



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

20.2.4

JANUARY 31, 2025

## EFFECTIVE DATE

(01-31-2025)

## PURPOSE

- (1) This transmits revised IRM 20.2.4, Interest, Overpayment Interest.

## MATERIAL CHANGES

- (1) This IRM is being revised to include minor editorial changes. Web site addresses, legal references, IRM references, and tables were reviewed and updated as necessary. Minor editorial changes have been made throughout (formatting, links, punctuation, citations, etc.). Editorial changes to the IRM are shown in the following table:

IRM	Change Description
Throughout	Change Organization Wage and Investment (W&I) to Taxpayer Services (TS).

## EFFECT ON OTHER DOCUMENTS

This supersedes IRM 20.2.4, dated March 15, 2024.

## AUDIENCE

This IRM is intended for servicewide use by all employees who handle tax adjustments involving the computation of interest.

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20.2.4

Overpayment Interest

## Table of Contents

20.2.4.1 Program Scope and Objectives

20.2.4.1.1 Background

20.2.4.1.2 Authority

20.2.4.1.3 Roles and Responsibilities

20.2.4.1.4 Program Management and Review

20.2.4.1.5 Program Controls

20.2.4.1.6 Terms and Definitions

20.2.4.1.7 Related Resources

20.2.4.2 Overpayment Interest Overview

20.2.4.3 Definition of Overpayment

20.2.4.4 Availability Dates for Overpayments

20.2.4.4.1 Availability Dates for Overpayments - Payment and Credit Types

20.2.4.4.2 Availability Dates for Overpayments-Released Credits

20.2.4.5 Delinquent Returns

20.2.4.6 Unprocessable Returns

20.2.4.6.1 Updating the RPD on Unprocessable Returns

20.2.4.7 Offsets

20.2.4.7.1 Interest on Offsets

20.2.4.7.2 Rules for Applying Offsets Under Section 6402

20.2.4.7.3 Different Taxpayers and Offsets

20.2.4.7.4 Overpayments Offset Against Underpayment Interest

20.2.4.7.5 Applying Overpayments as Credits to Liabilities for the Same Tax Period

20.2.4.7.6 Master File and Systemic Offsets

20.2.4.8 Refunds

20.2.4.8.1 Systemic Refunds

20.2.4.8.2 Manual Refunds

20.2.4.8.3 45-Day Rule

20.2.4.8.3.1 45-Day Rule and All Original Tax Returns

20.2.4.8.3.2 45-Day Rule and Amended Returns and Claims, OBRA 1993

20.2.4.8.3.2.1 Amended Claims Date Processing

20.2.4.8.3.3 45-Day Rule and IRS Initiated Adjustments

20.2.4.8.3.4 45-Day Rule and Coronavirus Pandemic Relief for Certain 2019 Individual Returns Due July 15, 2020

20.2.4.8.3.5 45-Day Rule and Coronavirus Pandemic Relief for Certain 2020 Individual Returns Due May 17, 2021

- 
- 20.2.4.8.4 180-Day Rule
  - 20.2.4.8.5 Undeliverable, Returned, Intercepted, Non-Receipt, and Non-Negotiable Refund Checks
    - 20.2.4.8.5.1 Undeliverable Refund Checks
    - 20.2.4.8.5.2 Returned and Intercepted Refund Checks
    - 20.2.4.8.5.3 Non-Receipt of Refund Check
    - 20.2.4.8.5.4 Non-Negotiable Refund Checks
  - 20.2.4.9 Special Rules
    - 20.2.4.9.1 Cash Bonds
    - 20.2.4.9.2 IRC 6603 Deposits
      - 20.2.4.9.2.1 Identification and Rate of Interest for 6603 Deposits
      - 20.2.4.9.2.2 Applying an Excess 6603 Deposit Against Another Liability
      - 20.2.4.9.2.3 Request for Return of an IRC 6603 Deposit
      - 20.2.4.9.2.4 Designating a Deposit Made Under Rev. Proc. 84–58 (Cash Bond) as a Deposit Under IRC 6603
    - 20.2.4.9.3 Unidentified Remittances
    - 20.2.4.9.4 Credit Elect
    - 20.2.4.9.5 Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax
  - 20.2.4.10 Special Overpayment Interest Rules for Corporations
    - 20.2.4.10.1 GATT Interest-Computations on Overpayments
    - 20.2.4.10.2 Determining the GATT Threshold
    - 20.2.4.10.3 GATT Rate
  - 20.2.4.11 Seized Property
  - 20.2.4.12 Manually Computing Overpayment Interest

