sources and/or locate taxpayers.
- (2) In situations where the notices are undelivered, the MCAR coordinator will issue a courtesy investigation to the appropriate Field Collection Area to make a field visit to taxpayer's last known address.
- (3) Take the same enforcement actions as would be appropriate for a domestic Bal Due taxpayer, although the processing for certain distraint actions will differ slightly from that for domestic Bal Dues. See IRM 5.11.1.3.
- (4) If enforcement action is not taken on any assets, document why enforcement action was not taken against each identified asset. This documentation will assure the USCA that all possible efforts were made to collect the foreign tax liability.

5.21.7.4.5  
(06-03-2020)

**Levy on MCAR**

- (1) Prior to preparing any levy for amounts due pursuant to an MCAR, check IDRS for any deficiencies owed by the taxpayer. If the taxpayer has deficiencies for U.S. tax, include these amounts in the levy.
- (2) If the taxpayer does not have a U.S. tax liability currently owing, proceed with the levy. Prepare all notice of levy forms and follow the guidelines under IRM 5.11.2, *Serving Levies, Releasing Levies and Returning Property*, with the following exceptions:
  - a. Form 668-A, *Notice of Levy*
    - Prepare Form 668-A as a Word document. ICS template for Form 668-A cannot be used.
    - Include in the comments section of the Form 668-A the following language pertaining to the specific treaty partner:
 

“THIS AMOUNT IS DUE, OWING AND UNPAID TO THE GOVERNMENT OF (Treaty Partner), AND IS BEING COLLECTED ON BEHALF OF (treaty partner) IN ACCORDANCE WITH ARTICLE (Section of the treaty partner agreement) OF THE USA-(treaty partner) INCOME TAX CONVENTION AND APPLICABLE INTERNAL REVENUE LAWS OF THE UNITED STATES OF AMERICA. PAYMENTS SHOULD BE MADE



PAYABLE TO THE RECEIVER GENERAL OF (treaty partner), NOT THE IRS, BUT SHOULD BE MAILED TO THE ADDRESS CONTAINED HEREIN. THE IRS COORDINATOR WILL FORWARD THE PAYMENT TO (treaty partner)."

- Forward levy payments to the MCAR coordinator.
  - Close the MCAR case only if the levy payment fully pays the MCAR liability; otherwise, continue investigating other levy sources.
- b. Form 668-W, *Notice of Levy on Wages, Salary and Other Income*
- Prepare Form 668-W as a Word document. ICS template for Form 668-W cannot be used.
  - Include in the comments section of the Form 668-W, the following language pertaining to the specific treaty partner:

**Note:**

"THIS AMOUNT IS DUE, OWING AND UNPAID TO THE GOVERNMENT OF (Treaty Partner), AND IS BEING COLLECTED ON BEHALF OF (treaty partner) IN ACCORDANCE WITH ARTICLE (Section of the treaty partner agreement) OF THE USA-(treaty partner) INCOME TAX CONVENTION AND APPLICABLE INTERNAL REVENUE LAWS OF THE UNITED STATES OF AMERICA. PAYMENTS SHOULD BE MADE PAYABLE TO THE RECEIVER GENERAL OF (treaty partner), NOT THE IRS, BUT SHOULD BE MAILED TO THE ADDRESS CONTAINED HEREIN. THE IRS COORDINATOR WILL FORWARD THE PAYMENT TO (treaty partner)."

- Forward each levy payment to the MCAR coordinator.
- Close the MCAR case only if the levy payment fully pays the MCAR liability.

**Reminder:** MCAR coordinator should manually monitor the levy payments.

- (3) If the taxpayer has deficiencies for U.S. tax and there is no domestic revenue officer assigned to collect the U.S. tax liability, contact your manager regarding further action. If a domestic revenue officer is assigned to collect the U.S. tax liability, coordinate collection with that officer using the following procedures:
- a. The domestic and MCAR revenue officers must coordinate closely when issuing notices of levy. Prepare one notice of levy per collection source. See IRM 5.11, *Notice of Levy*. The notice of levy should list both U.S. tax liability and the MCAR revenue claims.
  - b. The domestic revenue officer is in charge of the levy. Accordingly, the notice of levy is prepared and served by the domestic revenue officer, and the domestic revenue officer should manage the levy. The domestic revenue officer will coordinate with the MCAR revenue officer and provide updates.
  - c. In general, the collection of U.S. tax liabilities takes priority over collection on behalf of a treaty partner. Amounts collected pursuant to a levy should be applied first to the U.S. tax liability. Once the U.S. tax liability is fully paid, amounts collected will be applied to the MCAR claim.

