



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

8.6.5

MARCH 17, 2025

EFFECTIVE DATE

(03-17-2025)

PURPOSE

- (1) This transmits IRM 8.6.5, *Conference and Settlement Practices, Identity Theft Procedures*.

MATERIAL CHANGES

- (1) Added new IRM 8.6.5.1, Program Scope and Objectives, and related sections to address internal controls as required by IRM 1.11.2.2.4, Address Management and Internal Controls.
- (2) Included in new IRM 8.6.5.1.6, Resources, information on the Taxpayer Bill of Rights (TBOR), based on guidance from the Division Counsel/Associate Chief Counsel (National Taxpayer Advocate Program) and Branch 3 of the Associate Chief Counsel (Procedure and Administration).
- (3) Updated organizational titles to reflect name change from Wage and Investment (W&I) to Taxpayer Services (TS).
- (4) Name change from Case and Operations Support (C&OS) to Operations Support throughout document.
- (5) Name change from Appeals to Independent Office of Appeals throughout document.
- (6) Name changed from IDTVA-C to IDTVA throughout document.
- (7) Added updated procedures for submitting request to APS via Appeals Shared Programs Hub throughout document.
- (8) Made editorial changes throughout including revising and updating website addresses and IRM references and making grammatical, spelling and punctuation corrections.
- (9) Renumbered old IRM 8.6.5.1, ID Theft Overview, to new IRM 8.6.5.2, ID Theft Overview.
- (10) Deleted duplicate references from old IRM 8.6.5.1 (1) & (6), ID Theft Overview.
- (11) Renamed and moved old IRM 8.6.5.1.1, Definitions and Explanations of Key Terms, to new IRM 8.6.5.1.5, Terms and Acronyms.
- (12) Moved information from old IRM 8.6.5.1.3, Actions Taxpayers may take Regarding ID Theft, to new IRM 8.6.5.2.1, Actions Taxpayers May Take Regarding ID Theft.
- (13) Moved information from old IRM 8.6.5.1.1 (3), Definitions and Explanations of Key Terms, to new IRM 8.6.5.2, ID Theft Overview.
- (14) Moved information from old IRM 8.6.5.1.2, Resources, to new 8.6.5.1.6, Resources.
- (15) Moved information from old IRM 8.6.5.1.2 (1), Resources, to new 8.6.5.1.6, Resources.
- (16) Moved information from old IRM 8.6.5.1.2 (2), (3), Resources, to new IRM 8.6.5.2.1, Actions Taxpayers May Take Regarding ID Theft.
- (17) Moved information from old IRM 8.6.5.1.2 (4), Resources, moved to new IRM 8.6.5.2 (7), ID Theft Overview.

- (18) Renumbered old IRM 8.6.5.2, Identity theft General Documentation Requirements, to new IRM 8.6.5.3, ID Theft General Documentation Requirements.
- (19) Moved information from old IRM 8.6.5.2(10), Identity theft General Documentation Requirements, to new IRM 8.6.5.10.2, Inputting or Updating ID Theft Tracking Indicators.
- (20) Moved information from old IRM 8.6.5.2(11), Identity theft General Documentation Requirements, to new IRM 8.6.5.10.1, Updating ID Theft Victim's Address.
- (21) Deleted duplicate information from old IRM 8.6.5.5(7) & (13), Identity Theft Raised in Docketed Cases.
- (22) Deleted duplicate information from old IRM 8.6.5.9.1- step #2, Updating ID Theft Victim's Address.
- (23) Deleted duplicate information from old IRM 8.6.5.9.2- step #2, Inputting or Updating ID Theft Tracking Indicators.
- (24) Deleted duplicate information from old IRM 8.6.5.9.3 -step #2, Reversing IMF and BMF ID Theft Tracking Indicators.

EFFECT ON OTHER DOCUMENTS

This supersedes IRM 8.6.5 dated 10/25/2016.

AUDIENCE

IRS Independent Office of Appeals (Appeals)

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8.6.5

Identity Theft Procedures

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8.6.5-1 ID Theft Indicator Acronyms and Definitions

8.6.5.1
(03-17-2025)
Program Scope and Objectives

- (1) Purpose: This IRM section provides procedures for working identity (ID) theft claims.
- (2) Audience: The primary users of this IRM section are Appeals Technical Employees (ATEs).
- (3) Policy Owner: Policy, Planning, Quality, and Analysis (PPQ&A) is under the Director of Operations Support.
- (4) Program Owner: Appeals Policy is the program office responsible for providing technical and procedural guidance to the Appeals organization and is under the Director of PPQ&A.
- (5) Contact Information: Appeals employees should follow established procedures on *How to Contact an Analyst*. Other employees should contact the Product Content Owner shown on the Product Catalog Information page for this IRM.

