



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

20.2.1

JANUARY 14, 2025

EFFECTIVE DATE

(01-14-2025)

PURPOSE

- (1) This transmits revised IRM 20.2.1, Interest, Interest Introduction, Standards and Guidelines.

MATERIAL CHANGES

- (1) Correct email address for Counsel in IRM 20.2.1.4.2.2.4(2)(b) Note.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 20.2.1, dated December 26, 2024.

AUDIENCE

Employees of all operating divisions who work with interest.

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Small Business/Self-Employed

20.2.1

Interest Introduction, Standards and Guidelines

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20.2.1.1
(12-26-2024)
Program Scope and Objectives

- (1) **Purpose:** This IRM subsection provides policy guidance for computing interest and addressing interest-related tax account issues.
- (2) **Audience:** This IRM is intended for servicewide use by all business operating divisions (BODs) needing to compute interest. The primary audience is for Restricted Interest tax examiners (TE), who handle computations of interest, employees in:
 - Small Business Self-Employed (SB/SE) Division,
 - Large Business and International (LB&I) Division,
 - Tax Exempt and Government Entities (TE/GE) Division,
 - Taxpayer Services Division,
 - IRS Independent Office of Appeals (Appeals),
 - Criminal Investigations,
 - Taxpayer Advocate Service (TAS), and
 - Other IRS functions
- (3) **Policy Owner:** Responsibility for overseeing interest resides with SB/SE, Operations Support (OS), Business Support Office (BSO).
- (4) **Program Owner:** The Office of Servicewide Interest (OSI) is responsible for overpayment and underpayment interest policy and IRM 20.2, Interest. OSI's role is to ensure the accuracy of interest and its fair and consistent application. OSI has overall responsibility for coordinating and approving any update to IRM 20.2, Interest, including IRM 20.2.1, Interest, Interest Introduction, Standards and Guidelines.
- (5) **Primary Stakeholders:** All operating divisions.
- (6) While pending updated IRM publication, the Servicewide Electronic Research Program (SERP) hosted IRMs 20.2 are considered the authoritative reference for the most current procedures and guidance.

20.2.1.1.1
(12-26-2024)
Background

- (1) Unless otherwise provided by law, interest is mandatory. Interest is paid (charged) on underpayments and interest is paid (allowed) on overpayments. The Office of Servicewide Interest provides policy, training materials, interest tools, and manual interest procedures, when applicable, for overpayment and underpayment interest. It is essential that managers, senior management officials, personnel, and examiners working with computations of underpayment and overpayment interest correctly understand and follow technical guidance and information for interest rates and methods of computation.

20.2.1.1.2
(12-26-2024)
Authority

- (1) In accordance with IRC 6601(a) and IRC 6611, the payment of interest is required unless otherwise specified by law.
 - IRC 6601(a) states that if any amount of tax is not paid on or before the **last date** prescribed for payment, interest on such amount at the underpayment rate established under IRC 6621 shall be paid for the period from such last date to the date paid.
 - IRC 6611(a) provides that interest shall be allowed and paid upon any overpayment of tax at the overpayment rate established under IRC 6621. Interest is generally allowed if an overpayment is offset against a liability, IRC 6611(b)(1), **or** refunded to the taxpayer, IRC 6611(b)(2). See IRM 20.2.4.7, Offsets and IRM 20.2.4.8, Refunds, for additional information.

20.2.1.1.3
(12-13-2021)

**Roles and
Responsibilities**

- (1) The Director, Business Support, is the director responsible for the servicewide interest program.
- (2) The Office of Servicewide Interest (OSI) is a business unit in the Business Support (Small Business/Self Employed) function. OSI is responsible for coordinating policy and procedures regarding systemic and manual overpayment and underpayment interest computations, ensuring consistency with the interest policy statement, reviewing and analyzing interest's impact on IRS' financial statements, and determining appropriate actions necessary to comply with the statutory requirements for computing interest.
- (3) Each IRS organization is responsible for establishing an internal process for managing their procedures based upon these Servicewide policies and may develop additional guidance or reference materials for their specific functional administrative needs. However, such reference material must receive approval from OSI prior to distribution and must remain consistent with the policies and general procedural requirements set forth in IRM 20.2, Policy Statement 20.2, and IRM 1.2.1.12, Servicewide Policies and Authorities, Policy Statements for Penalties and Interest Activities.
- (4) All employees must keep the following objectives in mind when handling each interest case:
 - a. Treat alike similar cases and similarly situated taxpayers.
 - b. Provide each taxpayer with the opportunity to have their interests heard and considered.
 - c. Strive to make a good decision in the first instance. A wrong decision, even though eventually corrected, has a negative impact on the notices for which interest computations are included.
 - d. Provide adequate opportunity for incorrect decisions to be corrected.
 - e. Give each case an impartial and honest view (i.e., approach the job, not from the government's or the taxpayer's perspective, but in the interest of fair and impartial enforcement of tax laws.)
 - f. Use each interest case as an opportunity to educate the taxpayer about their legal obligations and rights regarding taxes and applicable interest issues, assist the taxpayer in understanding their appeal rights, and observe the procedural rights afforded the taxpayer by the Internal Revenue Code.
 - g. Endeavor to promptly process and resolve each taxpayer's case.
- (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. 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 about the TBOR, see *Taxpayer Bill of Rights*.

20.2.1.1.4
(01-25-2021)

**Program Management
and Review**

- (1) Nearly every function in the IRS has a role in proper interest administration. It is essential that each function conduct its operations with an emphasis on mitigating risk of inaccurate interest computations. Appropriate reviews should be conducted to ensure interest accuracy, consistency, and fairness.
- (2) To promote the goals of accuracy, consistency, and fairness in the interest program, the Complex Interest Quality Measurement System (CIQMS) staff, a section within OSI, conducts reviews of interest computations, forwarding their

findings to program partners/stakeholders. OSI also prepares reports of significant interest issues, such as corrections to computer programming that affect taxpayers.

20.2.1.1.5
(12-26-2024)
Program Controls

- (1) IRC 6621 provides the interest rates on overpayments and underpayments of tax, which are tied to the federal short-term interest rate. Interest rates are determined quarterly based on changes to the federal short-term rate.
- (2) Interest is statutory; it **cannot** be reduced or abated due to reasonable cause, nor can it be negotiated. See IRM 20.2.7, Abatement and Suspension of Underpayment Interest, for situations in which interest can be lawfully reduced or abated.

20.2.1.1.6
(01-25-2021)
Terms and Definitions

- (1) See Exhibit 20.2.1-2, Definition of Terms, for the definitions of interest terms.

20.2.1.1.7
(12-26-2024)
Related Resources

- (1) For additional information, such as the latest interest news, job aids, interest tools, alerts, training materials, list of OSI analysts, etc., see the *Interest Insider* on OSI's Virtual Library.
- (2) The sections that comprise IRM 20.2, Interest, are as follows:

IRM 20.2, Interest, Sections

| IRM | Title |
|---------|---|
| 20.2.1 | Interest Introduction, Standards and Guidelines |
| 20.2.4 | Overpayment Interest |
| 20.2.5 | Interest on Underpayments |
| 20.2.7 | Abatement and Suspension of Underpayment Interest |
| 20.2.9 | Interest on Carryback of Net Operating Loss |
| 20.2.10 | Interest on Estate, Employment, and Foreign Taxes |
| 20.2.11 | Miscellaneous Interest Provisions |
| 20.2.14 | Netting of Overpayment and Underpayment Interest |

20.2.1.2
(01-25-2021)
Administration

- (1) The IRS administers the internal revenue laws, including laws that govern the computation and payment of interest.
- (2) Policy statements that relate to interest are found in IRM 1.2.1.12, Policy Statements for Penalties and Interest Activities.
- (3) Campus directors are authorized to perform all administrative actions on all interest cases/adjustments including restricted interest conditions, except those:
 - Involving suits for refund filed by taxpayers in which an overpayment (credit) is determined by a court, or
 - Requiring review by the Joint Committee on Taxation.

- (4) All reference materials involving interest must be consistent with the procedures in this IRM and must be approved by management in SB/SE, Operations Support, Business Support Office, Servicewide Interest.

20.2.1.2.1
(12-26-2024)
**Feedback and Issue
Reporting**

- (1) Internal Revenue Manuals: To maintain the accuracy of the 20.2 family of IRMs, send corrections and change requests (not questions) to Servicewide Interest, via the Servicewide Electronic Research Program (SERP) Feedback System. The SERP staff will then forward the feedback request to the appropriate IRM author/content owner for consideration and response posting. Responses to SERP Feedback are available for all employees to view using *Previous Feedback Lookup* on the SERP website. For instructions and additional information, see the *Guide for Submitting Feedback* on the SERP website. Servicewide Interest will also accept feedback provided by any of the means described in IRM 1.11.6.6, Providing Feedback About an IRM Section - Outside of Clearance.

Note: Questions regarding policies and procedures in the IRMs should be directed to managers or leads. If additional clarification is needed, managers and leads will elevate the question to the function's assigned analyst. Questions concerning the calculation of interest, excluding taxpayer or tax module specific questions, may be directed to the *Interest Knowledge Base Homepage* platform on the Servicewide Virtual Library.

- (2) Programming Problems: Suspected systemic interest computation issues, whether by Master File or the Integrated Data Retrieval System (IDRS), should be sent to User Support, who will then forward to Servicewide Interest any requiring further action. See IRM 20.2.1.4.1, Systemic Calculation of Interest, for details.
- (3) Issues Elevated to Chief Counsel: When it is necessary to seek Chief Counsel advice on an interest issue, the request should be shared with Servicewide Interest as it is being forwarded to Chief Counsel. Alternatively, the request may be sent to Servicewide Interest, who will then forward it to Chief Counsel. Taking either of these two actions ensures that the staff of Servicewide Interest stays abreast of issues determined to impact interest, and provides for distribution of that information to all area offices and campuses.

20.2.1.2.2
(12-26-2024)
Notice Requirements

- (1) Section 3308 of the Restructuring and Reform Act of 1998 added IRC 6631 to the Code. IRC 6631 provides that:
- The IRS must provide to **individual** taxpayers a computation of the underpayment interest with every IRS notice that includes an amount of interest required to be paid by the taxpayer and a citation to the Code section under which such interest is imposed. The requirements of IRC 6631 also apply to employment and excise tax liabilities of sole proprietors.
 - Interest computations must be explained, and a copy of the computations must be included with every IRS notice issued after June 30, 2001, containing interest to be paid.
- (2) IRC 6631 does not require the IRS to "include" interest on notices it issues to taxpayers. Rather, the statute provides that **if** the IRS includes underpayment interest on a notice, then it must also show how that interest was computed

and provide the Code section for that interest. Therefore, IRC 6631 does **not** apply to 30- or 90- day letters or other types of letters or notices that do not include an amount of interest.

- (3) IRS computer systems will include an explanation of the interest calculation with notices sent to taxpayers when underpayment interest is systemically computed. However, if a notice includes underpayment interest that was manually computed, including manual computations for TC 190, the interest calculation must be separately mailed to the taxpayer. See IRM 20.2.1.4.2, Manual Calculation of Interest.

Note: While there is no statutory requirement to provide an interest explanation to business (BMF) taxpayers, it is recommended that an explanation be provided whenever underpayment interest is manually computed.

- (4) The accepted tools for generating a computation of manually computed interest are the Automated Computation Tool (ACT) and IDRS Command Code (CC) COMPA. See IRM 20.2.1.5, Interest Computation Tools and Reports: Manually and Systemically Calculated Interest.

Note: To meet IRC 6631 requirements, print ACT Report 490 or the result of CC COMPA with definer "D".

- (5) For purposes of sending manual interest computations to taxpayers, Letter 3535, Interest Computation Cover Letter, was developed. Use Letter 3535 to send COMPAD and ACT/DMI reports to the taxpayer. Maintain a copy of the letter and interest computation for 45 days from the date of the letter in order to respond to interest computation questions.

Caution: In accordance with the purpose of the Office of Management and Budget (OMB) Memorandum M-07-16, Safeguarding Against and Responding to the Breach of Personally Identifiable Information, use only the last four digits of a taxpayer's social security number (SSN) on documents mailed to the taxpayer.

20.2.1.2.3 (01-25-2021) **Taxpayer Advocate Service (TAS)**

- (1) If a taxpayer meets Taxpayer Advocate Service (TAS) case acceptance criteria (see IRM 13.1.7.3, TAS Case Criteria), and you are unable to resolve their problem within 24 hours, you should refer the taxpayer to TAS. See IRM 13.1.7.4, Exceptions to Taxpayer Advocate Service Criteria, for exclusions.

Note: Taxpayers do not need to document their hardship to be accepted into the TAS program. Case Advocates will document the hardship in the course of developing the case and determining what relief is appropriate.