5.21.7.4.6  
(06-03-2020)  
**Filing Notice of Federal  
Tax Liens on MCAR**

- (1) Follow routine guidelines with respect to MCAR lien activity with the following exceptions:

- a. Notice of Federal Tax Lien (NFTL) filing determination should be made using the same criteria as if the tax liability were a U.S. tax liability.
- b. Do **not** utilize the Automated Lien System (ALS) to file NFTLs for MCAR liabilities. See IRM 5.12.7.8.2.1, *Preparation of MCAR NFTLs*, for the procedures for filing NFTL notice on MCARs.
- c. File an NFTL prior to a seizure of any of the taxpayer's assets, real or personal.
- d. File an NFTL if the taxpayer has the ability to pay, but refuses to do so, and the taxpayer owns real property to which the NFTL will attach.
- e. File an NFTL if the MCAR case is currently not collectible and the taxpayer owns real property to which the NFTL will attach.

**Note:** Although Field Collection Areas may file NFTLs for MCARs, The MCAR coordinator will be responsible for the release of these liens after the revenue officer has closed the MCAR Other Investigation (OI).

**Caution:** Do **not** generate a Collection Due Process (CDP) notice for an MCAR NFTL notice. A taxpayer identified in an inbound MCAR case is not entitled to a Collection Due Process (CDP) hearing because the tax liability at issue is a foreign tax liability. A taxpayer may request review under the Collection Appeals Program (CAP). See IRM 8.24, *Collection Appeals Program*. The taxpayer should be directed to raise any disputes about liability, the Foreign Collection Deadline, or payments directly to the treaty partner.

5.21.7.4.7  
(06-03-2020)  
**Seizure and Sale on  
MCARs**

- (1) Prior to preparing any seizure for amounts due pursuant to an MCAR, check IDRS for any U.S. deficiencies owed by the taxpayer. Any funds obtained from a seizure and sale will first be applied to US deficiencies, with any remaining funds applied to the MCAR.
- (2) Procedures for the seizure and sale of personal and real property are found in IRM 5.10.1.11, *Mutual Collection Assistance Requests*. Generally, IRM 5.10, *Seizure and Sale*, provisions apply to MCAR collection matters with the following exceptions:
  - a. Prior to taking seizure action:
    - Contact both the Property Appraisal and Liquidation Specialist (PALS) and MCAR coordinator.
    - Discuss the facts of the case, including the actions taken prior to the proposed seizure, the type and value of the property to be seized, and the expected revenue.
  - b. If the MCAR coordinator concurs with the proposed seizure:
    - Submit the case for approval through your group manager (according to the current IRM provisions for managerial review).
    - Coordinate the seizure with MCAR coordinator and with the PALS. The PALS will also coordinate the sale with the MCAR coordinator.
    - Contact the OI originator if any questions or problems arise.
  - c. Preparing Form 668-B, *Levy*:
    - Contact the MCAR coordinator to secure a sample of Form 668-B to assist in your seizure and sale preparation. All seizure and sale forms that are prepared must refer to the MCAR liability in a similar manner and contain no reference to U.S. taxes.
    - Do not bid on or purchase seized property on behalf of the U.S. government or its treaty partners in the event that the minimum bid is not received. If appropriate, the sale may be adjourned and rescheduled.

within the allowable one-month time period under IRC 6335.

- Process the seizure and sale documents in coordination with PALS, including expense vouchers found in IRM 5.10.6, *Post Sales Actions and Responsibilities of Advisory*.
- Do **not** request input of TC 360 for seizure and sale expenses because expenses of seizures and sales will not be assessed against MCAR taxpayers. In addition, the foreign tax liability will not be on IDRS.
- Forward monies collected immediately to the SB/SE MCAR coordinator.