8.6.5.1.1
(03-17-2025)
Background

- (1) The mission of Appeals is to resolve federal tax controversies without litigation on a basis which is fair and impartial to both the Government and the taxpayer, promotes a consistent application and interpretation of, and voluntary compliance with, the federal tax laws, and enhances public confidence in the integrity and efficiency of the IRS.
- (2) Appeals accomplishes its mission by considering protested and Tax Court cases and negotiating settlements in a manner which ensures Appeals employees act in accord with the *Taxpayer Bill of Rights* (TBOR) in every interaction with taxpayers. See IRM 8.1.1.2, Accomplishing the Appeals Mission.

8.6.5.1.2
(03-17-2025)
Authority

- (1) IRC 7803(e), Independent Office of Appeals
- (2) 26 CFR 601.106, Appeals Functions
- (3) IRM 1.2.1.17.1, Policy Statement 10–1 (formerly P-25-1), Assisting taxpayers who report they are victims of identity theft

8.6.5.1.3
(03-17-2025)
Responsibilities

- (1) The Director, Operations Support, is the executive responsible for Appeals policy and procedural guidance.
- (2) The Director, PPQ&A, is the program manager responsible for program oversight.
- (3) The Policy analyst shown on the Product Catalog page as the “Content POC (Point of Contact)” is the assigned author of this IRM.

8.6.5.1.4
(03-17-2025)
Program Management and Review

- (1) PPQ&A provides trends and data analyses and detailed summary reports for Appeals.

8.6.5.1.5
(03-17-2025)
Terms and Acronyms

- (1) Types of ID Theft:
 - a. Individual Master File (IMF) ID Theft- A misrepresentation of the taxpayer’s or dependent’s identity that is committed or attempted, using a person’s identifying information without authority.

- b. Tax-Related ID Theft- A taxpayer's or dependent's personal information is used without their knowledge or permission to file a tax return.
 - c. Non-Tax-Related ID Theft- A taxpayer's or dependent's personal information has been compromised and used without their permission for purposes other than tax administration.
 - d. Employment-Related ID Theft- The taxpayer's Social Security number (SSN) and / or other personal information has been used to obtain or maintain employment. Their SSN may be used to report income on a Form W-2 which may result in an erroneous assessment of income. Employment-related ID theft is considered "non-tax" related because it does not involve the filing of a fraudulent tax return. However, the income generated by the person using the SSN may have tax account impact if it results in the assessment of additional tax if not identified and corrected prior to the assessment.
 - e. Business Master File (BMF) ID Theft- Creating, using, or attempting to use a business' identifying information without authority to obtain tax benefits.
- (2) Return Preparer Misconduct (RPM): RPM generally involves the orchestrated preparation and filing of false income tax returns by unscrupulous preparers who may claim:
- Inflated personal or business expenses;
 - False deductions;
 - Unallowable credits;
 - Excessive exemptions; or
 - Fraudulent tax credits such as the Earned Income Tax Credit (EITC).
- Note:** The preparer's clients may or may not have knowledge of the false expenses, deductions, exemptions and/or credits shown on their tax returns. Refer to IRM 8.7.18, Return Preparer Misconduct Cases.
- (3) RPM may also involve a return preparer who misdirects the refund to the return preparer's account.
- (4) Below are two examples to help distinguish ID theft from RPM:
- a. RPM- A taxpayer used a preparer to complete and file Form 1040-X , Amended U.S. Individual Income Tax Return. The preparer changed the return without the taxpayer's knowledge by increasing the withholding tax claimed and diverted the resulting refund into the preparer's personal account.
 - b. ID Theft- Without the taxpayer's knowledge or authority, a preparer used the taxpayer's SSN to file a false Form 1040 , U.S. Individual Income Tax Return, and received a refund. The taxpayer is a victim of ID theft.
- (5) Nullity: Designation assigned to an invalid return filed by a wrongful actor.
- (6) Appeals ID Theft Specialized Unit: The Appeals Account & Processing Support (APS) unit is responsible for inputting Appeals' ID theft tax adjustments.
- (7) Identity Protection Specialized Unit (IPSU): Unit within Taxpayer Services (TS) Accounts Management that:
- Assists taxpayers who are or may become ID theft victims

- Refers cases to other IRS functions when an ID theft taxpayer has contacted the IPSU
- Monitors taxpayer accounts that are open in more than one IRS function and follows up with the functions to make sure the ID theft issues are resolved

(8) Refer to IRM 25.23.1.1.2, Terms/Definitions/Acronyms, for examples of IMF and BMF ID theft.

(9) See Exhibit 8.6.5-1, ID Theft Indicator Acronyms and Definitions.

8.6.5.1.6 (03-17-2025) Resources

- (1) IRM 1.1.7, Appeals
- (2) Appeals, *Identity Theft SharePoint*
- (3) IRM 25.23, Identity Protection and Victim Assistance
- (4) *IRS Identity Theft Central*
- (5) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights.
- (6) Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information see the *TBOR website*.
- (7) In accordance with IRM 25.30.2.3, Statement of Commitment, Appeals will work collaboratively with the Taxpayer Advocate Service (TAS) to enhance the taxpayer experience. For more information, see IRM 25.30.2, Service Level Agreement between the IRS Independent Office of Appeals and the Taxpayer Advocate Service.