20.2.4.1  
(01-31-2025)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM provides policy guidance for computing overpayment interest on most cases and return types.
- (2) **Audience:** This IRM is intended for servicewide use by all business operation divisions (BODs) needing to compute underpayment interest. The primary audience is for Restricted Interest tax examiners (TE), who handle computations of interest, including 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 (TS) Division,
  - IRS Independent Office of Appeals, (Appeals),
  - 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 20.2.4, Overpayment Interest.
- (5) **Primary Stakeholders:** All operating divisions.

20.2.4.1.1  
(03-15-2024)  
**Background**

- (1) Overpayment interest is sometimes referred to as credit interest or allowable interest. The Office of Servicewide Interest provides policy, training materials, interest tools, and manual interest procedures, when applicable, for overpayment and underpayment interest purposes. It is essential that managers, senior management officials, personnel, and examiners working with computations of overpayment interest correctly understand and follow technical guidance and information for interest rates and methods of computation.

20.2.4.1.2  
(03-15-2024)  
**Authority**

- (1) These procedures are covered under the following authority:
  - IRC 6601, Interest on Underpayment, Nonpayment, or Extension of Time for Payment, of Tax
  - IRC 6611, Interest on Overpayments
  - IRC 6621, Determination of Rate of Interest
  - IRC 6622, Interest Compounded Daily

20.2.4.1.3  
(03-15-2024)  
**Roles and Responsibilities**

- (1) The Office of Servicewide Interest is responsible for the content of this IRM, answering related questions, and inputting any work requests.
- (2) The program manager of Office of Servicewide Interest is responsible for oversight of the interest programs.
- (3) The Director, Business Support Office, is the executive responsible for policy and procedures.
- (4) The *Taxpayer Bill of Rights (TBOR)* lists rights which already existed in the tax code, putting them in simple language and grouping them into 10 fundamental

rights. Employees are responsible for being familiar, and acting in accord, with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights.

20.2.4.1.4  
(03-15-2024)  
**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 prepare reports of significant issues, such as corrections to computer programming that affect taxpayers.

20.2.4.1.5  
(03-15-2024)  
**Program Controls**

- (1) In accordance with IRC 6611(a), interest is allowed and paid on any overpayment of tax at the overpayment rate established under IRC 6621.
- (2) 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.

20.2.4.1.6  
(03-15-2024)  
**Terms and Definitions**

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

20.2.4.1.7  
(03-15-2024)  
**Related Resources**

- (1) For additional information, such as the latest interest news, job aids, interest tool updates, training material, list of the analysts, etc., see the *Interest Knowledge Base*.

20.2.4.2  
(03-15-2024)  
**Overpayment Interest  
Overview**

- (1) IRC 6611(a) provides that interest shall be allowed and paid on any overpayment of tax at the overpayment rate established under IRC 6621.
- (2) The allowance of interest is authorized only on overpayments. There is no overpayment until the entire tax liability (including any interest, addition to the tax, or additional amount) is satisfied.
- (3) Interest is generally allowed if an overpayment is:
  - a. Offset against a liability, IRC 6611(b)(1). See IRM 20.2.4.7, Offsets, or
  - b. Refunded to the taxpayer, IRC 6611(b)(2). See IRM 20.2.4.8, Refunds.