- (3) In the instance of separate tax liabilities owed by a taxpayer to both the U.S. Government and the treaty partner and listed on the Form 668-B, apply the proceeds first to the expenses of seizure and sale, next to the U.S. liability, and then to the MCAR assessment. If the taxpayer has deficiencies for U.S. tax and there is no domestic revenue officer assigned to collect the U.S. tax liability, contact your manager regarding further action. If a domestic revenue officer is assigned to collect the U.S. tax liability, coordinate collection with that revenue officer using the following procedures:
- a. The domestic and MCAR revenue officers must coordinate closely when issuing seizure documents . Prepare one set of seizure documents per collection source. See IRM 5.10, *Seizure and Sale*. The seizure documents should list both the U.S. tax liabilities and MCAR revenue claims..
  - b. The domestic revenue officer is in charge of the seizure. Accordingly, seizure documents are prepared and served by the domestic revenue officer, and the domestic revenue officer should carry out the seizure. The domestic revenue officer will coordinate with the MCAR revenue officer and provide updates.
  - c. The PALS assigned to sell the seized assets should provide updates to both the domestic revenue officer and the MCAR revenue officer.
  - d. In general, the collection of U.S. tax liabilities takes priority over collection on behalf of a treaty partner. Where the seizure documents list both the U.S. domestic liability and the MCAR claim, amounts should be applied first to costs of sale, then to the U.S. domestic liability, and then to the MCAR claim.
  - e. In the event that the MCAR revenue claim is not listed on the seizure documents, and the sale of the seized asset results in surplus proceeds, the MCAR revenue officer should seek to have the surplus proceeds applied to the MCAR revenue claim. See IRM 5.11.2.6, *Disposing of Surplus Proceeds*.

5.21.7.4.8  
(06-03-2020)  
**Outbound Mutual  
Collection Assistance  
Request**

- (1) The treaties listed in IRM 5.21.7.4 (3) provides that the Service may request assistance from each of those countries in collecting taxes owed to the United States.
- (2) If a taxpayer was a dual citizen of the United States and the foreign country, or alternatively, was a dual citizen of the United States and the foreign country during the tax period at issue, consult the MCAR coordinator assigned to the foreign country for advice on whether you can pursue collection.

**Note:** In general, when in doubt about the prior or present citizenship status of a taxpayer when considering an Outbound MCAR referral, consult with the MCAR coordinator.

- (3) These treaties provide that each country, upon request by the United States, may take whatever actions it would take to collect its own taxes in order to collect on behalf of the United States. This includes the collection of U.S. taxes through the treaty partner's bankruptcy proceedings.

**Exception:** The treaty with Canada, and the treaty with Denmark provide that they will collect from taxpayers who were not their citizens during the tax periods which the U.S. tax liability relates, even if they subsequently became citizens. The treaties for France, The Netherlands, Japan and Sweden provide that those countries will not collect from their own citizens. The treaty with Japan has certain exceptions to this citizenship limitation for fraud and evasion. Coordinate any proposed MCAR to Japan with Associate Chief Counsel, International, Branch 7.

**Caution:** The treaty with Japan provides that Japan will collect from taxpayers who are not "Nationals". Coordinate any proposed MCAR to Japan with Chief Counsel, International, Branch 7.

- (4) Once the international or domestic revenue officer has reason to believe there are collectable assets in a treaty partner country, the revenue officer can prepare an outbound MCAR for approval.

**Note:** The revenue officer may issue an OI to international field collection to locate income or assets in the treaty partner country prior to referring the case for an outbound MCAR.

- (5) All outbound MCARs require coordination with the MCAR coordinator.
- (6) The MCAR coordinators are listed on the Mutual Collection Assistance Requests (MCAR) web page. The direct link to the page is: <http://mysbse.web.irs.gov/Collection/international/mcar/contacts/20805.aspx>.

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- (8) Do **not** refer Del Ret accounts as treaty provisions prohibit the referral of Del Rets.
- (9) An International or domestic revenue officer should coordinate with the MCAR coordinator when they have any questions on the MCAR program or an MCAR case.

**Caution:** Do not make any contact with the treaty partners. The MCAR coordinator will handle contacts with the treaty partners through the USCA when appropriate.

- (10) All outbound MCAR case referrals are maintained on the MCAR Database. The MCAR coordinator will add the outbound MCAR case referrals to the

MCAR Database. The MCAR Database is used to track inventory, charge time, prepare the Assessment Certificate, prepare notices and letters and post payments.