8.6.5.2 (03-17-2025) ID Theft Overview

- (1) ID theft occurs when someone uses an individual's personal information or business's identifying information, such as name, SSN, or other identifying information without permission, to commit or attempt fraud.
- (2) Taxpayers may notify the IRS when they believe they have experienced an ID theft incident. In these instances, taxpayers must provide documentation to establish they are ID theft victims.
- (3) Appeals will generally see two types of ID theft:
 - Employment or Income Related - This occurs when the identity thief uses the victim's SSN to obtain employment, resulting in what may appear as unreported income under the victim's account.
 - Refund Related - This occurs when the identity thief uses the victim's SSN to file a false federal income tax return to obtain a refund. If the thief files before the victim, the victim may not receive a refund within a reasonable time frame.
- (4) ID theft arises as an issue in Appeals when:
 - Identity Theft Victim Assistance (IDTVA), Accounts Management, or Compliance receives an ID theft affidavit for a taxpayer with an open Appeals case and determines the ID theft complaint is invalid or the taxpayer is confirmed a victim.

- The taxpayer raises the issue to the ATE while the case is under Appeals' consideration.
- (5) Refer to IRM 25.23.2, Identity Protection and Victim Assistance-General Case Processing, for information and guidance for processing identity theft claims.
 - (6) Refer to IRM 25.23.10, Compliance Identity Theft Case Processing, for procedures specific to cases involving Compliance issues.
 - (7) Internal records and the facts of the case are often sufficient to make an ID theft determination. Internal resources that might be useful in verifying an IMF ID theft determination include:
 - IRPTR: Displays payee/payor information
 - ENMOD: Displays name, address, and other entity information including ID theft tracking indicators
 - IMFOL: Displays a summary of taxpayer's filing history
 - RTVUE/TRDBV: Displays tax return information
 - NAMES: To research the National Name Search Facility for a taxpayer's SSN
 - INOLE: Displays account information
 - DUPOL: Displays duplicate SSN data for research purposes
 - REINF: To request individual refund information
 - MFTRA-U: Displays who the SSN is assigned to, whether other names are listed for the SSN
 - DDBKD: Displays information regarding the use of the taxpayer's SSN

Note: See the *IDRS Command Codes Job Aid* for additional information on these and other IDRS command codes.

 - Accounts Management Services (AMS) provides a consolidated and synchronized view of taxpayer data and contact information from various IRS systems
 - RGS: Report Generation Software
 - CEAS: Correspondence Examination Automation Support

8.6.5.2.1 (03-17-2025)

Actions Taxpayers May Take Regarding ID Theft

- (1) You can advise taxpayers who believe they are victims of ID theft to:
 - Contact the Federal Trade Commission (FTC) Identity Theft Hotline
 - Contact the Social Security Administration (SSA)
 - File a report with their local or state police
 - Contact their state Attorney General's office
 - Contact one of the three major credit bureaus: Equifax, Experian, or TransUnion
 - File Form 14039, Identity Theft Affidavit, with the IRS
 - Review Publication 5027, Identity Theft Information for Taxpayers
 - Review the *IRS Identity Theft Central* website for additional resources
 - Call the IRS toll-free number (800) 908-4490, which was established specifically to receive ID theft related calls and to provide taxpayer access to automated messages and assistors. The hours of operation are 7:00 a.m. to 7:00 p.m. (taxpayer's local time) except taxpayers calling from Alaska and Hawaii may call between 7:00 a.m. to 7:00 p.m. Pacific time.
- (2) Refer to IRM 25.23.12, Identity Protection and Victim Assistance- IMF Identity Theft Toll-Free Guidance, for more details.

8.6.5.3 (03-17-2025) ID Theft General Documentation Requirements

(3) Taxpayer Transcript Request:

- If a taxpayer asks the ATE for transcripts while the case is under Appeals' jurisdiction, see IRM 21.2.3.5.8, Transcripts and Identity Theft, for instructions on securing transcripts for taxpayers who were ID theft victims.

(4) Fraudulent Return Request:

- If a taxpayer asks for a copy of a fraudulent return, make a referral to IDTVA-IPSU, see IRM 25.23.3.2.6.1, Intake - Accepting Form 4506-F or Written Requests for copies of Fraudulent Return(s).