- (2) TAS case acceptance criteria:
 - The taxpayer is experiencing economic harm or is about to suffer economic harm.
 - The taxpayer is facing an immediate threat of adverse action.
 - The taxpayer will incur significant costs if relief is not granted (including fees for professional representation).
 - The taxpayer will suffer irreparable injury or long-term adverse impact if relief is not granted.

- The taxpayer has experienced a delay of more than 30 days to resolve a tax account problem.
- The taxpayer has not received a response or resolution to their problem or inquiry by the date promised.
- A system or procedure has either failed to operate as intended, or failed to resolve the taxpayer's problem or dispute within the IRS.
- The manner in which the tax laws are being administered raise considerations of equity, or have impaired or will impair the taxpayer's rights.
- The National Taxpayer Advocate (NTA) determines compelling public policy warrants assistance to an individual or group of taxpayers.

Note: Case criteria are not meant to be all-inclusive; each taxpayer situation must be evaluated based on the unique facts and circumstances of each case.

- (3) When you refer a case to TAS, complete Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), and forward to TAS.

20.2.1.3 (01-25-2021) Types of Interest

- (1) The two types of interest are:
- Underpayment Interest - Interest charged to the taxpayer when tax, penalty, addition to tax, or interest is owed to the government.
 - Overpayment Interest - Interest paid to the taxpayer by the IRS on an overpayment of any internal revenue tax.
- (2) The statutory requirements for calculating interest on underpayments and overpayments are contained in IRC 6601 and IRC 6611, respectively. The payment of interest on underpayments and overpayments under these provisions is mandatory unless otherwise provided by law. Deposits may be made to stop the running of underpayment interest as provided in IRC 6603. Rev. Proc. 2005-18 contains procedures for making deposits under IRC 6603.

20.2.1.3.1 (04-27-2016) Methods

- (1) The methods for computing interest on underpayments and overpayments are:
- Simple Interest
 - Compound Interest

20.2.1.3.1.1 (04-27-2016) Simple Interest

- (1) The term **simple interest** refers to interest that is computed only on the principal amount owed. Simple interest accrued on overpayments and underpayments of tax and penalties before January 1, 1983. At that time, the government was prohibited from computing interest on interest (compounding interest).
- Prior to February 1, 1980, simple annual interest was computed on a Year, Year, Month, Month, Day, Day (YYMMDD) basis.
 - Beginning February 1, 1980, through December 31, 1982, the method changed to calculate total days times the daily factor.

20.2.1.3.1.2 (04-27-2016) Compound Interest

- (1) The term **compound interest** refers to interest that accrues on both the principal amount and on any interest charged on the principal (i.e., interest is charged/allowed on interest). Under daily compounding, interest is calculated at the end of each day and the resulting interest is treated as principal for the following day's interest calculation.

- (2) The IRS is required to compound interest daily, effective January 1, 1983, pursuant to IRC 6622(a), which was added to the Code by section 344(a) of Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Daily compounding does not apply for purposes of computing the amount of any addition to tax under IRC 6654 or IRC 6655. See IRC 6622(b).

20.2.1.3.2
(12-26-2024)
Rate

- (1) The interest rates on overpayments and underpayments of tax are established under IRC 6621 and are determined on a quarterly basis.
- (2) *Notice 88-59, 1988-1 C.B. 546*, announced that in determining the quarterly interest rates to be used for overpayments and underpayments of tax under IRC 6621, the Internal Revenue Service will use the federal short-term rate based on daily compounding because that rate is most consistent with IRC 6621 which, pursuant to IRC 6622, is subject to daily compounding.
- (3) Different interest rates apply to underpayments and overpayments, based on whether the taxpayer is an individual or corporation. The interest rates and their formulas are:

Overpayment Interest

| Type: | Applicable to: | Formula: |
|-------------------|---|--|
| Standard | Non-corporate overpayments | Federal short-term rate plus 3 percentage points |
| Corporate | Corporate overpayments | Federal short-term rate plus 2 percentage points |
| GATT | Corporate overpayments exceeding \$10,000. | Federal short-term rate plus 0.5 of a percentage point |
| IRC 6603 Deposits | Return of deposits attributable to disputable tax | Federal short-term rate |

Underpayment Interest

| Type | Applicable to: | Formula |
|------------------------------|---|---|
| Standard | Corporate and non-corporate underpayments | Federal short-term rate plus 3 percentage points. |
| Large Corporate Underpayment | Underpayments of tax exceeding \$100,000 by C-corporations. | Federal short-term rate plus 5 percentage points. |

Note: For additional information, see IRM 20.2.4.10, Special Credit Interest Rules for Corporations, and IRM 20.2.5.8, Large Corporate Underpayment (LCU).

- (4) Section 6621(b)(1) provides that the Secretary will determine the federal short-term rate for the first month in each calendar quarter. Section 6621(b)(2)(A) provides that the federal short-term rate determined under Section 6621(b)(1) for any month applies during the first calendar quarter beginning after that month. Section 6621(b)(3) provides that the federal short-term rate for any month is the federal short-term rate determined during that month by the

Secretary in accordance with Section 1274(d), rounded to the nearest full percent (or, if a multiple of 1/2 of 1 percent, the rate is increased to the next highest full percent).

Note: Since the interest rate for overpayments and underpayments is subject to change on a quarterly basis, it should not be extrapolated to an annual percentage rate for future quarters.

- (5) Chief Counsel provides notification of any changes in the interest rates through Internal Revenue Bulletins, and IRS Newswire, an IRS e-mail service. The rate tables on the *Servicewide Electronic Research Program (SERP)* and the *Office of Servicewide Interest Knowledge Base* portals are updated concurrently.

20.2.1.4
(01-25-2021)

Normal and Restricted Interest

- (1) The term “normal interest” refers to interest that is computed based on conventional beginning and ending dates.
- On an underpayment, normal interest is computed from the date the liability is due to the date the liability is fully paid, considering any payments and credits.
 - On an overpayment, normal interest is computed from the availability date of the overpayment to the date the overpayment is offset (credited) and/or refunded.
- (2) The term “restricted interest” refers to any interest that is computed from other than the normal interest beginning and ending dates, including statutory exceptions of time (e.g., IRC 6601(c), IRC 6404(g)) or rate (e.g., IRC 6621(c), IRC 6621(d)). See Exhibit 20.2.1-1, Provisions Restricting Interest.
- (3) IRS computer systems are capable of systemically generating most normal interest calculations and some restricted interest calculations. When IRS computer systems are incapable of calculating interest, it must be manually computed and input.
- (4) Due to the increasing range and complexity of interest law, the capabilities of IRS computer systems to calculate interest may change from year to year. Servicewide Interest will issue SERP Alerts, IDRS cc MESSG file and/or IRM corrections to inform technicians of any changes or modifications to IRS computer system capability, thereby keeping users apprised of interest calculations that may be systemically handled and those requiring manual computation. It is the responsibility of interest technicians to watch for these communications.

20.2.1.4.1
(12-26-2024)

Systemic Calculation of Interest

- (1) Allow IRS computer systems to systemically calculate interest whenever possible.

Facilitate systemic calculation by:

Never reducing or removing interest for reasonable cause. There is no provision in the law permitting interest to be adjusted for reasonable cause.

Using, when module conditions permit, the non-restricting TC 340. See IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340.

Facilitate systemic calculation by:

Determining whether the input of a prior TC 34X on a tax module, barring IRS computer systems from calculating interest, was warranted. See IRM 20.2.5.6.2, Manual Computations, for requirements that must be met before inputting TC 342, interest restriction deletion.

Using TC 190 on quick and prompt assessments, when module conditions allow. See IRM 4.19.3.24.2, General Procedures, IRM 8.20.7.7.1, Quick Assessment Requirements, and IRM 25.6.1.9.14, Protective Manual Assessments (PMA).

Using transaction codes 294, 295, 298, 299, 304, 305, 308 and 309 to set unique interest effective dates for carryback adjustments. See IRM 20.2.9, Interest on Carryback of Net Operating Loss, and IRM 21.5.9, Account Resolution, Carrybacks.

Using TC 298 or 308 for setting a unique interest effective date on IRC 6205 (employment tax) cases. See IRM 20.2.10, Interest on Estate, Excise, Employment, and Foreign Taxes, and IRM 21.7.2.4.6.2, Interest-Free Adjustments (Employment Tax Returns).

Using TC 971 with Action Code 064 on IRC 6404(g) cases, when account conditions allow. See IRM 20.2.7.8.5.3, Input of IRC 6404(g) Notice Date on Master File. Also see IRM 20.2.7.8.6, IRC 6404(g) Interest Computation, for exceptions to systemic calculation.

Using TC 971 Action Code 688 to establish systemic processing for taxpayers affected by a federally declared disaster area, when IRS computer systems have not done so automatically. See IRM 3.14.1.6.9.10, Natural Disaster Procedures.

Using TC 500 with the appropriate closing codes (52/53, 54/55, 56/57) to establish entry and exit dates for Combat Zone participants. See IRM 3.14.1.6.9.11, Combat Zone or -C Freeze Returns. Note that closing codes 50/51 will generate TC 340.

Exception: When combat zone periods are set with closing codes 52/53, 54/55, 56/57, IRS computer systems can correctly compute interest if there is one combat zone (CZ) period, or in the case of multiple CZ periods, if the next CZ entry date is more than six months after the previous CZ exit date.

Using TC 844/845 for interest waivers on erroneous refunds. See IRM 3.17.80, Working and Monitoring Category D Erroneous Refund Cases in Accounting Operations, IRM 21.4.5, Refund Inquiries, Erroneous Refunds, and IRM 20.2.7.7, IRC 6404(e)(2), Erroneous Refunds.

Using TC 766 CRN 263 to post a faux credit that masks the IRC 965 liability on the inclusion year module, which represents the unpaid IRC 965(h) liability amount (deferred amount) to be paid in installments.

Facilitate systemic calculation by:

Using TC 767 CRN 263 to reverse TC 766 CRN 263 by the amount of a payment(s) made against the IRC 965(h) liability.

Note: When a payment with a DPC 64 posts to the inclusion year module, it will trigger a systemic TC 767 CRN 263 reversal in the amount of the payment. The net of the TC 766 CRN 263 and TC 767 CRN 263 is the remaining IRC 965 liability left unpaid.

Using TC 298 CRN 263 to correct the amount (plus or minus) of an incorrect TC 767 CRN 263 amount, with an interest computation date equal to the payment date.

- (2) If the interest systemically calculated on a tax module appears to be incorrect, IDRS Command Code (CC) INTST with the definer "D" will show a detail of how underpayment interest was computed. Likewise, IDRS CC PICRD will show how overpayment interest was computed. Instructions for these two command codes are found in IRM 2.3.29.2, Command Code INTST, and IRM 2.3.40, Command Code PICRD.
- Whenever possible, correct any error conditions in a tax module to generate the proper amount of interest (e.g., errors of date, amount or type affecting tax, penalties, credits, payments).
 - If the reason for the incorrect computation is not initially obvious, a technician with expertise in calculating interest must be consulted, as the problem that caused the incorrect computation can be complex in nature. A register of interest specialists is located in *Other Interest Resources* on OSI's Virtual Library.
 - Interest technicians are to notify User Support of errors suspected to be material. See IRM 20.2.1.2.1, Feedback and Issue Reporting.

20.2.1.4.2
(12-26-2024)

Manual Calculation of Interest

- (1) The presence of certain Master File freeze codes prevents IRS computer systems from calculating normal or restricted interest. As a result, interest must be manually computed and updated. See Document 6209 for complete listings.

Master File Freeze Codes That Impact Interest

| Freeze Code | Definition |
|-------------|---|
| -I | Computer generation of underpayment interest is blocked from calculation. |
| I- | Computer generation of overpayment interest is blocked from calculation. |
| -C | Computer generation of underpayment interest is blocked from calculation, when set by TC 500 with closing codes 51/52 for military deferment. |
| -Y | Offer in Compromise. Computer generation of underpayment <i>and</i> overpayment interest is blocked from calculation. |

- (2) Additional causes for manually calculating interest are described in IRM 20.2.5.6.1, Reasons to Manually Compute Interest.
- (3) Careful consideration must be given prior to causing a situation where the ability of IRS computer systems to calculate interest is circumscribed. Systemic calculation of interest for any tax module is overridden only when IRS computer systems are incapable of calculating the interest.
- (4) Any time underpayment and/or overpayment interest is manually computed, it is necessary to recompute the entire tax module, using running module balance methodology, to ensure an accurate computation is made. When the tax module is recomputed, all prior overpayment and underpayment interest transactions, whether systemically or manually computed (e.g., TC 19X, TC 34X, TC 77X), must be verified. See IRM 20.2.4, Overpayment Interest, and IRM 20.2.5, Interest on Underpayments, for further instructions on this matter.

Note: Under the cumulative or running module balance methodology, a current account transcript is used to enter all money amount transactions, calculating interest on those balances, in effective date order, from transaction to transaction. Overpayment or underpayment interest is suspended, as applicable, during any interest-free periods.