5.21.7.4.9  
(06-03-2020)  
**Procedures for  
Requesting an  
Outbound MCAR**

- (1) Follow these procedures to request an outbound MCAR where the taxpayer resides or has assets in a country for which mutual collection assistance is available.
- (2) Before requesting an outbound MCAR, make sure a Letter 1058 or LT 11 has been issued to the taxpayer for each tax and period listed on the MCAR.
- (3) Complete Form 14424, *Mutual Collection Assistance Request Treaty Referral*, and provide the following information:
  - a. Name and address of taxpayer,
  - b. Telephone number and/or fax,
  - c. Date and place of birth or (date and place of incorporation),
  - d. Citizenship of taxpayer,

**Note:** Obtain MFTRA-U from IDRS to verify citizenship and document on Form 14424.

- e. Known income or assets in the treaty partner country,
- f. Basis of the liability, and

**Note:** Do not use acronyms, such as SFR or AUR. The treaty partner is unlikely to know any acronyms related to IRS assessments or collections. Instead, explain the how the liability arose.

**Caution:** Do not provide the taxpayer's Taxpayer Identification Number (TIN) on the Form 14424. Instead, include it in secure e-mail message to the MCAR coordinator.

- g. Compute the accruals to 180 days from the date of the referral.
- (4) Attach the appropriate documentation to Form 14224 based on the type of assessment in the following table.

| Type of Assessment          | Attachment(s)   |
|-----------------------------|---|
| (1) TC 290 Adjustments      | IRPTR-O or MFTRA-J for each tax period.<br><b>Note:</b> Attempt to secure the Revenue Agent Report (RAR) if IRPTR-O or MFTRA-J are not available. |
| (2) TC 300 Exam Assessments | Revenue Agent Report (RAR) for each tax period (i.e., each TC 300 assessment), if available.  |

| Type of Assessment                   | Attachment(s)  |
|--------------------------------------|--|
| (3) TC 290 or TC 300 SFR Assessments | IDRS command code TXMOD (TC 150 followed by 0.00 and the Letters SFR at the end of the line) |

- (5) Prepare a secure email message to your group manager and include the following:

- a. Name the treaty country in the "Subject" line of the message.
- b. Include the taxpayer's Taxpayer Identification Number (TIN) in the body of the secure email message.

**Note:** The MCAR coordinator needs the taxpayer's TIN, however the treaty partner does not need the taxpayer's TIN.

- c. Request your group manager to electronically sign the Form 14424.
- d. Once approved, your manager should input an ICS history indicating their approval and forward Form 14424 to the MCAR coordinator using secure email and also include you on the "cc" line of the message to indicate the group manager's approval.

- (6) When the MCAR coordinator receives the Form 14424 the MCAR coordinator will:

- review all referred cases to ensure that they meet the MCAR criteria, and
- handle the referred cases as displayed in the following table:

| MCAR Coordinator Action              |   |
|--------------------------------------|---|
| If                                   | Then  |
| The case is accepted                 | The Coordinator will open a Collection Initiative Program (CIP) Case and document the ICS history.      |
| The case does not meet MCAR criteria | The Coordinator will document the ICS history with the reason and return the referral to the originator |

- (7) Once the MCAR coordinator accepts the outbound MCAR case, the collection case should remain open until all domestic collection enforcement has been exhausted and the treaty partner has confirmed that all collection action in its jurisdiction is complete.
- (8) Close the case appropriately when all collection enforcement has been exhausted against available domestic income and assets. i.e., currently not collectible, continuous levy, etc.,
- (9) The MCAR coordinator should be informed of any changes to the status of the case such as funds collected, inability to pay, etc.,



5.21.7.4.10  
(06-03-2020)  
**Settlement of an  
Outbound MCAR  
Referral**

- (1) There are situations where the referring revenue officer, or the MCAR coordinator, may initiate withdrawal of the outbound MCAR referral. Instead of working with the treaty partner, the taxpayer may choose to resolve their liability with the IRS. If the taxpayer resolves their case with the IRS, the outbound MCAR referral can be withdrawn by either the referring revenue officer or the MCAR coordinator.