- (1) When taxpayers believe they are victims of ID theft, they are required to provide documentation to prove the ID theft.
- (2) Taxpayers are not required to provide substantiation if there is an unreversed TC 971 AC 501, AC 506, or AC 522, with a Tax Administration Source Code INCOME, MULTFL, INCMUL, NOFR or OTHER on the account in the prior 3 years. Before requesting substantiation documentation from an IMF taxpayer, check ENMOD/IMFOLE for:
 - TC 971 AC 501 to see if the IMF taxpayer suffered a substantiated ID theft incident in the prior 3 years.
 - TC 971 AC 506 to see if the IMF taxpayer suffered an ID theft incident in the prior 3 years.
 - TC 971 AC 522 with the applicable Tax Administration Source Code to see if any other IRS business unit substantiated the IMF ID theft incident.
- (3) Substantiation documentation is valid for three years from the date received and processed by the IRS. If the taxpayer experiences a new ID theft incident after the three-year time frame, the taxpayer will need to submit new documents.
- (4) When taxpayers make an ID theft complaint, the account will be marked with TC 971 AC 522 reflecting receipt of documentation using the appropriate Tax Administration Source Code (INCOME, MULTFL, INCMUL, OTHER, or NOFR). Refer to Exhibit 8.6.5-1.

Note: See the *IDRS Command Codes Job Aid* for additional information on these and other IDRS command codes.

- (5) Refer to IRM 25.23.2.3, Identity Theft Claims- General Guidelines, for documentation requirements. If there's no record of a prior substantiated ID theft incident, request that the taxpayer provide the following substantiation documentation within 30 days for Individual Master File (IMF) Cases:
 - a. **Authentication of Identity:** A copy of a valid U.S. federal or state government issued form of identification (examples include a driver's license, state identification card, social security card, or passport).

Note: IRS no longer accepts Puerto Rican birth certificates issued before July 1, 2010. Taxpayers with birth certificates issued before this date must get new documentation from the Puerto Rico Vital Statistics Record Office.

- b. **Support for ID theft:** Form 14039 (IMF) / Form 14039-B (BMF) in certain situations (refer to IRM 25.23.9.7, Form 14039-B, BMF Identity Theft Affidavit), or a copy of a police report indicating ID theft as the issue.

Note: The IRS affidavit for IMF taxpayers is also available in Spanish as Form 14039(SP).

- (6) If a taxpayer is required to provide substantiation documentation but fails to do so within a 30-day deadline, proceed with case resolution assuming the taxpayer is not an ID theft victim.
- (7) For Business Master File Cases (BMF), requests for information are only made when an ID theft determination can't be made based solely on internal research by Compliance. Accordingly, when the taxpayer raises ID theft in a BMF case, follow the guidance for making a referral in accordance with the type of case in the preceding sections.

Note: The Form 14039-B is an internal form sent to the taxpayer by Compliance to gather information that is vital to making an ID theft determination. If you have a BMF taxpayer claiming that they are a victim of ID theft, refer to IRM 25.23.9.7, Form 14039-B, BMF Identity Theft Affidavit, for more information.

- (8) ID theft tracking indicators are used to mark both tax-related and non-tax related ID theft incidents and help identify open and closed cases. Some action codes are used to track the progression of inventory, while others provide taxpayer protections once the tax related ID theft issue is resolved.
- (9) ID theft tracking indicators are:
- Input on IDRS as a Transaction Code (TC) with an Action Code (AC).
 - Displayed on IDRS via command codes ENMOD or IMFOLE for Individual Master File (IMF) accounts, and on the TXMOD for the specific Master File Tax (MFT) and periods for Business Master File (BMF) accounts.

8.6.5.4 (03-17-2025) Unproven ID Theft Complaints

- (1) When ID theft claims are determined to be invalid, taxpayers are issued appeal rights through the normal compliance process as appropriate. Appeals will consider any underlying tax issues.
- (2) Refer to IRM 25.23.4.13.2, Referrals to IRS Independent Office of Appeals (New Requests or Reconsideration for Appeals).
- (3) ATEs are not the first finders of fact. Appeals will consider ID theft issues after they have been investigated by the originating function.

8.6.5.5 (03-17-2025) ID Theft Raised in Non-Docketed Cases

- (1) If a taxpayer raises ID theft as an issue in a non-docketed case in Appeals that has not previously been considered by the IRS, follow the procedures in IRM 8.6.1.7.4, Taxpayer Raises New Issue. Place Feature Code "ID" on Appeals Centralized Database System (ACDS).
- (2) If a taxpayer provides new information with respect to an unproven ID theft complaint that was never previously provided to Compliance, then follow the procedures in IRM 8.6.1.7.5, Taxpayer Provides New Information. Place Feature Code "ID" on ACDS.

Note: If the exception in IRM 8.6.1.7.5(1) applies, then use the referral procedures in IRM 8.22.8.5.1, Referring a Liability Issue, and retain jurisdiction of the case. Place Feature Code “ID” on ACDS and indicate this is a non-docketed case on Form 10467, Appeals Division Feedback Report and Transmittal Memorandum.