- (5) When a manual underpayment or overpayment interest adjustment is required, all personnel should double-check their interest computation for accuracy. Additionally, when the interest computation exceeds \$100,000 per tax module, second review by another technician with specialized expertise in calculating interest is **required**. Interest operation technical groups are permitted to lower this amount to suit their own needs. Specialized technical interest operation groups may perform functions such as interest calculations for Revenue Officers, Automated Collection System (ACS), and lien release functions for write off and pay off figures.
- (6) If the interest manually calculated on a tax module appears to be incorrect, and you are unable to back-into or verify it using the Automated Computational Tool (ACT), InterestNet, or IDRS Command Code (CC) COMPA (see IRM 20.2.1.5.1, Automated Computation Tool (ACT) / InterestNet, and IRM 20.2.1.5.2, Command Code COMPA), obtain the original source document and/or access the Account Management Services (AMS) narratives that will outline how the interest was computed. Any error found in a prior manual interest computation is to be corrected in accordance with the instructions in IRM 20.2.1.4.2.2, Manual Calculation of Interest - Error Correction, and its sub-sections.

20.2.1.4.2.1
(12-26-2024)

**Manual Calculation of
Interest - Documentation**

- (1) When interest is manually computed and adjusted, documentation showing how and why the interest was manually computed **must** be included with the adjustment source document. Documentation is required even if a copy of such documentation is retained in the area generating the adjustment.
- (2) At a minimum, adjustment source documents for manually computed interest are to contain a print of the ACT Report 490 or CC COMPA interest computation. Relevant forms, when applicable:
 - Form 3198, Special Handling Notice for Examination Case Processing. Used by Examination officers to alert interest technicians of cases

requiring special processing; specifically, the section “Special/Restricted Interest Features” on page 2 of that form.

- Form 4549, Report of Income Tax Examination Changes, Form 5278, Statement - Income Tax Changes, or any other report used to reflect changes to a taxpayer’s liability resulting from an examination of the return.
- Form 2285, Concurrent Determinations of Deficiencies. Used to differentiate different interest start dates of carryback net operating losses, net capital losses, credits (overpayments) and general adjustments on a single tax period.
- Any other pertinent information. For example: combat zone dates, disaster dates, multiple IRC 6404(g) notice dates and amounts, large corporate underpayment (LCU) start date (including a copy of the 30- or 90-day letter when applicable), etc.

Note: For information on how to attach documentation to a Corresponding Imaging Inventory (CII) case, refer to IRM 21.5.1.5.3(5), CII Source Documentation IMS is also acceptable.

Note: Adjustments for manually computed interest need not be input with a blocking series that will create a refile DLN, unless accompanied with other adjustment action where a subject specific IRM requires a refile DLN. However, the documentation described in (2) above is required to be attached, regardless of adjustment blocking series.

(3) When Account Management Services (AMS) is available to a user, it is advised to notate the following in the AMS case history narrative, which will allow the information to be shared across multiple functions working the taxpayer’s account.

- Reason interest has been manually computed.
- Relevant interest computation dates and amounts for the adjustment.
- Any specific information that would be helpful to someone in reconstructing the posted manual interest amount.

20.2.1.4.2.2
(01-25-2021)

Manual Calculation of Interest - Error Correction

(1) When IRS personnel discover an error in the manual computation of interest, the procedures in IRM 20.2.1.4.2.2.1, Under-assessed Underpayment Interest through IRM 20.2.1.4.2.2.4, Overpaid Overpayment Interest are to be followed in accordance with the following guidelines:

- Errors identified by the Complex Interest Quality Measurement System (CIQMS) Group are returned to the area that created the error for correction via an advisory letter with attached interest computations. CIQMS, a part of the Office of Servicewide Interest (OSI), performs sample reviews of manual interest adjustments posted to Master File to determine the accuracy of manual interest computations and to ensure appropriate corrective actions are taken.
- Errors identified by individuals other than CIQMS personnel are to be corrected by the area that identified the error. The corrected interest computation and copies of substantiating documentation may, after first being verified by the lead and/or manager of the examiner/technician who identified the error, be forwarded as feedback to the area that created the error.

- (2) When determining if an error has been made, prior manual computations of overpayment and/or underpayment interest must be verified. If you are unable to verify the manually computed interest transaction amount(s), secure the appropriate document(s) or the case file.

Note: If the error is identified by personnel who do not have the knowledge, capability, or authority to prepare a perfected interest computation and/or enter an adjustment, then contact a local technician who is experienced in making interest computations.

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20.2.1.4.2.2.1
(01-25-2021)
**Under-assessed
Underpayment Interest**

- (1) Pursuant to IRC 6601(g), interest may be assessed and collected at any time during which the tax to which it relates may be collected. Generally, taxes assessed after November 5, 1990, must be collected within 10 years after the assessment date of the tax. See IRC 6502.
- (2) If a transaction resulted in an under-assessment of underpayment interest, and the underassessment caused a subsequent **refund** to be excessive, the additional interest may be assessed and collected, provided the 10-year collection statute for the tax to which the interest relates is open. Follow the appropriate procedures to recover any erroneous refunds. See IRM 21.4.5.5, Erroneous Refund Categories and Procedures.
- (3) When underpayment interest is under assessed, resulting in an excessive **overpayment** that is applied to a liability other than underpayment interest, the offset can be reversed so long as the assessment period has not expired on the tax module to which the **overpayment** was applied, and so long as the offset amount was not refunded. However, if the liability to which the **overpayment** is applied is itself overpayment interest, the offset can generally be reversed so long as the 10-year collection period described in IRC 6502 has not expired on the tax module to which the **overpayment** was applied, and provided the offset amount was not refunded. If a refund was issued from the account to which the **overpayment** was applied, and said refund included all or a portion of the **overpayment**, reverse the offset and follow the appropriate procedures to recover the erroneous refund. See IRM 21.4.5.5, Erroneous Refund Categories and Procedures.

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20.2.1.4.2.2.2
(01-25-2021)
**Over-assessed
Underpayment Interest**

- (1) Pursuant to IRC 6511(b)(2)(C), if the taxpayer does not file a claim for refund, errors on a taxpayer’s account that the IRS discovers may be corrected, but the credit or refund amount is limited. For the purposes of determining whether either of the limitations periods set forth in IRC 6511(b)(2)(A) and IRC 6511(b)(2)(B) are open for making such a correction, the taxpayer is treated as having filed a claim for refund as of the date that the refund or credit is allowed by the IRS, whether or not the IRS made the error.
- (2) IRC 6511(b)(2)(A) provides that if a claim was filed within three years from the time the return was filed, only the tax (i.e., tax, penalties, interest) paid within the three years preceding the filing of the claim, plus the period of any extension of time for filing the return, can be credited/refunded.

Note: For this purpose, early filed returns are considered filed and pre-paid credits/ payments are considered paid on the due date of the return (determined without regard to any extension of time to file). See IRC 6513.

- (3) IRC 6511(b)(2)(B) provides that if a claim was not filed within the three-year period, then only the tax (i.e., tax, penalties, interest) paid within the two years preceding the filing of the claim can be credited/refunded.
- (4) IRC 6511(c) supplies an addendum to the filing deadlines of IRC 6511: where a taxpayer and the IRS have made an agreement to extend the time to assess under IRC 6501(c)(4), the time for filing a claim will not expire prior to six months after the expiration of the assessment statute. However, the amount of credit or refund must not exceed the portion of the tax paid after the execution of the agreement and before the filing of the claim or the making of the credit or refund, as the case may be, plus the portion of the tax that would have been open under the two or three year period of limitations as described in Paragraphs (2) and (3) shown above, if a claim had been filed on the date the agreement was executed. See IRC 6511(c)(2).

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20.2.1.4.2.2.3
(12-26-2024)
**Underpaid Overpayment
Interest**

- (1) The allowance of interest under IRC 6611 is usually made at the time the over-payment is scheduled. In cases where interest on refunds or credits was insufficient and is legally allowable, an informal claim or claim filed on Form 843, Claim for Refund and Request for Abatement, is sufficient notice to consider and allow additional overpayment interest. Any adjustment of such interest may be allowed and paid upon request at any time within six years of the date on which the overpayment was scheduled. See Rev. Rul. 57-242 (six-year period for an adjustment of overpayment interest that has refunded), 28

U.S.C. section 2401(a) (six-year statute of limitations to sue for additional overpayment interest in the district courts), and 28 U.S.C. section 2501 (six-year statute of limitations in the U.S. Court of Federal Claims). The six-year period of limitation also applies to the allowance of additional interest on an overpayment of tax when the IRS discovers the error, whether or not the error was made by the IRS.

- (2) If the claim is denied, the taxpayer can protect their right to such interest only by filing a civil suit within six years of the date on which the overpayment was scheduled. There is no valid extension of this period. The IRS may, however, allow and pay additional overpayment interest after the six-year period if the taxpayer files an administrative claim for additional interest **within** the six-year period of limitations under 28 U.S.C. 2401 and 2501. Even though a taxpayer does not file suit, the IRS continues to have authority under IRC 6611 to consider a timely filed administrative claim for additional interest. Nevertheless, taxpayers should be cautioned that filing a claim for overpayment interest with the IRS within the 6-year period of limitation does not toll or protect the six-year statute under 28 U.S.C. 2401 and 2501. See Rev. Proc. 2000-26 and Rev. Rul. 57-242.

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20.2.1.4.2.2.4
(01-14-2025)

**Overpaid Overpayment
Interest**

- (1) Unlike under-assessed underpayment interest, assessment procedures **cannot** be used to recover excessive overpayment interest paid to a taxpayer because there is no statutory authority for assessing the amount of money erroneously paid and refunded as overpayment interest. Erroneous refunds that are not assessable under the Internal Revenue Code, including refunds of excessive overpayment interest paid to a taxpayer, are categorized as Category D Erroneous Refunds. See IRM 21.4.5.6.1, Account Actions for Category D Erroneous Refunds, and IRM 21.4.5.15, Collection Methods for Category D Erroneous Refunds.

Note: Administrative collection actions (lien, levy) taken within the applicable period of limitations for assessment and collection (ASED, CSED) will **not** be used to recover erroneously refunded overpayment interest. See IRM 25.6.1.10.2.3.1, Recovery of Assessable Erroneous Refunds.

- (2) Excessive overpayment interest may be recovered in the following ways:
 - a. Voluntary repayment. See IRM 21.4.5.6, Category D Erroneous Refund Procedures, and its subsections for guidance.
 - b. Erroneous refund suit under IRC 7405. IRC 6532(b) generally requires that the suit be brought by the U.S. within two years from the time the refund check or direct deposit clears (the date the bank or the ACH hold period expires) the bank, or five years if the erroneous refund was

“induced by fraud or misrepresentation of a material fact.” See IRM 21.4.5.15.1.1, Statute of Limitations Category D Erroneous Refunds IRC 6532(b) ERSED.

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Note: Erroneous refunds that are recovered by suit accrue interest at the rate specified by IRC 6621 from the refund date to the date of recovery - IRC 6602. See IRM 20.2.7.7, IRC 6404(e)(2), Erroneous Refunds, for exceptions.

- c. Offset. The IRS possesses a “Common Law Right to Offset” against a refund due the taxpayer to recover the full amount of an erroneous refund within the following boundaries:

| Common Law Right to Offset Refund: |
|--|
| If the Erroneous Refund Statute Expiration Date (ERSED) is expired, the erroneous refund may be offset against any refund otherwise due the taxpayer so long as the offset involves the same taxpayer, the same type of tax, and the same tax year to which the refund is related. Contact Chief Counsel, Procedure and Administration. |
| If your case involves an erroneous refund of overpayment interest and offset is outside of the two-year period of limitations for filing an erroneous refund suit, contact Chief Counsel, Procedure and Administration, Branches 1/2, PA01&PA02 Assignments, P&A Mailbox before making any offset. (See Chief Counsel’s non-acquiescence to <i>Pacific Gas and Electric Company v. United States</i> , 417 F.3d 1375 (Fed. Cir. 2005), and Action on Decision (AOD) 2006-02; 2006-26 IRB 1). |
| If the erroneous refund and the refund to be offset do not arise within the same tax module and the same tax period of the same taxpayer, the offset must be made within the applicable Erroneous Refund Statute Expiration Date (ERSED). |

Note: If the Statute Expiration Date (ERSED) has passed, the common law right of offset of a refund due to the taxpayer can be made against another liability only if the liability relates to the same taxpayer, the same type of tax, and the same tax year. If the applicable ERSED for the error refund is open, it may be offset against a refund otherwise due the same taxpayer, regardless of the tax year or tax type of that refund.

Reminder: When excessively paid interest is recovered under any of the above permitted methods (offset, voluntary repayment, erroneous refund suit), TC 772 is input solely for purposes of correcting the account and not for enforcement (enforcement under erroneous refund suit excepted - See IRM 5.17.4.14, Suits to Recover Erroneous Refund.) If, for example, excessively paid interest is recoverable by voluntary repayment, TC 772 is input when the repayment is made. TC 772 input to the same account without following erroneous refund procedures would constitute a prohibited assessment.