**Example:** An RO in International has a Bal Due case totaling \$77,000. The Bal Dues are a result of returns filed by the taxpayer, who is a U.S. citizens. The International revenue officer contacted taxpayer in Canada confirming that taxpayer is residing in Canada. The revenue officer completed Form 14424 and the case was accepted by the MCAR coordinator as a outbound MCAR referral to Canada. Canadian Revenue contacted taxpayer but taxpayer chose to work with the International RO to pay the U.S. tax liability directly to the IRS. TP entered into an approved short term payment plan. The outbound MCAR referral is then withdrawn by the RO using the procedures in IRM 5.21.7.4.10.1.

- (2) The following case closures meet the requirements to withdraw the outbound MCAR referral:
  - Taxpayer has full paid the total liability.
  - Taxpayer has entered into an installment plan.
  - Taxpayer has accepted an offer in compromise.
  - Taxpayer is currently not collectible due to a hardship.
  - The CSED has passed..
  - An adjustment is pending or has posted that will result in a zero balance.

5.21.7.4.10.1  
(06-03-2020)  
**Procedures for  
Withdrawing an  
Outbound MCAR  
Referral**

- (1) Coordinate all requests for withdrawing an outbound MCAR referral with the MCAR coordinator.
- (2) Notify the MCAR coordinator via encrypted email with the subject heading "Withdrawal." The following should be included in the encrypted email:
  - Name of the taxpayer
  - Social Security number or Tax Identification Number
  - Type of case closure
- (3) The MCAR coordinator will inform via encrypted email the LB&I Exchange of Information analyst assigned to the respective MCAR treaty country that the outbound MCAR referral is being withdrawn.
- (4) The MCAR coordinator will close the CIP and notate in the ICS case history that the outbound MCAR referral is withdrawn.

5.21.7.4.11  
(06-03-2020)  
**Communications with  
the Treaty Partner in  
MCAR Cases**

- (1) Communications with foreign treaty partners concerning MCAR cases are to be transmitted through the U.S. Competent Authority. Contact the U.S. Competent Authority analyst assigned to the MCAR case. See IRM 11.3.25, *Disclosure to Foreign Countries Pursuant to Tax Treaties*.

**Caution:** Only information relating to an existing MCAR tax period can be discussed with the treaty partner. Any new information e.g., a new tax period or a new MCAR request **must** be communicated to LB&I.

5.21.7.4.12  
(06-03-2020)  
**Procedures for Field  
Collection Area Offices  
Receiving MCAR  
Investigations**

- (1) Field Collection Area Offices may receive a Courtesy Investigation or Other Investigation (OI) according to the procedures in IRM 5.1.8., *Courtesy Investigations*.
- (2) Managers will assign the Courtesy Investigation according to the procedures in IRM 5.1.8, *Courtesy Investigations*, upon receipt. When the investigation is assigned, contact the MCAR coordinator and provide the investigating revenue officer's name and telephone number.
- (3) The MCAR coordinator will provide guidance to the revenue officer on what actions to take regarding the OI.
- (4) Do **not** close the OI without concurrence of the MCAR coordinator.

5.21.7.4.13  
(06-03-2020)  
**MCAR Taxpayers in  
Bankruptcy and Estate  
Proceedings**

- (1) Secure all information necessary for filing a proof of claim and forward the information to the originator if the investigation reveals that the taxpayer has entered into a bankruptcy proceeding.
  - a. The MCAR coordinator will coordinate the filing of a proof of claim where appropriate, and through the U.S. Competent Authority will advise the treaty partner of developments in the proceedings through the U.S. Competent Authority.
  - b. A decedent estate or insolvency proceeding will be handled in a similar matter in State court.
- (2) If the assigned Service employee in Insolvency determines that a taxpayer has assets in a foreign country, please refer to IRM 5.21.3, *Collection Tools for International Cases*.
- (3) If the assigned Service employee in Insolvency learns of a pending foreign proceeding in which assets of the taxpayer are held, immediately notify your local Chief Counsel office for assistance.

**Note:** Do not file any claim paperwork or documents in this foreign proceeding before consulting with your local Chief Counsel office. See IRM 5.9.7.3, *Collecting Tax Debt in a Foreign Country When There is No U.S. Bankruptcy Proceeding*.

- (4) If the assigned Service employee in Insolvency learns that there is a pending Chapter 15 in the United States in which assets of the taxpayer are held, please refer to IRM 5.9.7.2, *Chapter 15 - Ancillary and Other Cross-Border Cases*.