8.6.5.6 (03-17-2025) ID Theft Raised in Docketed Cases

- (1) When a taxpayer raises potential ID theft in a **field sourced** case or a **BMF** case that has not been previously considered or provides new information with regard to the ID theft claim in a docketed case, the ATE will follow the Docketed Exam Assistance procedures in IRM 8.4.4, Appeals Docketed Cases, Examination Assistance Requests. Place Feature Code “ID” on ACDS.
- (2) When a taxpayer raises potential ID theft in a **campus sourced** case or an **IMF** case that has not been previously considered or provides new information with regard to the ID theft claim in a docketed case, the ATE will refer it to IDTVA for review and determination. Place Feature Code “ID” on ACDS.
- (3) The ATE will prepare Form 3177, “Notice of Action for Entry on Master File”, instructing APS to input TC 971 AC 522 with Tax Administration Source Code “PNDCLM” for each year ID theft is claimed.
- (4) The ATE will immediately notify the Counsel Attorney assigned to the case (or the Associate Area Counsel if an attorney has not been assigned) when it is learned that the petitioner is claiming to be an ID theft victim.
- (5) The ATE will prepare a package to refer to the IDTVA mailbox.

Note: Refer to IRM 25.23.4.13.3, Cases Received from Appeals With Previous Appeals Involvement, for the current IDTVA mailbox.

- (6) The package will include:
 - a. Form 10467, Appeals Division Feedback Report and Transmittal Memorandum, indicating this is part of a docketed case.
 - b. Form 14039, Identity Theft Affidavit, or police report submitted by the taxpayer.
 - c. Government issued identification of the taxpayer. Refer to IRM 25.23.2.3, Identity Theft Claims-General Guidelines, for details.
 - d. All supporting documentation submitted by the taxpayer.
 - e. For BMF taxpayers, refer to IRM 25.23.9.5, Identity Theft Case Building-Business Master File (BMF), for details.
- (7) IDTVA will mark these requests as priority and will make every attempt to make a determination within 45 days. A follow up email should be sent if no response is received in 45 days.
- (8) If the complaint for ID theft is determined invalid by IDTVA, they will provide the decision to the ATE by secure email.
- (9) If the complaint for ID theft is determined to be valid by IDTVA, they will provide the ATE with a detailed description of the relief granted by secure email.
- (10) Depending on the category and type of adjustments needed (refer to IRM 8.6.5.11, Adjusting ID Theft Liabilities), the ATE will prepare:

- a. Form 3870, Request for Adjustment, identifying the account adjustments and to post the AC 501 Reason Code 139. Refer to IRM 25.23.2.6, Closing Identity Theft Issues.
 - b. Form 3177, Notice of Action for Entry on Master File, to post the TC 971 AC 501 or AC 506 with the applicable Tax Administration Source Code, see Exhibit 25.23.2-2, IMF Only TC 971 AC 501 — Taxpayer Initiated Identity Theft Case Closure (Tax-Related) - TC 971 AC 501.
 - c. Form 2363, Master File Entity Change, to update the Name, Address, or Filing Status.
 - d. If necessary, Form 9409, IRS/SSA Wages Worksheet, to report any corrections to Social Security wages, see IRM 25.23.13.3.1, Form 9409 Procedures-IRS/SSA Wage Worksheet, for more information.
- (11) When tax computations are necessary, the ATE will have a Tax Computation Specialist (TCS) prepare the Form 5278 and Form 5403 Instructions.
 - (12) The ATE will resolve the remainder of the case as appropriate using existing procedures. See IRM 8.4, Appeals Docketed Cases.
 - (13) If the ATE determines the taxpayer was a victim of ID theft and adjustments are necessary (interim adjustments or adjustments made at closing), submit a request to APS through the *Appeals Shared Programs Hub*.

8.6.5.7
(03-17-2025)
**Identity Theft Raised in
Collection Due Process
(CDP) Cases**

- (1) When a taxpayer raises potential ID theft that has not been previously considered or provides new information with regards to the ID theft claim in a CDP case, the ATE will:
 - a. Refer the case to IDTVA for review and determination. See IRM 25.23.4.13.3.3, Collection Due Process Cases Returned from Appeals, for additional information.
 - b. Place Feature Code “ID” on ACDS.
- (2) The ATE will prepare Form 3177, Notice of Action for Entry on Master File, instructing APS to input TC 971 AC 522 with Tax Administration Code *PNDCLM* for each year ID theft is claimed.
- (3) The ATE will prepare a package to refer to the IDTVA mailbox.

Note: Refer to IRM 25.23.4.13.3, Cases Received from Appeals With Previous Appeals Involvement, for the current IDTVA mailbox.