- (3) If the taxpayer's overpayment interest is offset to another module and it is determined that the allowance of the interest was erroneous, the offset can be reversed so long as it has not been refunded from the account to which it was applied, and so long as the 10-year collection period described in IRC 6502 for the tax module to which the offset was applied has not expired. Also, the period (normally the collection period) applicable to adjusting the tax module from which the overpayment was derived and to which it is to be returned cannot be expired. Reversal may, however, negatively impact the module to which the credit was applied. When the IRS makes an offset with overpayment interest as provided under IRC 6402(a), the taxpayer is treated as paying the tax, interest, addition to tax and/or penalty for the year of the outstanding tax liability and upon such payment, the assessment for that year is satisfied. If the offset is reversed, the IRS may not automatically revive the assessment unless the requirements in IRM 20.2.1.4.2.2.4, Overpaid Overpayment Interest below are met. Use the procedures described in IRM 20.2.1.4.2.2.4(4) and IRM 20.2.1.4.2.2.4(5) below. Alternatively, the IRS may use the procedures described in IRM 20.2.1.4.2.2.4(2) above to recover the excessive interest from the year of the overpayment.
- (4) The assessment can be reinstated if:
- The application of the excessive interest resulted from a clerical error and not a substantive determination, and
 - The reinstatement would not prejudice the taxpayer (e.g., if a refund was issued from the tax module to which the offset was applied, the taxpayer may be prejudiced by the reinstatement of the assessment). See IRM 25.6.1.10.2.1.1.1, Clerical Errors, for additional information.
- (5) If the assessment cannot be reinstated, then in order to collect the abated amount using the tax collection procedures, the liability will have to be reassessed within the period of limitation for assessment using the normal assessment procedures.

#20.2.1.5
(12-26-2024)**Interest Computation
Tools and Reports:
Manually and
Systemically Calculated
Interest**

- (1) The IRS currently approves and supports two interest computation tools for the manual calculation of interest.
- Automated Computational Tool (ACT), InterestNet
 - IDRS Command Code (CC) COMPA

Note: The same software may also be used to back-into or verify systemically calculated interest.

Caution: Use only IRS approved software to calculate interest.

Note: While the IRS approves and supports the use of CC COMPA and ACT/InterestNet to perform manual interest computations, ACT/InterestNet is the

preferred interest computation tool. There are few instances when COMPA should be solely used when manually computing interest. COMPA is not practical in all situations, especially for purposes of complying with the procedure in IRM 20.2.1.4.2 to use running module balance methodology (i.e., re-computing the entire module).

- (2) Whether using ACT/InterestNet or IDRS CC COMPA, the interest technician must analyze the account transcript to determine the applicable transactions that impact the interest computation and enter those transactions, interest effective dates and applicable suspension periods within the computational tool to arrive at the final interest adjustment determinations. See IRM 20.2.1.4.2, Manual Calculation of Interest.

20.2.1.5.1
(12-26-2024)

**Automated Computation
Tool (ACT) / InterestNet**

- (1) The Automated Computational Tool (ACT) is a version of the commercial off-the-shelf (COTS) InterestNet software, published by Decision Modeling Incorporated (DMI), specifically designed for the needs of the IRS.
- (2) ACT/InterestNet software is available, through IT, to all employees who manually compute interest. Once installed, the software has an auto update feature, allowing it to self-update when it identifies the availability of a system or an interest rate table update.

Note: To ensure the auto update feature functions properly, the “Remind me about future updates” checkbox must remain activated.

- (3) ACT/InterestNet has the ability to import account data from IRS computer systems. The importing of an account populates the posted account data and, based on module conditions, pre-sets initial interest effective dates and suspension periods. See additional information in the article *InterestNet Process for Importing from IDRS/Master File*.

Note: While the program will capture taxpayer account data and establish initial interest positions (e.g., “Adj/End” date and some suspension periods), the interest technician is still responsible for the analysis of the taxpayer’s account, the application of the proper provisions and settings of interest effective dates/positions prior to the calculation and final interest adjustment determination. Import functionality is not an “import” and “process” product.

20.2.1.5.2
(12-26-2024)

Command Code COMPA

- (1) IDRS Command Code (CC) COMPA, with the appropriate definer, when applicable, is a tool for manually calculating interest. Its usage, however, is generally subordinated to the greater functionality of ACT/InterestNet.

Overpayment Interest

| Interest Rate | Command Code (CC) COMPA Definer | Usage |
|----------------------------|---------------------------------|---|
| Standard overpayment rate | No definer (i.e., COMPA) | Overpayments by non-corporate taxpayers, for interest accruing on or after 01/01/1999. Note: Use CC COMPA with definer "D" to display the detail used to compute the interest. COMPA-D can be provided to the taxpayer. |
| Standard overpayment rate | "C" | Overpayments by non-corporate taxpayers for interest accruing before 01/01/1999. |
| Corporate overpayment rate | "C" | <ul style="list-style-type: none"> Overpayments by corporate taxpayers for interest accruing on or after 01/01/1995 when the overpayment amount is less than or equal to \$10,000. Overpayments by corporate taxpayers for interest accruing before 01/01/1995, regardless of the overpayment amount. Note: See IRM 20.2.4.10, Special Overpayment Interest Rules for Corporations for the definition of a "corporate" taxpayer. |
| GATT rate. | "G" | Overpayments by corporate taxpayers, for interest accruing on or after 01/01/1995, when the overpayment amount is greater than \$10,000, or the GATT threshold has previously been met. Note: See IRM 20.2.4.10.2, Determining the GATT Threshold. Note: Add the COMPAC interest (first \$10,000) with the GATT interest (over \$10,000) for the total interest allowed on the overpayment. |

Underpayment Interest

| Interest Rate | Command Code (CC) COMPA Definer | Usage |
|--|--|--|
| Standard underpayment rate. | No definer (i.e. COMPA). | All underpayments, except those exceeding \$100,000 of tax by C-corporations. Note: Use CC COMPA with definer "D" to display the detail used to compute the interest. |
| Large Corporate Underpayment (LCU) rate. | No definer (i.e. COMPA). Note: The LCU rate is initiated by inputting its effective date in the fourteenth through twenty-first positions on line 1 of the command code entry screen. See IRM 20.2.5.8, Large Corporate Underpayment and IRM 2.3.29-7, Command Code COMPA, COMPAR, COMPAM, COMPAG Input. | Underpayments of tax exceeding \$100,000 by a C-corporation (effective January 1, 1991). Note: Use CC COMPA with definer "D" to display the detail used to compute the interest. |

Note: See IRM 2.3.29.3, Command Code COMPA, for additional definers.

20.2.1.6
(04-27-2016)

**Interest Computation
Tools and Reports:
Systemically Calculated
Interest**

- (1) This subsection describes the software used to calculate interest and/or generate reports of systemically calculated interest.

20.2.1.6.1
(12-26-2024)

Command Code INTST

- (1) IDRS command code (CC) INTST is used to provide outstanding account balances, including accruals of unassessed underpayment interest and failure to pay (FTP) penalty, computed to a specified date, up to 60 days in the future. See IRM 2.3.29.2, Command Code INTST.

Note: The date specified in the input of the command code must not be prior to the date of any posted transaction.

- (2) The module used in the computation must be present on IDRS, and, for a complete computation, must not contain either manually computed underpayment interest or FTP penalty transactions.

Caution: CC INTST may not recognize some pending transactions and could provide an inaccurate computation when such module conditions are present.

- (3) CC INTST has four definers of note for those who calculate interest:
- CC INTSTD shows the interest computation with detail.
 - CC INTSTA gives accruals to the requested date, plus 10, 15, and 21 days past that date.
 - CC INTSTN gives accruals to the requested date, plus 30, 45, and 60 days past the requested date.
 - CC INTSTV gives accruals to the requested date, plus 30 and 60 days past the requested date.
- (4) Occasionally, IDRS CC INTST does not match the Master File (i.e., CFOL) underpayment interest and/or failure to pay penalty computation. Before CC INTST results are used, compare total underpayment interest and FTP penalty with CFOL command codes BMFOLT or IMFOLT (as appropriate) with total interest and FTP on INTST, computed to the interest date reflected on IMFOLT or BMFOLT. If unable to reconcile computational differences between CFOL and CC INTST, the correct interest and FTP penalty must be manually computed.
- a. If the Master File amount is correct, and the taxpayer has not been receiving incorrect notices, no action is necessary. (IRS uses the INTST computation for billing purposes only. Amounts shown on INTST are not assessed on Master File if they exceed the Master File computed amounts.)
 - b. If the Master File amount is incorrect, or the taxpayer has been receiving incorrect notices, the tax module must be manually adjusted.
- (5) Although a computer print of CC INTST results can be sent to the taxpayer, the **Penalty and Interest Notice and EXplanation** (PINEX) is the preferred method for providing an explanation of penalty and interest charges. See IRM 20.2.1.6.3, Command Code Pinex.

20.2.1.6.2
(01-25-2021)

Command Code PICRD

- (1) IDRS command code (CC) PICRD displays an overpayment interest computation (CINCOMP) of interest paid to the taxpayer on refunds and offsets, within the following key parameters:
- a. PICRD will only attempt computation if Master File has computed overpayment interest (TC 776) on the module. (Command code PICRD's computation is basically a recompute of Master File's computation plus consideration of any qualified Taxpayer Information File (TIF) pending transactions.)
 - b. PICRD is unable to produce a computation when systemic calculation of overpayment interest is blocked due to: I- freeze on module, TC 770, 771, or 772, on module, or TC 780 on module.
 - c. PICRD's computation is part of the refund posting program and cannot be projected to a future date. Unpaid accruals of overpayment interest are not displayed.
 - d. Only tax periods after 198212 are considered for PICRD refund interest computations. Computations for interest paid on offsets cannot be performed for offsets posted before July 1986 (Cycle 198629).

Note: See IRM 2.3.40.2, Terminal Responses - CC PICRD, and IRM 2.3.40.3, Informational Messages Displayed After Computation Breakdown on the Screen, for a listing of all parameters.

(2) The input format for CC PICRD is:

- PICRD nnn-nn-nnnn
- nn yyyymm

Note: See IRM 2.3.40-1, Command Code PICRD Input Request Format.

(3) Although a computer print of CC PICRD results (i.e., CINCOMP) can be sent to the taxpayer, the **Penalty and Interest Notice and EXplanation (PINEX)** is the preferred method for providing an explanation of interest paid. See IRM 20.2.1.6.3, Command Code Pinex.

20.2.1.6.3 (12-26-2024)

Command Code PINEX

(1) The IDRS **Penalty and Interest Notice and EXplanation (PINEX)** command code is used to request a notice (CP 569) containing computations and explanations of selected interest and/or penalties on a tax module, within the following boundaries:

- The specific tax module requested must be on the Taxpayer Information File (TIF) database.
- The selected interest and/or penalties cannot be blocked from systemic calculation.
- At least one unreversed penalty or interest transaction must be posted.
- MFTs 13, 40, 42, 46, 55, 68, 74 and 76 are not accepted.
- The tax module requested must be after 198212.

Note: See IRM 2.4.43.3, Terminal Responses - CC PINEX, for a listing of all limitations.

(2) The input format for CC PINEX is:

- PINEXFnnn-nn-nnnn
- nn yyyymm namc (30 201412 Name Control)
- mmdyyy (Inquiry Date)
- nnnnnnnnn (Requestor's Employee Number)

Note: See IRM 2.4.43-1, CC PINEX - Input Screen.

(3) Input of CC PINEXF will result in the PINEXM response screen. The following types of interest and penalty explanations can be selected on PINEXM:

| Penalty & Interest types available on PINEXM: |
|--|
| All Penalties and Interest |
| Underpayment Interest |
| Overpayment Interest |
| Failure to Pay Penalty |
| Failure to File Penalty |

| Penalty & Interest types available on PINEXM: |
|---|
| Estimated Tax Penalty |
| Failure to Deposit Penalty |
| Fraud Penalty |
| Negligence Penalty |
| Bad Check Penalty |
| Unreported Tip Income Penalty |
| Late filing Penalty (Also called Daily Delinquency Penalty) |
| Alimony TIN Penalty |
| Failure to Provide Info on 1065 / 1120 |

Note: In the case of the last 2 items in the table (Alimony TIN Penalty and Failure to Provide Info on 1065/1120) above, only a paragraph will be printed on the notice if it's selected; no computation breakdown will be printed. See IRM 2.4.43-2, CC PINEX - Response Screen (for non errors).