20.2.4.3  
(03-15-2024)  
**Definition of  
Overpayment**

- (1) An overpayment may include any amount that is erroneously assessed and collected:

<b>Overpayment Types:</b>
<p>A refundable credit that exceeds the tax liability against which the credit is allowed.</p> <p><b>Note:</b> A determination must be made as to whether the credit is refundable or nonrefundable.</p>
<p>A Tax amount withheld at the source that either:</p> <ul style="list-style-type: none"> <li>a. Exceeds the tax liability against which the withheld tax is allowed as a refundable credit or;</li> <li>b. Exceeds the tax liability against which the withheld tax is allowed under IRC 33 as a nonrefundable credit <b>AND</b> is deposited by the withholding agent.</li> </ul> <p><b>Note:</b> Withholding allowed as a credit under IRC 33 (Tax Withheld at Source on Nonresident Aliens and Foreign Corporations) is treated as a nonrefundable credit pursuant to IRC 6401(b)(2), unless an election under subsection (g) or (h) of IRC 6013 is in effect for the taxable year.</p>
<p>An amount paid in response to a proposed examination assessment that is later determined to be in excess of the liability for tax, penalty and interest due for the year in which submitted (see Rev. Proc. 84-58 and Rev. Proc. 2005-18).</p> <p><b>Example:</b> A taxpayer fully pays a deficiency including tax, penalties, and interest. It is later determined by Appeals that part of the tax, all of the penalties, and part of the interest should be abated. In this situation, the abatements result in an overpayment.</p>
An excess payment of tax, penalty, addition to tax, or interest.
<p>An amount paid after a 90-day letter was mailed that is in excess of the finally determined deficiency.</p> <p><b>Note:</b> If the taxpayer files a petition to Tax Court, the court must determine (as a part of its decision) that there is an overpayment and that such portion was paid after the notice of deficiency was mailed.</p>

- (2) The term “overpayment” includes any amount applied to the payment of any internal revenue tax, penalty, or interest (or combination thereof) that is assessed or collected after the expiration of the applicable period of limitations.

**Note:** If a payment is received on or before the assessment statute expiration date (ASED), but the IRS does not assess on or before the ASED and the IRS determines that it should pay all or part of that amount back to the taxpayer, the IRS will compute the refund using the correct amount of tax and not just the amount originally assessed (Rev. Rul. 85-67).

20.2.4.4  
(03-15-2024)  
**Availability Dates for  
Overpayments**

- (1) An overpayment is generally available for offset and or refund on its availability date.
- (2) The availability date of an overpayment is determined by the payment(s) and or credits(s) of which it is comprised. These payments and credits may be dated before the return due date (determined without regard to any extension of time for filing), or on or after the return due date. Since an overpayment can be made up of multiple payments and or credits, it may have more than one availability date. See IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types. Also see IRM 20.2.4.4.2, Availability Dates for Overpayments - Released Credits.
- (3) Although an overpayment is generally available for offset or refund on its availability date, interest on the overpayment, when permitted, may be computed from **other than** its availability date when the original tax return was filed late (IRC 6611(b)(3)) or in unprocessable form (IRC 6611(g)). See IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns.

20.2.4.4.1  
(03-15-2024)  
**Availability Dates for  
Overpayments -  
Payment and Credit  
Types**

- (1) Prepayment credits (payments made before the due date of the return) are deemed paid as of the due date of the return (determined without regard to any extension of time to file) whether the return is timely or late filed.
  - Prepayment credits are available for offset and or refund as of the return due date (determined without regard to any extension of time to file such return).

**Exception:** An overpayment of prepayment credits shown on a return *filed prior to its un-extended return due date* may be offset and or refunded by the IRS **before** the un-extended return due date. When such an offset is made, it will carry the 23C date of the posted TC 150 of the tax module from which the offset originated (Master File programming will not accept a future date). The offset is available to reduce the debit balance on the receiving module as of the same 23C date. If the offset occurs **after** the un-extended return due date, it will carry the due date of the return (determined without regard to any extension of time to file). In addition, an offset and/or refund of an overpayment derived from the filing of Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax, may carry a date prior to the un-extended due date of the return. See IRM 20.2.4.9.5, Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax.