- (4) The package will include:
 - a. Form 10467, Appeals Division Feedback Report and Transmittal Memorandum, indicating this is part of a CDP case.
 - b. Form 14039, Identity Theft Affidavit, or police report submitted by the taxpayer.
 - c. Government issued identification of the taxpayer. Refer to IRM 25.23.2.3, Identity Theft Claims-General Guidelines, for details.
 - d. All supporting documentation submitted by the taxpayer.
 - e. For BMF taxpayers, refer to IRM 25.23.9.5, Identity Theft Case Building-BMF and IRM 8.6.5.3, ID Theft General Documentation Requirements.
- (5) IDTVA will mark these requests as priority and will make every attempt to make a determination within 45 days. A follow up email should be sent if no response is received in 45 days.

- (6) If the complaint for identity theft is determined invalid by IDTVA, they will prepare a reply to notify the taxpayer of the decision and send a copy to the ATE by secure email.
- (7) If the complaint for identity theft is determined to be valid by IDTVA, they will make the necessary account adjustments and provide the ATE with a detailed description of the relief granted by secure email.
- (8) The ATE will resolve the remainder of the case as appropriate using existing procedures. See IRM 8.22 , Collection Due Process.

8.6.5.8
(03-17-2025)
Identity Theft Raised in Other Types of Cases

- (1) Follow the procedures in IRM 8.6.5.5, ID Theft Raised in Non-Docketed Cases, and identify the type of case on Form 10467, Appeals Division Feedback Report and Transmittal Memorandum, and place Feature Code "ID" on ACDS.

8.6.5.9
(03-17-2025)
ID Theft Relief

- (1) When it is determined the taxpayer was a victim of ID theft, the IRS may:
 - Nullify a return not filed by the taxpayer
 - Concede adjustments for income items not belonging to the taxpayer
 - Provide audit reconsideration
 - Move a posted return, not filed by the owner of the SSN, to an IRSN if the return is not deemed a nullity
- (2) Refer to IRM 25.23.4, IDTVA Paper Process, for account actions to be taken for valid IMF ID theft claims.
- (3) Refer to IRM 25.23.4.8.2, Streamline Identity Theft (IDT) Case Identification and Processing.

8.6.5.10
(03-17-2025)
Valid ID Theft Closing Actions for Appeals Technical Employees

- (1) Before closing a valid ID theft case, the ATE must (if applicable):
 - a. Make sure the correct address for the ID theft victim is on file. Refer to IRM 8.6.5.10.1.
 - b. Input or update ID theft tracking indicators. Refer to IRM 8.6.5.10.2.
 - c. Reverse the ID theft tracking indicators. Refer to IRM 8.6.5.10.3.

8.6.5.10.1
(03-17-2025)
Updating ID Theft Victim's Address

- (1) Ensure IDRS reflects the correct taxpayer address to prevent correspondence or refund issuance to the wrong address. If the address on ENMOD/IMFOLE is not the taxpayer's correct address, initiate an update after you have:
 - a. Verified the taxpayer is an ID theft victim, and
 - b. Confirmed the taxpayer is the SSN or Employer Identification Number (EIN) owner.

Note: Resolve incorrect address issues as early as possible.

- (2) The Form 14039, Identity Theft Affidavit, or Form 14039-B, Business Identity Theft Affidavit, are not, by themselves, proof of ID theft. Do not initiate an address change based solely upon the Form 14039 or Form 14039-B.
- (3) Refer to IRM 25.23.2.3.7, When to Update the Victim's Address, for considerations on updating the taxpayer's address.

8.6.5.10.2
(03-17-2025)
**Inputting or Updating ID
Theft Tracking Indicators**

- (1) ID theft tracking indicators are input and updated via Form 4844, Request for Terminal Action or Form 3177, Notice of Action for Entry on Master File. Prepare and submit the form to APS with the following information:
- Taxpayer Identification Number (TIN) and name control
 - Tax year or Master File Tax (MFT) period affected by the ID theft incident, using format MMDDYYYY
 - The appropriate TC and AC code as shown in the tables in the below IRM sections

Note the following in the Miscellaneous field:

- BOD/Function code: AP
 - Program Name: AP
 - Tax Administration Source Code: See the tables in the below IRM sections
- (2) Do not request a TC 971 AC 501 input until **after** the ID theft tax adjustment is complete. The input of this tracking indicator closes the ID theft claim.
- (3) Prior to requesting the TC 971 AC 501, verify and update the taxpayer's address as an incorrect address may result in subsequent ID theft issues.
- (4) If a taxpayer is disputing a proposed assessment related to ID theft and the ATE agrees to a "no change" because the proposed liability was the result of ID theft, request a TC 971 AC 501 through local APS to protect the taxpayer and close the ID theft claim. Refer to IRM 25.23.2.4.1, Tracking and Reporting Identity Theft Cases - Identity Theft Indicators.