20.2.1.6.3.1
(01-25-2021)

PINEX: Hardcopy Notice

- (1) CC PINEX is used to explain computer-generated penalty and/or interest calculations when the taxpayer inquires about them. This "on request" service, while not a replacement for the explanations of penalty and interest sent under normal notice routines, will cause IDRS to systemically update the notice history section of the tax module and automatically delays the next IDRS notice on balance due modules when a PINEX request is generated. On balance due modules, the next IDRS notice is automatically delayed one week for BMF and five weeks for IMF after the PINEX notice is generated.

| IF | THEN |
|--|--|
| a longer delay is needed, | input CC STAUP for the appropriate number of cycles. Note: CC STAUP for a longer period has priority over the automatic PINEX delay of the next IDRS notice. |
| CC STAUP for a longer period was previously input to the module and is no longer needed, | be sure to release the STAUP. |

- (2) When the tax module is on IDRS, the notice will be generated the next day following input of CC PINEX. Notify the IDRS control staff if the notice is not received by Wednesday of the week following the date of input.
- (3) When the tax module requested is **not** on IDRS, PINEX creates a dummy module generating a TC 902 (Campus IDRS Indicator) to Master File so that the module, if posted, can be extracted to the TIF for completion of the PINEX

request. If the module is not extracted to the TIF within four weeks, PINEX will purge the request and issue an action sheet to the requester.

Note: Consider use of CC MFREQ to immediately create an IDRS module. See IRM 2.3.10, Command Code MFREQ and RECON.

- (4) The PINEX notice includes:
- a. PINEX Requestor Action Sheet
 - b. The letter page
 - c. A literal transcript of transactions on the module
 - d. Penalty and interest explanations
- (5) If the TIF indicates POA or RAF reporting agent authorization data is present but the CAF (CFINK) or RAF (RFINK) information is incomplete or missing, PINEX cannot generate the requested notice transcript. In these instances, sanitized prints of various penalty and interest command codes (COMPAD, INTSTD, FTDPN, etc.) can be sent to the taxpayer and their representative as attachments to C-letters that provide an explanation of the penalty/interest computation (i.e. Letter 64c).

Reminder: Only share the information with the taxpayer's representative if valid third-party authorization documentation is received with the taxpayer's correspondence.

20.2.1.6.3.2 (01-25-2021)

PINEX: Hardcopy Notice Verification and Mailing

- (1) The PINEX notice is returned to the requestor for accuracy review prior to mailing to the taxpayer. The review should include comparison with interest and penalty on Master File. See IRM 20.2.1.6.1(4).
- If there is a match (within \$1) of the Master File computation, the notice may be mailed to the taxpayer.
 - If there is no match with the Master File computation, the interest and/or penalty may need to be manually computed and adjusted, with a manually prepared explanation of the computation(s) provided to the taxpayer. See IRM 20.2.1.4.2, Manual Calculation of Interest, and IRM 20.1.2.2.5, Manual Penalty Adjustments.

Reminder: Allow IRS computer systems to systemically calculate interest and penalty whenever possible. See IRM 20.2.1.4.1, Systemic Calculation of Interest, and IRM 20.1.2.2.6.1, Identifying Incorrect Assessments. Be mindful of discrepancies that do not require a manual adjustment to interest and/or penalty (e.g., pending transaction(s) on one computer system and not the other).

Note: Inquiries received by Accounts Management (AM) toll-free telephone staffers that require a manual computation of interest must prepare Form 4442, Inquiry Referral, (available in both electronic and paper versions) and route the form to the Campus AM Account Paper function within the phone staff Directorate.

- (2) When manually recomputing the balance, prepare the explanation for any applicable penalty and interest, and insert the figures onto the PINEX notice. (Several blank lines appear on the notice following the general explanation. Use these lines to insert the manual computation.) Or, as an alternative to

manually perfecting the notice, a computation print from the Automated Computational Tool (ACT), InterestNet, or IDRS CC COMPAD may be sent to the taxpayer instead. (The PINEX notice is discarded in this instance.)

- (3) Notices are generated for the taxpayer and the taxpayer's authorized representatives as recorded on the centralized authorization file (CAF) and, for MFT 01 and 10, on the reporting agents file (RAF).

Note: If a valid Power of Attorney (POA) is received with the taxpayer's correspondence and is not already recorded on the CAF, input two identical requests for a PINEX notice and use local procedures to mail the duplicate notice to the authorized representative. For additional information, see IRM 4.11.55, Examining Officers Guide (EOG), Power of Attorney Rights and Responsibilities, or IRM 3.11.3.11.3, Power of Attorney (POA).

- (4) Prior to mailing any notices, ensure only the last four digits of the taxpayer's social security number (SSN) is reflected in the document being mailed (Office of Management and Budget Memorandum M-07-16, Safeguarding Against and Responding to the Breach of Personally Identifiable Information).
- (5) If the Requestor Action Sheet contains freeze codes for bankruptcy (-V), abusive tax shelter (-E) or criminal investigation (-T, Z- and -Z) involvement, contact Collection, Examination, or Criminal Investigation, as appropriate, to determine if the case should be referred to them **before** the notice is mailed.
- (6) PINEX notices must be manually date stamped. Review the notice and, if appropriate, date and mail by the first Friday following the weekend the notice was generated. Follow local procedures to manually mail the notice.
- (7) PINEX transcripts are now available in Control-D for viewing, downloading and/or printing. However, the Control-D version of the transcript should only be sent to the taxpayer as an attachment to Letter 64c.

20.2.1.6.4
(04-27-2016)

Command Code IMFOLJ

- (1) The IMFOL Tax Module Balance History screen (Definer J) - CADE 2 only - provides read-only access to the Individual Master File of historical balances, including penalty and underpayment interest, for each cycle within the tax module record.
- (2) Command code IMFOL with definer **J**, an SSN, a display file source (values * or blank), an MFT, and a Tax Period is the input format (IMFOLJNNN-NN-NNNNDXYYYYMM).

20.2.1.6.5
(12-26-2024)

**Command Codes
IMFOLM and BMFOLM**

- (1) IMFOLM is used to determine the IRC 965(h) deferral payments on IMF accounts. See IRM 21.5.13.3.3, IRC 965(h) Liability Schedule Screen (Command Code IMFOLM).
- (2) BMFOLM is used to determine the IRC 965(h) deferral payments on BMF accounts. See IRM 21.5.13.4.3, IRC 965(h) Liability Schedule Screen (Command Code BMFOLM).

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Exhibit 20.2.1-1 (12-26-2024)
Provisions Restricting Interest

| Subject | IRC and IRM References | Interest Restricted on Underpayments | Interest Restricted on Overpayments |
|---|--|---|--|
| Net Operating Loss Carryback | IRC 172(b) and IRM 20.2.9 | IRC 6601(d) | IRC 6611(f) |
| Capital Loss Carrybacks for Corporations | IRC 1212(a) and IRM 20.2.9 | IRC 6601(d) | IRC 6611(f) |
| Unused Credit Carryback | IRC 39 and IRM 20.2.9 | IRC 6601(d) | IRC 6611(f) |
| Tentative Carryback Allowance | IRC 6411(b) and IRM 20.2.9 | IRC 6601(d) | IRC 6611(f) |
| Carryback of Foreign Tax Credit | IRC 904(c) and IRM 20.2.10 | IRC 6601(d) | IRC 6611(f)(2) |
| Foreign Tax Credit | IRC 901 and IRM 20.2.10 | IRC 905(c) | Not restricted |
| Deficiency Dividend Deduction—Personal Holding Company Tax | IRC 547(a) and IRM 20.2.11 | IRC 547(f)(2) | IRC 547(b)(2) |
| Erroneous Refunds | IRC 7405 and IRM 20.2.7 | IRC 6404(e)(2) | Not restricted |
| Computation of Tax Where Taxpayer Restores Substantial Amount Held Under Claim of Right | IRC 1341(a) and IRM 20.2.11 | Not restricted | IRC 1341(b) |
| Large Corporate Underpayments (Post 1990) | IRC 6621(c) and IRM 20.2.5 | IRC 6621(c) | Not restricted |
| Income From Non-qualified Deferred Compensation Plans | IRC 409A | IRC 409A(a) | Not restricted |
| Tax Treatment of Cooperatives and Patrons | IRC 1383(a) and IRM 20.2.11 | Not Restricted | IRC 1383(b) |
| Receipt of Disaster Grant After Reporting Casualty Loss for Hurricane Katrina, Rita, or Wilma Per Housing and Economic Recovery Act of 2008 | IRM 21.5.9.5.14.2.1; 08/14/2012 Catalog Repository Version | Section 3082(a)(3) of Public Law 110-289 | Not restricted |
| Time For Performing Certain Acts Postponed By Reason Of Service In Combat Zone Or Contingency Operation | IRC 7508 and IRM 20.2.7 | IRC 7508(a) | IRC 7508(a) and IRC 7508(b) |

Exhibit 20.2.1-1 (Cont. 1) (12-26-2024)
Provisions Restricting Interest

| Subject | IRC and IRM References | Interest Restricted on Underpayments | Interest Restricted on Overpayments |
|--|-------------------------------|---|---|
| Authority To Postpone Certain Deadlines By Reason Of Federally Declared Disaster, Significant Fire, Or Terroristic Or Military Actions | IRC 7508A and IRM 20.2.7 | IRC 7508A(a) | IRC 7508A(c) excepted from IRC 6611(e) 45-day/ 180-day interest-free processing. Note: This exception only applies to “individual” taxpayers. |
| Penalties and Interest Not Asserted Against Federal Agencies (Employment Code A or F) | IRM 1.2.1.12.2 | Policy Statement 20-2 | Not restricted |

Provisions Restricting and Prohibiting Interest on Estate Taxes

| Subject | IRC and IRM References | Interest Restricted on Underpayments | Interest Restricted on Overpayments |
|-------------------------------------|---|---|--|
| Credit for State Death Taxes | IRC 2011(a) and IRM 20.2.10; repealed in 2014 | Not restricted | IRC 2011(c); repealed in 2014 |
| Credit for Foreign Death Taxes | IRC 2014(a) and IRM 20.2.10 | Not restricted | IRC 2014(e) |
| Recovery of Taxes Claimed as Credit | IRC 2016 and IRM 20.2.10 | IRC 2016 | Not restricted |
| Erroneous Refunds | IRC 7405 and IRM 20.2.7 | IRC 6404(e)(2) | Not restricted |

Exhibit 20.2.1-1 (Cont. 2) (12-26-2024)
Provisions Restricting Interest

Provisions Restricting and Prohibiting Interest on Excise Taxes

| Subject | IRC and IRM References | Interest Restricted on Underpayments | Interest Restricted on Overpayments |
|---|--|---|--|
| Certain Taxes on Sales and Services | IRC 6416(a) and IRM 20.2.10.4.5 | Not restricted | IRC 6416(b) |
| Floor Stocks Refunds—Tires and Taxable Fuel | IRC 6412(a) | Not restricted | IRC 6412(a) |
| Gasoline Used on Farms, Gasoline used for Non-Highway Purposes, or by Local Transit Systems or sold for certain exempt purposes | IRC 4081, IRC 6420(a), IRC 6421, and IRM 20.2.10.4.6 and IRM 20.2.10.4.7 | Not restricted | IRC 6420(a), IRC 6421(a), and IRC 6421(b), IRC 6421(c) |
| Excise Tax on Wagers Laid-Off by Taxpayer | IRC 4401, IRC 6419(a) and IRM 20.2.10.4.8 | Not restricted | IRC 6419(b) |
| Erroneous Refunds | IRC 7405 and IRM 20.2.7.7 | IRC 6404(e)(2) | Not restricted |
| Vaccines | IRC 4131 and IRM 20.2.10.4.9 | Not restricted | IRC 4132(b)(1) |
| Highway Motor Vehicle Tax (Refunds when tax paid and vehicle not driven more than 5,000 miles (or 7,500 miles for agricultural vehicles)). | IRC 4481 and IRM 20.2.10.4.10 | Not restricted | IRC 4483 |
| Taxable Chemical used as qualified fuel, fertilizer, or animal feed | IRC 4661, IRC 4462(b)(1), IRC 4462(b)(2), IRC 4462(b)(9), and IRM 20.2.10.4.11 | Not restricted | IRC 4662(d)(2), IRC 4662(d)(3) and IRC 4662(d)(4) |
| Ozone Depleting Chemicals used as propellants in metered dose inhalers; credits or refunds for overpayments | IRC 4681 and IRM 20.2.10.4.11 | Not restricted | IRC 4682(g)(2) |
| Tax on Removal of a Taxable Fuel | IRC 4081 and IRM 20.2.10.4.12 | Not restricted | IRC 4081(e) |
| Fuel other than gasoline used in automobile bus engaged in: <ul style="list-style-type: none"> Furnishings (for compensation) passenger land transportation available to the general public, or Transportation of students and employees of schools | IRC 4041(a), IRC 4081 and IRM 20.2.10.4.7 | Not restricted | IRC 6427(b) |