8.6.5.10.3
(03-17-2025)
**Reversing IMF and BMF
ID Theft Tracking
Indicators**

- (1) A TC 971 AC 501 closes out an IMF ID theft claim. The following table reflects instances in IMF cases in which it may be necessary to manually reverse the TC 971 AC 501:

REASON CODE ABBREVIATION	REASON FOR REVERSAL
NOIDT	The employee determined that no identity theft occurred.
NORPLY	The taxpayer failed to provide the requested supporting documentation within the time specified by the employee.
TPRQ	Taxpayer requests reversal of the TC 971. Taxpayer may feel issue is resolved or is no longer needed, and it is negatively affecting them.
IRSERR	TC 971 is due to a typographical mistake or another internal mistake.
IRSADM	TC 971 is causing a negative impact on another internal process or system.
FALSE	Original ID theft incident claim was determined to be fraudulent.

REASON CODE ABBREVIATION	REASON FOR REVERSAL
OTHER	Reason for the reversing TC 971 does not meet any of the reasons above.

- (2) If one of the above conditions exists, update the account by completing Form 4844 or Form 3177 and request input of a TC 972 AC 501. Submit via secure email to APS. The form must contain the following information:
 - Taxpayer's SSN and name control
 - Tax year affected by the ID theft incident in MMDDYYYY format
 - BOD/Function code: AP
 - Program Name: AP
 - Reason Code for reversal from the above table
- (3) See IRM 25.23.2.6.2, Manually Reversing TC 971 AC 501, and Exhibit 25.23.2-3, IMF Only TC 972 AC 501 - Reversal of TC 971 AC 501, for more information on reversing TC 971 AC 501 in IMF cases.
- (4) For ID theft cases involving a BMF entity, see IRM 25.23.9.6.5, Reversing Business Master File (BMF) Identity Theft Indicators, and Exhibit 25.23.9-5, Reversing Business Master File (BMF) Identity (ID) Theft Indicators - Transaction Code (TC) 972 Action Code (AC) 522.

8.6.5.11
(03-17-2025)
**Adjusting ID Theft
Liabilities**

- (1) There may be instances where Appeals confirms that the taxpayer is a victim of ID theft and will need to instruct APS to make account adjustments.
- (2) Refer to IRM 8.6.5.9, Identity Theft Relief, for necessary actions when performing account adjustments.
- (3) The ATE **must** ensure the taxpayer's address in IDRS is correct. Failure to verify and update IDRS to the taxpayer's correct address may result in the ID thief getting the taxpayer's mail from the IRS, including the Identity Protection Personal Identification Number needed to file in future years.
- (4) The use of tax computations by Appeals is dependent on the complexity of the adjustment. Tax computations are generally not necessary when Form 3870, Request for Adjustment, is sufficient to adjust a taxpayer's account.
- (5) **ALL** adjustments attributable to ID theft must be submitted to APS through the *Appeals Shared Programs Hub*.
- (6) The ATE will work with APS to rectify problems with account adjustments when needed.

8.6.5.11.1
(03-17-2025)

**Income Related
Adjustment**

- (1) When it is necessary for Appeals to make account adjustments when it is confirmed that an ID thief used the taxpayer's SSN to earn income, the ATE must instruct APS to adjust the liability to ensure the taxpayer is not held liable for the tax liability associated with the income earned by the thief.

Step	Process
1	Prepare Form 3870 and write "ID theft adjustment" at the top. Identify the wrongful transaction(s) that must come off of the account. Example: "Reverse the TC 290/300 assessed including interest and penalties. "
2	Prepare Form 4844 for APS to input TC 971 AC 501 after the account is adjusted.
3	Close the case to your Appeals Team Manager (ATM).
4	The ATM will close the case and forward to the Appeals ID theft Specialized Unit (Holtsville APS) for processing.

8.6.5.11.2
(03-17-2025)

**Return Related
Adjustment-Taxpayer
Didn't File**

- (1) When it is confirmed that an ID thief used the taxpayer's SSN to file a fraudulent return AND the taxpayer had no filing requirement, the ATE must instruct APS to adjust the liability to ensure the taxpayer is not held liable for the fraudulent return filed by the thief.

Step	Process
1	Prepare Form 3870 and write "ID theft adjustment" at the top. Identify the wrongful transaction(s) that must come off of the account. Address any refunds, prepayment credits or payments on the account. Example: The wrongful actor received a fraudulent refund or the fraudulent refund is frozen on the account or was offset to another year for which the taxpayer owes. In all those instances, direct APS to reverse the fraudulent refund. Example: The taxpayer had refunds or payments applied to the liability. Those credits must be returned. Direct APS whether and where to move the taxpayer's credits.
2	Prepare Form 4844 for APS to input TC 971 AC 501 after the account is fully adjusted.
3	The ATM will close the case and forward to the Appeals ID theft Specialized Unit (Holtsville APS) for processing.

8.6.5.11.3
(03-17-2025)

**Return Related
Adjustment-Multiple
Returns Filed**

- (1) When it is confirmed that an ID thief used the taxpayer's SSN to file a fraudulent return and the taxpayer also filed, the ATE must instruct APS to adjust the liability to ensure the taxpayer is not held liable for the fraudulent return filed by the thief.

Step	Process
1	<p>Prepare Form 3870 and write “ID theft adjustment” at the top. Identify the wrongful transaction(s) that must come off of the account. Address any refunds, prepayment credits or payments on the account.</p> <p>Example: The wrongful actor received a fraudulent refund or the fraudulent refund is frozen on the account or was offset to another year for which the taxpayer owes. In all those instances, direct APS to reverse the fraudulent refund.</p> <p>Example: The taxpayer had refunds or payments applied to the liability. Those credits must be returned. Direct APS whether and where to move the taxpayer’s credits.</p>
2	Prepare Form 4844 for APS to input TC 971 AC 501 after the account is fully abated/adjusted.
3	Attach a copy of the taxpayer’s “duplicate” TC 976 return (paper only) or the taxpayer’s original return if not posted as a “duplicate” TC 976 return. A copy of the return can be secured via ESTAB, CIS image, TRDBV, or TRPRT.
4	The ATM will close the case and forward to the Appeals ID theft Specialized Unit (Holtsville APS) for processing.

8.6.5.11.4
(03-17-2025)

Interim Adjustment

- (1) Docketed cases generally require adjustments to be input as an interim adjustment and not at closing. See the table below for making an interim adjustment on income or return related ID theft tax liabilities:

Step	Process
1	<p>Prepare the following documents in APGolf and save them to your desktop:</p> <ul style="list-style-type: none"> Form 3870: Look at the Table above for your case type and see step 1. Form 4844: See Step 2 in the applicable Table above.
2	Attach the documents to a secure email with a subject line Interim Adjustment-ID Theft and forward it to your ATM for approval. The ATM or ATE will notate the approval in the case activity record (CAR).
3	<p>The ATM or ATE will submit the adjustment request to APS through the Appeals Shared Programs Hub.</p> <p>Note: In the notes section type “Interim Adjustment Request-ID Theft”</p>
4	APS will inform the requesting employee when the interim adjustment has been processed.

Note: If APS alerts the ATE that an adjustment cannot be made due to a -L freeze, the ATE will advise APS to reverse the TC 420 and then request it be reinput after the adjustment posts.

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Exhibit 8.6.5-1 (03-17-2025)

ID Theft Indicator Acronyms and Definitions

The following tables describe the terms and acronyms used for the TC 971 AC 501, 504, and 506 identity theft indicator codes. The three tables are: 1) BOD/Function, 2) Program Name, and 3) Tax Administration Source. Not all Tax Administration Source Codes are available to all BOD/Functions.

1. BOD/Function

Term/Acronym	Description
AP	Independent Office of Appeals (Appeals)
CI	Criminal Investigation
LBI	Large Business & International
IT	Information Technology
OS	Operations Support
PPDS	Identity Protection Strategy & Oversight formerly Privacy, Governmental Liaison & Disclosure
SB/SE	Small Business / Self-Employed
TAS	Taxpayer Advocate Service
TS	Taxpayer Services

2. Program Name

Term/Acronym	Description
ACS	Automated Collection System
AM	Accounts Management (IRS-identified identity theft)
AMADJ	Accounts Management (TP-identified identity theft)
AP	Appeals
ASFR	Automated Substitute for Return
AUR	Automated Underreporter
CA	TAS Case Advocate
CFBALDUE	SB/SE: Field Collection - Taxpayer Delinquency Accounts
CFDELRET	SB/SE: Field Collection - Taxpayer Delinquency Investigations
CONGINQ	Congressional Inquiry
CORR	SB/SE Correspondence Exam
CSCO	Compliance Services Collection Operations
CSIRC	Computer Security Incident Response Center
EXAM	TS Correspondence Exam

Exhibit 8.6.5-1 (Cont. 1) (03-17-2025)**ID Theft Indicator Acronyms and Definitions**

Term/Acronym	Description
FA	Field Assistance
FLDEXAM	Field Exam
IVO	Integrity & Verification Operations formerly Accounts Management Taxpayer Assurance Program (AMTAP)
LB	Large Business & International
OPIP	Office of Privacy & Information Protection
PHSH	Phishing
PREREF	Pre-Refund Program
RC	Refund Crime
RFND	Refund Scheme
RICS	Return Integrity & Compliance Services
SP	Submission Processing
TDI	Tax Delinquency Investigation
WHC	Withholding Compliance

3. Tax Administration Source

Term/Acronym	Description
DECD	Taxpayer is deceased.
INCOME	Identity theft identified and substantiated due to an underreporting of income
MULTFL	Identity theft identified and substantiated due to two or more tax returns filed for one taxpayer
INCMUL	Identity theft identified and substantiated due to both underreporting of income and multiple filings
NOFR	Substantiated identity theft incidents where the victim does not have a filing requirement
OTHER	Identity theft which cannot be identified as related to any existing Tax Administration Source types
RFND	Identity theft identified by the filing of a false return in order to obtain a refund
PRISNR	Taxpayer is incarcerated