Exhibit 20.2.1-1 (Cont. 3) (12-26-2024)
Provisions Restricting Interest

| Subject | IRC and IRM References | Interest Restricted on Underpayments | Interest Restricted on Overpayments |
|---|--|---|--|
| Alternative fuel, compressed natural gas, and certain liquids used as a fuel in aviation (other than aviation gasoline) used on a farm for farming purposes | IRC 4041(a)(2), IRC 4041(a)(3), or IRC 4041(c) and IRM 20.2.10.4.7 | Not restricted | IRC 6427(c) |
| Gasoline taxed by IRC 4081 or any fuel taxed under IRC 4041 used by certain aircraft museums or in certain other aircraft uses | IRC 4041, IRC 4081 and IRM 20.2.10.4.7 | Not restricted | IRC 6427(d) |
| Nontaxable use of alternative fuel | IRC 4041 and IRM 20.2.10.4.7 | Not restricted | IRC 6427(a) |
| Alcohol mixture, biodiesel fuel mixture, alternative fuel and alternative fuel mixture credits | IRC 6426 and IRM 20.2.10.4.3.1 | Not restricted | IRC 6427(e) |
| Gasoline or diesel fuel blend stocks not used for producing taxable fuel | IRC 4083(a)(2), IRC 4083(a)(3) and IRM 20.2.10.4.7 | Not restricted | IRC 6427(h) |
| Non-taxable uses of diesel fuel and kerosene | IRC 4041, IRC 4081 and IRM 20.2.10.4.7 | Not restricted | IRC 6427(l) |
| Diesel fuel used to produce emulsion | IRC 4081 | Not restricted | IRC 6427(m) |
| Non-taxable use of a diesel-water fuel emulsion | IRC 4041, IRC 4081 and IRM 20.2.10.4.7 | Not restricted | IRC 6427 (l) |

Provisions Restricting and Prohibiting Interest on Employment Taxes

| Subject | IRC and IRM References | Interest Restricted on Underpayments | Interest Restricted on Overpayments |
|---|---|---|--|
| Federal Insurance Contribution Act (FICA) | IRC 3101, IRC 3111, and IRM 20.2.10.5 | IRC 6205(b) | IRC 6413(b) |
| Railroad Retirement Tax Act (RRTA) | IRC 3201, IRC 3221, and IRM 20.2.10.5.4 | IRC 6205(b) | IRC 6413(b) |
| Income Tax Collected at Source | IRC 3402 and IRM 20.2.10.5 | IRC 6205(b) | IRC 6413(b) |
| Foreign Affiliates of Domestic Corporations | IRC 3121(l) and IRM 20.2.10.5 | IRC 3121(l)(5)(A) | IRC 3121(l)(5)(A) |

Exhibit 20.2.1-1 (Cont. 4) (12-26-2024)
Provisions Restricting Interest

| Subject | IRC and IRM References | Interest Restricted on Underpayments | Interest Restricted on Overpayments |
|---|-------------------------------|---|--|
| Federal Unemployment Tax Credit Against Tax Imposed by IRC 3301 | IRC 3302 and IRM 20.2.10.5 | Not restricted | IRC 6413(d) |
| Erroneous Refunds | IRC 7405 and IRM 20.2.7.7 | IRC 6404(e)(2) | Not restricted |

Exhibit 20.2.1-2 (12-26-2024)**Definition of Terms****DEFINITION OF TERMS**

| TERM | DEFINITION |
|---|---|
| ABATED INTEREST | The portion of the interest liability on a given module or account which has been reversed. |
| ACCRUED INTEREST | The unassessed portion of the total interest liability on a specified module or account at any given date. It is the difference between interest assessed and total interest due. |
| ADDITIONS TO THE TAX | Amounts imposed and added to the tax as a result of a taxpayer's failure to comply with specific laws and/or regulations. These additions are commonly referred to as penalties. |
| ADVANCE PAYMENT | A payment made prior to assessment of a determined, pending, or proposed liability. |
| ALLOWABLE INTEREST | Interest (provided by law) which is allowed on an overpayment. Also known as overpayment or credit interest. |
| ANNUAL INTEREST NETTING | Method of computing interest which equalizes the rate difference between overpayment and underpayment interest within a single tax module during periods of mutual indebtedness. |
| ASSESSMENT DATE (23C DATE) | The date that a taxpayer's liability for tax, penalty, and applicable interest is recorded. It is also the date that the notice and demand for payment of that amount is issued to the taxpayer. |
| ASSESSED INTEREST | The portion of the interest liability on a given module or account which has been recorded to a given assessment date (23C Date). |
| ASSESSMENT STATUTE EXPIRATION DATE (ASED) | The date established by law by which the IRS must assess any tax due for a given tax period. |
| AVAILABILITY DATE OF CREDIT | The date an amount becomes available to credit against an outstanding liability or refund to the taxpayer. |
| CARRYBACK | The application of a net operating loss, net capital loss, and certain unused non-refundable tax credits to taxable years preceding the year in which the excess amount is generated. (See Exhibit 20.2.1-2, Losing Module and Gaining Module.) |
| CARRYBACK YEAR | The year to which a net operating loss, net capital loss, or certain other unused non-refundable tax credits is carried back. |
| CARRYFORWARD | A carryover of unused net operating loss, net capital loss, or other unused non-refundable tax credits to years following the tax year in which the excess amount is generated. |
| CASH BOND | A remittance intended to stop the running of underpayment interest made by a taxpayer who does not agree to the deficiency determined by the IRS (taxpayer retains appeal rights). In general, for deposits made after 10/22/2004, the cash bond terminology is obsolete and IRC 6603 deposits are used to stop the running of underpayment interest on disputed tax liabilities. |

Exhibit 20.2.1-2 (Cont. 1) (12-26-2024)

Definition of Terms

| TERM | DEFINITION |
|---|--|
| CLAIM | A request by a taxpayer for a refund, or a request for an adjustment of tax paid or credit not previously reported or allowed. A claim may be formal or informal. See IRM 21.5.3.2 and IRM 25.6.1.10.2.6, Claims for Credit or Refund - Form and Content. |
| COLLECTION STATUTE EXPIRATION DATE (CSED) | The date established by law by which the IRS must collect any amount due from a taxpayer for a given tax period. Interest can be assessed to the CSED date. |
| COMPOUND INTEREST | Interest computed on interest already assessed or accrued. Compound interest applies to interest accruing after December 31, 1982. |
| CYCLE | One week's processing at a Campus, Martinsburg, or Tennessee Computing Center. There are 52 cycles in a year. With CADE, Customer Account Data Engine, transaction processing is daily. |
| DEFICIENCY | The amount by which the tax imposed by Subtitle A or B, or Chapter 41, 42, 43, or 44 exceeds the excess of the sum of the amount shown as the tax on a return filed by a taxpayer, plus any amounts previously assessed (or collected without assessment) as a deficiency over the amount of rebates made. (See Exhibit 20.2.1-2, Rebate.) See IRC 6211. |
| DESIGNATED PAYMENT | A payment designated by a taxpayer to be applied to a particular tax, penalty, or interest liability. These payments are identified by TC 640, 680, or 690. |
| DESIGNATED PAYMENT CODES (DPC) | A two digit code which identifies a payment designated by a taxpayer for a type of tax. See Document 6209, IRS Processing Codes and Information, for a listing of specific designated payment codes. |
| DIFFERENTIAL INTEREST RATES | The rate difference between underpayment and overpayment interest rates. Differential interest rates began on January 1, 1987 and ended only for non-corporate taxpayers on December 31, 1998. |
| DUE DATE | The date a liability is due. |
| EFFECTIVE DATE | Generally, the date a transaction (either underpaid or overpaid) posts to a taxpayer's module. The effective date for beginning a computation of underpayment or overpayment interest may be different than the posted transaction date. |
| ERRONEOUS REFUND | A refund to which a taxpayer is not entitled. The term appears in IRC 6532(b), IRC 6602, and IRC 7405. |

Exhibit 20.2.1-2 (Cont. 2) (12-26-2024)**Definition of Terms**

| TERM | DEFINITION |
|---|---|
| EXTENDED RETURN DUE DATE | The date for which an extension of time to file a return has been granted. The extended return due date affects the date interest begins on certain penalties. Note: May also refer to a return due date extended by certain provisions such as for combat zone participants or taxpayers affected by a disaster declaration. |
| FREEZE | An instruction applied to a Master File tax account or module that restricts normal computer actions. |
| GAINING MODULE | The module to which a credit is applied. (See Exhibit 20.2.1-2, Losing Module.) |
| GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) | Interest rate legislation effective after December 31, 1994 for large corporate overpayments exceeding \$10,000. The GATT rate is one and a half points below the corporate overpayment interest rate. See IRM 20.2.4.10.3, GATT Rate. |
| INSTALLMENT PRIVILEGE | The right, as provided in the Internal Revenue Code (IRC), to pay a liability in installments. |
| INTEREST | Generally, the amount computed on an underpayment or overpayment of tax for the time a taxpayer has use of the government's money or for the time the government has use of a taxpayer's money. It is known as underpayment (debit) interest when a taxpayer owes the government and overpayment (credit) interest when the government owes a taxpayer. IRC 6601 and IRC 6611 provide the rules for computing interest on underpayments and overpayments. |
| INTEREST ABATEMENT | The reduction of all or part of previously assessed interest. |
| INTEREST DUE | Total interest due on a module, which includes all assessed and accrued interest less interest paid. |
| INTEREST-FREE PERIOD ON OVERPAYMENTS | Period of time during which interest is not allowed (payable). See IRM 20.2.4, Overpayment Interest. |
| INTEREST-FREE PERIOD ON UNDERPAYMENTS | Period of time during which underpayment interest is not computed (charged); also known as an interest suspension period. See IRM 20.2.7, Abatement and Suspension of Underpayment Interest. |
| IRC SECTION 6603 DEPOSIT | Similar to a cash bond in that it is used to stop the running of interest on an unassessed underpayment. To receive interest on a returned deposit, a taxpayer must specify the "disputable tax" and pay the tax amount shown on a 30-Day Letter. If the deposit is specified as attributable to a "disputable tax" and it is returned to the taxpayer, overpayment interest is allowed at a reduced rate (federal short-term rate). See IRM 20.2.4.9.2, IRC 6603 Deposits. |

Exhibit 20.2.1-2 (Cont. 3) (12-26-2024)**Definition of Terms**

| TERM | DEFINITION |
|--|--|
| IRS COMPUTED FORM | A partially completed form submitted by the taxpayer, asking the IRS to figure the tax. |
| LARGE CORPORATE UNDER-PAYMENT (LCU) RATE | A two percentage point increase in the underpayment interest rate applicable to certain overpayments of C corporations per IRC 6621(c). See IRM 20.2.5.8, Large Corporate Underpayment (LCU). |
| LIABILITY | The amount owed on a tax module or tax account. |
| LOSING MODULE | The module from which a credit originates before being moved to a liability module. (See Exhibit 20.2.1-2, Gaining Module .) |
| LOSS YEAR | As it pertains to carrybacks, the taxable year in which the loss arises per IRC 6611(f)(4)(B)(ii). (See Exhibit 20.2.1-2, Carryback.) |
| MANAGERIAL ACT | An administrative act that occurs during the processing of a taxpayer's audit examination involving the temporary or permanent loss of records or the exercise of judgment or discretion relating to management of personnel. A decision concerning the proper application of federal tax law (or other federal or state law) is not a managerial act. Further, a general administrative decision, such as the IRS's decision on how to organize the processing of tax returns or its delay in implementing an improved computer system, is not a managerial act for which interest can be abated. See Treasury Regulation 301.6404-2(b)(1). |
| MANUALLY COMPUTED INTEREST | Calculation of interest when IRS computer systems are incapable of performing the calculation. |
| MINISTERIAL ACT | A procedural or mechanical act that does not involve the exercise of judgement or discretion, and that occurs during the processing of a taxpayer's audit examination after all prerequisites to the act, such as conferences and review by supervisors have taken place. A decision concerning the proper application of federal tax law (or other federal or state law) is not a ministerial act. See Treasury Regulation 301.6404-2(b)(2). |
| MODULE | All information contained on the Master File for a specific type of tax for one tax period for one taxpayer. A module is a portion of a Master File tax account. |
| NET RATE INTEREST NETTING | The interest computation method to equalize/eliminate the interest rate differential between equal amounts of overpayments and underpayments during overlapping interest computation periods. |
| NON-MASTER FILE | A manual accounting system which processes documents, returns, or adjustments that cannot be posted to the Individual or Business Master File. |
| NORMAL INTEREST | Underpayment or overpayment interest that is computed based on conventional beginning and ending dates. |
| NOTICE DATE | The date a notice (bill) for payment is issued to a taxpayer. |

Exhibit 20.2.1-2 (Cont. 4) (12-26-2024)**Definition of Terms**

| TERM | DEFINITION |
|---------------------------------------|---|
| OFFER-IN-COMPROMISE (OIC) | An agreement between a taxpayer and the government to settle a tax liability for payment of less than the full amount. |
| OFFSET | The transfer of an available credit from one type of tax or tax period to an outstanding liability of another type of tax or another tax period. |
| OUTSTANDING BALANCE | The unpaid amount of overpayment or underpayment existing in a module. On IDRS or Master File transcripts, a hyphen (-) following the figure indicates a credit balance while a figure standing alone will indicate a debit balance. |
| OUTSTANDING LIABILITY | Total amount of unpaid tax, penalties, and interest due. |
| OVERPAYMENT | Any payment in excess of the total liability including tax, penalties, and interest for a specific type of tax and taxable period. |
| OVERPAYMENT INTEREST | Interest on an overpayment allowed under IRC 6611. The statutory term is overpayment interest. It is sometimes called allowable interest. |
| OVERPAYMENT INTEREST RULES | The rules that define how interest is computed on overpayments. |
| PAYMENT DATE | The received date of a payment. |
| REBATE | The amount of an abatement, credit refund or other payment made on the grounds that the tax imposed by subtitle A or B, or Chapter 41, 42, 43, or 44 was less than the excess of the amount shown as the tax on a return filed by a taxpayer plus amounts previously assessed (or collected without assessment) as a deficiency over the rebates previously made. (See Exhibit 20.2.1-2, Deficiency.) |
| RECOMPUTATION | The computation of interest after all transactions with monetary amounts are sorted in effective date sequence. |
| REFUND | An overpayment, plus any interest, which is issued to the taxpayer. |
| REFUND STATUTE EXPIRATION DATE (RSED) | The date established by law that a taxpayer must file a claim for a credit or refund for a given tax period. |
| RESTRICTED INTEREST | Interest computed from other than the normal interest beginning and ending dates, including statutory exceptions of time (e.g., IRC 6601(c), IRC 6404(g)) or rate (e.g., IRC 6621(c), IRC 6621(d)). IRS computer systems are capable of systemically generating most normal interest calculations and some restricted interest calculations. When IRS computer systems are incapable of calculating interest, it must be manually computed and input. |
| RETURN DUE DATE (RDD) | The required date by law that a return must be filed (with regard to extensions). |

Exhibit 20.2.1-2 (Cont. 5) (12-26-2024)**Definition of Terms**

| TERM | DEFINITION |
|-----------------------------------|--|
| RETURN RECEIVED DATE | The date the return is received by the IRS. If the return is received before the due date (excluding extensions), it will be the same as the return due date. |
| RUNNING MODULE BALANCE | The balance of tax, penalty and interest, occurring as monetary amounts are sorted in effective date sequence. Overpayment or underpayment interest is suspended, as applicable, during any interest-free periods. |
| SCHEDULE DATE | The date on which an overpayment is certified for refund. |
| SIMPLE INTEREST | Interest computed on a principal amount only. The IRS computed simple interest prior to January 1, 1983. |
| SUBSEQUENT PAYMENT | A payment (TC 670) made after a return is filed or in response to a subsequent liability. |
| SUBSTITUTE FOR RETURN (SFR) | A return prepared by the IRS under the authority of IRC 6020(b). The assessment can be based on information gathered from third party sources when the taxpayer fails to file their own return. |
| TAXPAYER DELINQUENT ACCOUNT (TDA) | A computer generated print out stating that a taxpayer's balance due account or module has reached delinquent status. They are received systemically via the Integrated Collection System (ICS) in a revenue officer's inventory. |
| UNDERPAYMENT INTEREST | Interest charged when the taxpayer owes a liability to the government. The statutory term is underpayment interest. It is sometimes called deficiency interest. |
| UNDERPAYMENT INTEREST RULES | The rules that define how interest is computed on underpayments under IRC 6601. |
| WAIVER | A document (usually a Form 870, Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment) signed by a taxpayer certifying proposed overassessments as correct or consents to the assessment and collection of a proposed deficiency. |
| WAIVER DATE | The date a waiver is effective. This is usually the IRS received date. In TEFRA or Appeals, if an IRS official's counter-signature is required, the waiver date is the date the form is counter-signed by the IRS official. The waiver date is also referred to as the "870 Date" or "Agreement Date." |

Exhibit 20.2.1-3 (12-26-2024)**Interest Effective Date Chart**

For those penalties where interest accrues from the later of the return due date or extended return due date, the terms **return due date** and **extended return due date** include any authorized postponements under IRC 7508, Time For Performing Certain Acts Postponed By Reason of Service in Combat Zone or Contingency Operation, or 7508A, Authority To Postpone Certain Deadlines By Reason of Federally Declared Disaster, Significant Fire, or Terroristic or Military Actions, and therefore must be considered when performing a manual interest computation - see IRM 20.2.7.11, IRC 7508, Combat Zone and IRM 20.2.7.13, IRC 7508A, Authority to postpone certain deadlines by reason of Federally declared disaster, significant fire, or terroristic or military actions. (The postponement periods or IRC 7508/7508A are automatically implemented for systemic computations by the IRS computer when applicable).

Transaction Code 1XX

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-----------|--|--|
| 150 | Return Due Date. Exceptions and/or additional provisions may apply. See references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> Document 6209, Section 2.3, Due Date of Returns IRM 20.2.5.2, Underpayment Interest IRM 20.2.7.11, IRC 7508 Combat Zone IRM 20.2.7.13, IRC 7508A, Authority to postpone certain deadlines by reason of Federally declared disaster, significant fire, or terroristic or military actions *IRM 20.2.4.5, Delinquent Returns *IRM 20.2.4.6, Unprocessable Returns |
| 160/166 | Return due date or extended return due date, whichever is later. Transaction (23C) date for IRC 6698 and IRC 6699 penalties assessed prior to cycle 202203 for Forms 1065 and 1120S, respectively. | <ul style="list-style-type: none"> IRM 20.2.5.3, Interest on Penalties and Additions to Tax IRM 20.2.7.11, IRC 7508, Combat Zone IRM 20.2.7.13, IRC 7508A, Authority to postpone certain deadlines by reason of Federally declared disaster, significant fire, or terroristic or military actions |
| 161/167 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 170/176 | Transaction (23C) date. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 171/177 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 180/186 | Transaction (23C) date. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 181/187 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 190/191 | Not applicable to interest recomputation. | IRM 20.2.5.6.2, Manual Computations |

Exhibit 20.2.1-3 (Cont. 1) (12-26-2024)**Interest Effective Date Chart**

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-----------|--|--|
| 196/197 | Not applicable to interest recomputation. | IRM 20.2.1.4.1, Systemic Calculation of Interest |

Transaction Code 2XX

| TC | Interest Effective Date (Effective Dates For Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-----------|---|--|
| 200 | Transaction (23C) date. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 201 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 234/238 | Transaction (23C) date. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 235/239 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 240 | Transaction (23C) date. See IRM for returns due prior to 1/1/1990. Return due date or extended due date, whichever is later, for PRN 680, 681,683,686,786-794 | <ul style="list-style-type: none"> IRM 20.2.5.3, Interest on Penalties and Additions to Tax IRM 20.2.7.11, IRC 7508, Combat Zone IRM 20.2.7.13, IRC 7508A, Authority to postpone certain deadlines by reason of Federally declared disaster, significant fire, or terroristic or military actions |
| 241 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 246 | Transaction (23C) date. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 247 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 270/276 | Transaction (23C) date. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 271/277 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 280/286 | Transaction (23C) date. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 281/287 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |

Exhibit 20.2.1-3 (Cont. 2) (12-26-2024)
Interest Effective Date Chart

| TC | Interest Effective Date (Effective Dates For Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|---------|---|---|
| 290 | Return due date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> Document 6209, Section 2.3, Due date of Returns IRM 20.2.5.2, Underpayment Interest IRM 20.2.5.7, Revenue Ruling 99-40, Use of Money IRM 20.2.5.8, Large Corporate Underpayment (LCU) IRM 20.2.7.8, IRC 6404(g) Interest Suspension IRM 20.2.7.9, IRC 6601(c), Suspension of Interest on Deficiencies |
| 291 | Return due date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> Document 6209, Section 2.3, Due Date of Returns IRM 20.2.5.2, Underpayment Interest *IRM 20.2.4.4, Availability Dates for Overpayments |
| 294/298 | Interest computation date shown with transaction being reversed. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.9.4, Carryback Recaptures IRM 20.2.10.3.2, Interest on Adjustments to FTC IRM 20.2.10.5.1, Underpayment Adjustments on Employment Taxes IRM 20.2.10.5.2, Combined Annual Wage Reporting (CAWR) Assessments IRM 20.2.10.5.4, Underpayments of FICA and RRTA Taxes IRM 20.2.10.5.5, Underpayments of Income Tax Withheld from Wages IRM 20.2.11.13.1, Interest Computation on RBAs |

Exhibit 20.2.1-3 (Cont. 3) (12-26-2024)**Interest Effective Date Chart**

| TC | Interest Effective Date (Effective Dates For Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-------------|--|---|
| 298 CRN 263 | <p>Interest computation date (INTCMP-DT>) shown with the date of the 965(h) installment due date OR the date of the payment (whichever is earlier).</p> <p>When there is interest on the module, the installment due date should be used.</p> <p>Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation.</p> | <ul style="list-style-type: none"> IRM 3.14.2.6.5.3.1, IRC 965(h) Adjustment Procedures IRM 5.19.26.13, Account Corrections |
| 295/299 | <p>Interest computation date shown with transaction being reversed. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation.</p> | <ul style="list-style-type: none"> IRM 20.2.9.3, Transaction Codes for Claims Processing *IRM 20.2.9.2, Determining the Overpayment Interest Period |

Transaction Code 3XX

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-----------|--|--|
| 300 | <p>Return due date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation.</p> | <ul style="list-style-type: none"> Document 6209, Section 2.3, Due date of Returns IRM 20.2.5.2, Underpayment Interest IRM 20.2.5.7, Revenue Ruling 99-40, Use of Money IRM 20.2.5.8, Large Corporate Underpayment, (LCU) IRM 20.2.7.8, IRC 6404(g) Interest Suspension IRM 20.2.7.9, IRC 6601(c) Suspension of Interest on Deficiencies IRM 20.2.9.7, Combination of Adjustments - Form 2285 |

Exhibit 20.2.1-3 (Cont. 4) (12-26-2024)
Interest Effective Date Chart

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|---------|---|---|
| 301 | Return due date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> Document 6209, Section 2.3, Due date of Returns IRM 20.2.5.2, Underpayment Interest IRM 20.2.9.7, Combination of Adjustments - Form 2285 *IRM 20.2.4.4, Availability Dates for Overpayments |
| 304/308 | Interest computation date shown with transaction being reversed. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.9.4, Carryback Recaptures IRM 20.2.10.3.2, Interest on Adjustments to FTC IRM 20.2.10.5.1, Underpayment Adjustments on Employment Taxes IRM 20.2.10.5.2, Combined Annual Wage Reporting (CAWR) Assessments IRM 20.2.10.5.4, Underpayments of FICA and RRTA Taxes IRM 20.2.10.5.5, Underpayments of Income Tax Withheld from Wages |
| 305/309 | Interest computation date shown with transaction. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.9.3, Transaction Codes for Claims Processing *IRM 20.2.9.2, Determining the Overpayment Interest Period |
| 310 | Transaction (23C) date | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 311 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 320 | Return due date or extended return due date, whichever is later. See IRM for returns due prior to 01/01/1989. | <ul style="list-style-type: none"> IRM 20.2.5.3, Interest on Penalties and Additions to Tax IRM 20.2.7.11, IRC 7508, Combat Zone IRM 20.2.7.13, IRC 7508A, Authority to postpone certain deadlines by reason of Federally declared disaster, significant fire, or terroristic or military actions |
| 321 | Same effective date as the transaction(s) being reversed. See IRM for returns due prior to 01/01/1989. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 336/337 | Not applicable to interest recomputation. | IRM 20.2.1.4.1, Systemic Calculation of Interests |

Exhibit 20.2.1-3 (Cont. 5) (12-26-2024)**Interest Effective Date Chart**

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-------------|--|---|
| 340/341 | Not applicable to interest recomputation. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.6.2, Manual Computations IRM 20.2.5.6.3, Non-Restricting Transaction Code TC 340 IRM 20.2.14, Netting of Overpayment and Underpayment Interest |
| 350 | Transaction (23C) Date. See IRM for returns due after 12/31/1988 and before 01/01/1990. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 351 | Same effective date as the transaction(s) being reversed. See IRM for returns due after 12/31/1988 and before 01/01/1990. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 360 | Transaction (23C) date | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 361 | Same effective date as the transaction(s) being reversed. | IRM 20.2.5.3, Interest on Penalties and Additions to Tax |
| 380/386/388 | Transaction (23C) date | Document 6209, Section 8A-2-3, Master File Codes |
| 387/389 | Same effective date as the transaction(s) being reversed. | Document 6209, Section 8A-2-3, Master File Codes |

Transaction Code 4XX

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-----------|--|---|
| 430 | Transaction (23C) date or return due date, whichever is later. | IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types |
| 450 | Due date of the transfer or return. | <ul style="list-style-type: none"> Document 6209, Section 2.3, Due Date of Returns IRM 20.2.11.8, Transferee Interest and Assessments |
| 451 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> Document 6209, Section 2.3, Due Date of Returns IRM 20.2.11.8, Transferee Interest and Assessments |

Exhibit 20.2.1-3 (Cont. 6) (12-26-2024)
Interest Effective Date Chart

Transaction Code 5XX

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-----------|--|--|
| 534 | Transaction (23C) Date | Document 6209, Section 8A-2-5, Master File Codes |
| 535 | Same effective date as the transaction(s) being reversed | Document 6209, Section 8A-2-5, Master File Codes |

Transaction Code 6XX

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|---------------------|---|--|
| 600/604/606/ 608 | Transaction (23C) date. | Document 6209, Section 8A-26 Master File Codes |
| 605/607/609 | Same effective date as the transaction(s) being reversed. | Document 6209, Section 8A-2-6, Master File Codes |
| 610 | Transaction (23C) date or return due date, whichever is later. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2, Underpayment Interest IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types |
| 611/612 | Same effective date as the transaction(s) being reversed/corrected. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 620 | Transaction (23C) date or return due date, whichever is later. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 621/622 | Same effective date as the transaction(s) being reversed/corrected. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, IRM 20.2.4.3.1, Availability Dates for Overpayments-Payment and Credit Types |
| 630/636 | Transaction (23C) date. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |

Exhibit 20.2.1-3 (Cont. 7) (12-26-2024)**Interest Effective Date Chart**

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-----------|--|---|
| 632/637 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 640 | Transaction (23C) date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.4, Notice and Demand and Underpayment Interest *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types *IRM 20.2.4.9.1, Cash Bonds *IRM 20.2.4.9.2, IRC 6603 Deposits |
| 641/642 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 650 | Transaction (23C) date or return due date, whichever is later. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, IRM 20.2.4.3.1, Availability Dates for Overpayments-Payment and Credit Types |
| 651/652 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 660 | Transaction (23C) date or return due date, whichever is later. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 661/662 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 666 | Transaction (23C) date or return due date, whichever is later. | <ul style="list-style-type: none"> IRM 20.2.5.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 667 | Same effective date as the transaction(s) being moved. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |

Exhibit 20.2.1-3 (Cont. 8) (12-26-2024)
Interest Effective Date Chart

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|---------|--|--|
| 670 | Transaction (23C) date. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.4, Notice and Demand and Underpayment Interest *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 671/672 | Same effective date as the transaction(s) being reversed/corrected. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 678 | Transaction (23C) date or return due date, whichever is later. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 679 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 680 | Transaction (23C) date. See IRM references for additional information. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.4, Notice and Demand and Underpayment Interest *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 681/682 | Same effective date as the transaction(s) being reversed/corrected. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 690 | Transaction (23C) date. See IRM references for additional information. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.4, Notice and Demand and Underpayment Interest *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 691/692 | Same effective date as the transaction(s) being reversed/corrected. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |

Exhibit 20.2.1-3 (Cont. 9) (12-26-2024)**Interest Effective Date Chart**

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-----------|--|--|
| 694 | Transaction (23C) date. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.4, Notice and Demand and Underpayment Interest *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |
| 695 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4.1, Availability Dates for Overpayments-Payment and Credit Types |

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| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-----------|---|--|
| 700/706 | Transaction (23C) date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.4, Notice and Demand and Underpayment Interest IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset *IRM 20.2.4.7, Offsets *IRM 20.2.4.7.1, Interest on Offsets |
| 701/702 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.7, Offsets |
| 710/716 | Transaction date or return due date, whichever is later. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4, Availability Dates for Overpayments *IRM 20.2.4.9.4, Credit Elect |
| 712 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4, Availability Dates for Overpayments |

Exhibit 20.2.1-3 (Cont. 10) (12-26-2024)
Interest Effective Date Chart

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|---------|--|---|
| 720 | Transaction (23C) date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | IRM 20.2.7.7, IRC 6404(e)(2), Erroneous Refunds |
| 721/722 | Same effective date as the transaction(s) being reversed/corrected. | IRM 20.2.7.7, IRC 6404(e)(2), Erroneous Refunds |
| 730/736 | Interest-to-date of the portion of the TC 770 or TC 776 being transferred. | <ul style="list-style-type: none"> IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset *IRM 20.2.4.7, Offsets |
| 731/732 | Same effective date as the transaction(s) being reversed. | *IRM 20.2.4.7, Offsets |
| 740 | Transaction (23C) date. Same effective date as refund (TC 846) being redeposited. | *IRM 20.2.4.8.5.1, Undeliverable Refund Checks |
| 742 | Same effective date as the transaction(s) being corrected. | *IRM 20.2.4.8.5.1, Undeliverable Refund Checks |
| 756 | Interest-to-date of the portion of the TC 770 or TC 776 being transferred. | <ul style="list-style-type: none"> IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset *IRM 20.2.4.7, Offsets |
| 760 | Transaction (23C) date. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.4, Notice and Demand and Underpayment Interest *IRM 20.2.4.4, Availability Dates for Overpayments |
| 762 | Same effective date as the transaction(s) being corrected. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4, Availability Dates for Overpayments |
| 764/768 | Return due date. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4, Availability Dates for Overpayments |
| 765 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4, Availability Dates for Overpayments |

Exhibit 20.2.1-3 (Cont. 11) (12-26-2024)

Interest Effective Date Chart

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-------------|---|--|
| 766 | Return due date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.10.4.4, Telephone Excise Tax Refund (TETR) Claims IRM 20.2.10.5.10, COBRA Benefits IRM 20.2.11.13.2, Payments to RBAs *IRM 20.2.4.4, Availability Dates for Overpayments *IRM 20.2.4.8.4, 180-Day Rule *IRM 20.2.10.4.12, Tax on Removal of a Taxable Fuel *IRM 20.2.11.10.3, Form 8752 Interest on Refunds |
| 766 CRN 263 | <p>CRN 263 records the amount of deferred section 965 tax.</p> <p>The initial 766 CRN 263 must be the return due date for the return on which the section 965(h) election is made.</p> <p>Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation.</p> | <ul style="list-style-type: none"> IRM 3.14.2.6.5.3.1, IRC 965(h) Adjustment Procedures IRM 5.19.26.13, Account Corrections |
| 767 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4, Availability Dates for Overpayments |
| 767 CRN 263 | <p>CRN 263 records the amount of deferred section 965 tax adjustments. When a payment (TC 670 with DPC 64) is received, a TC 767 CRN 263 is systemically generated with the installment due date.</p> <p>Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation.</p> | <ul style="list-style-type: none"> IRM 3.12.37.29, Section 965 Processing IRM 3.14.2.6.5.3.1, IRC 965(h) Adjustment Procedures IRM 5.19.26.8.1, Input TC 767 CRN 263 IRM 21.5.13.3.4, IRC 965 Payment Processing IMF IRM 21.5.13.4, IRC 965 Transition Tax BMF |

Exhibit 20.2.1-3 (Cont. 12) (12-26-2024)
Interest Effective Date Chart

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-------------------------------------|---|--|
| 770/771/772/ 776/777 | Not applicable to interest recomputation. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.14, Netting of Overpayment and Underpayment Interest *IRM 20.2.4, Overpayment Interest |
| 790/796 Interest Allowed | Due date of the liability being paid. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset IRM 20.2.14, Netting of Overpayment and Underpayment Interest *IRM 20.2.4.7, Offsets *IRM 20.2.4.7.1, Interest on Offsets |
| 790/796- Interest Not Allowed | Availability date of the credit being transferred. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset *IRM 20.2.4.7, Offsets |
| 792 | Same effective date as the transaction(s) being reversed. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.7, Offsets |

Transaction Code 8XX

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|---------|--|--|
| 800/806 | Return due date. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4, Availability Dates for Overpayments |
| 802/807 | Return Due Date | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.4, Availability Dates for Overpayments |

Exhibit 20.2.1-3 (Cont. 13) (12-26-2024)

Interest Effective Date Chart

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|--------------------------------------|---|--|
| 820 - Interest Allowed | Due date of the liability being paid. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/offset IRM 20.2.14, Netting of Overpayment and Underpayment Interest *IRM 20.2.4.7, Offsets *IRM 20.2.4.7.1, Interest on Offsets |
| 820 - Interest Not Allowed | Transaction (23C) date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset *IRM 20.2.4.7, Offsets |
| 821/822 | Same effective date as the transaction(s) being reversed/corrected. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.7, Offsets |
| 824/826 - Interest Allowed | Due date of the liability being paid. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset IRM 20.2.14, Netting of Overpayment and Underpayment Interest *IRM 20.2.4.7, Offsets *IRM 20.2.4.7.1, Interest on Offsets |
| 824/826 - Interest Not Allowed | Availability date of the credit being transferred. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset *IRM 20.2.4.7, Offsets |
| 830/836 | Transaction (23C) date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.7, Revenue Ruling 99-40, Use of Money *IRM 20.2.4.9.4, Credit Elect |
| 832 | Same effective date as the transaction(s) being reversed/corrected. | *IRM 20.2.4.9.4, Credit Elect |

Exhibit 20.2.1-3 (Cont. 14) (12-26-2024)
Interest Effective Date Chart

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|-------------------------------|---|--|
| 840 - Interest Allowed | Transaction date (refund schedule date). Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.14, Netting of Overpayment and Underpayment Interest *IRM 20.2.4.8, Refunds *IRM 20.2.4.8.2, Manual Refunds |
| 840- Interest Not Allowed | Transaction date (refund schedule date). Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.7.1, Revenue Ruling 99-40 and Refunds Without Interest *IRM 20.2.4.8.3, 45-Day Rule *IRM 20.2.4.8.2, Manual Refunds |
| 841/842 | Transaction (23C) date. Same effective date as refund TC 840/846 being cancelled. | <ul style="list-style-type: none"> *IRM 20.2.4.8.5, Returned and Intercepted Refund Checks *IRM 20.2.4.8.5.4, Non-Negotiable Refund Checks |
| 843 | Same effective date as the transaction(s) being reversed/corrected. | *IRM 20.2.4.8.5, Returned and Intercepted Refund Checks |
| 846 - Interest Allowed | Transaction (23C) date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.14, Netting of Overpayment and Underpayment Interest *IRM 20.2.4.8, Refunds *IRM 20.2.4.8.1, Systemic Refunds |
| 846 - Interest Not Allowed | Transaction (23C) date. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.7.1, Revenue Ruling 99-40 and Refunds *IRM 20.2.4.8.1, Systemic Refunds *IRM 20.2.4.8.3, 45-Day Rule |
| 848 | Same effective date as the TC 840/846 it reverses. | <ul style="list-style-type: none"> IRM 21.5.2.4.23.10, Moving Refunds *IRM 20.2.4.8, Refunds |
| 849 | Same effective date as the corresponding TC 848 | <ul style="list-style-type: none"> IRM 21.5.2.4.23.10, Moving Refunds *IRM 20.2.4.8, Refunds |
| 850 | Interest-to-date of the portion of the TC 770 or TC 776 being transferred. | <ul style="list-style-type: none"> IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset *IRM 20.2.4.7, Offsets |
| 851/852 | Same effective date as the transaction(s) being reversed/corrected. | *IRM 20.2.4.7, Offsets |

Exhibit 20.2.1-3 (Cont. 15) (12-26-2024)

Interest Effective Date Chart

| TC | Interest Effective Date (Effective Dates for Underpayment/Overpayment May Differ) | References (Asterisk (*) Denotes Overpayment Reference) |
|--------------------------------------|---|--|
| 856 | Interest-to-date of the portion of the TC 770 or TC 776 being transferred. | <ul style="list-style-type: none"> IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset *IRM 20.2.4.7, Offsets |
| 876 | Interest-to-date of the portion of the TC 770 or TC 776 being transferred. | <ul style="list-style-type: none"> IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset *IRM 20.2.4.7, Offsets |
| 890/896 - Interest Allowed | Due date of the liability being paid. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset IRM 20.2.14, Netting of Overpayment and Underpayment Interest *IRM 20.2.4.7, Offsets *IRM 20.2.4.7.1, Interest on Offsets |
| 890/896 - Interest Not Allowed | Availability date of the credit being transferred. Exceptions and/or additional provisions may apply. See IRM references for information to consider when determining an accurate interest calculation. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset *IRM 20.2.4.7, Offsets |
| 892/897 | Same effective date as the transaction(s) being reversed/corrected. | <ul style="list-style-type: none"> IRM 20.2.5.2.1.2, Availability Dates for Interest Calculation and Offset *IRM 20.2.4.7, Offsets |