- Interest on overpayments based on prepayment credits is allowed, when permitted, from the **later** of the original return due date (determined without regard to any extension of time to file such return), delinquent received date of the original return, or the date information needed to process the original return is received (provided the processible date is after the due date, including any extension of time for filing). Interest on prepayment credits can accrue **no earlier** than the due date of the return (determined without regard to any extension of time to file such return), IRC 6611(d) and IRC 6513(b).

If the return is	then allow interest on a prepayment credit, when permitted, from the later of the
timely filed (return received by the original or extended due date),	original return due date (determined without regard to any extension of time for filing), or the date information needed to process the original return is received (provided the processible date is after the due date, including any extension of time for filing).
late filed (return <b>not</b> received by the original or extended due date),	delinquent received date of the original return, or the date information needed to process the original return is received.

- (2) Payments made **on or after** the return due date (determined without regard to any extension of time to file) are available for offset and or refund as of the received date of the payment. Interest on payments made **on or after** the return due date is allowed, when permitted, from the received date of the payment, delinquent return received date or return processible date, whichever is **later**.

If the return is	and	then
timely filed (return received by the original or extended due date)	the payment is made <b>on or after</b> the return due date, determined <b>without</b> regard to extensions,	allow interest, when permitted, from the <b>later</b> of the payment received date or the date information needed to process the original return is received (provided the processible date is after the due date, including any extension of time for filing).
late filed (return <b>not</b> received by the original or extended due date)	the payment is made <b>on or after</b> the return due date, determined <b>without</b> regard to extensions,	allow interest, when permitted, from the <b>later</b> of the payment received date, delinquent received date of the original return, or the date information needed to process the original return is received.

- (3) An overpayment due to a carryback from a subsequent loss year is available for offset and/or refund as of the due date of the loss year return (determined without regard to any extension of time to file). Interest on the overpayment is allowed, when permitted, from the **later** of the:
- Due date of the loss year return (determined **without** regard to any extension of time for filing).
  - Received date of a delinquent loss year return (determined **with** regard to any extension of time for filing).
  - Date the loss year return is received in processible form (provided the processible date is after the loss year return's due date or extended due date).
  - Date the overpayment on the gain year arose.
- (4) If a taxpayer fails to file a return, the IRS may prepare a Substitute For Return (SFR) under IRC 6020(b). Interest, when permitted, is not allowed until a delinquent return or signed waiver (for example, Form 870, Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment, Form 870-AD, Offer to Waive Restrictions on Assessment and Collection of Tax Deficiency and to Accept Overassessment, Form 890, Waiver of Restriction on Assessments and Collection of Deficiency and Acceptance of Overassessments-Estate, Gift, and Generation-Skipping Transfer Tax, or Form 4549, Report of Income Tax Examination Changes), is received by the IRS. The overpayment availability date is the **later** of the:
- a. Date of payment/credit creating the overpayment.
  - b. Delinquent return received date (see IRM 20.2.4.5, Delinquent Returns).
  - c. Date information needed to process the return is received (see IRM 20.2.4.6, Unprocessable Returns).
  - d. Date the taxpayer signed an agreement to make the assessment.

**Note:** If the taxpayer does not provide a return or signed waiver, input TC 770 .00 to prevent interest from being paid.

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- (6) IRC 7503 provides that, in the case where the due date for paying falls on a Saturday, Sunday, or legal holiday, the payment is considered to have been made on the due date if it is mailed or electronically transmitted on the next succeeding day which is not a Saturday, Sunday, or legal holiday. ("Legal holiday" means any legal holiday in the District of Columbia, or any statewide legal holiday in the office where the return is required to be filed.) However,

because IRC 7503 does not change the date for performing an act, such a payment is deemed paid, for purposes of offset, refund and computing overpayment interest, as of the date of the payment, **not** the return due date.

20.2.4.4.2  
(03-15-2024)  
**Availability Dates for  
Overpayments-Released  
Credits**

- (1) In some situations, a credit used to satisfy a liability may later be “released.” When this occurs, the availability date of the released credit is:

- **The date the released credit was available, if no interest was allowed because there was no interest period.**

**Example:** An examination of a taxpayer’s Form 1040 for the 202112 tax year results in a tax increase, which is paid by an offset overpayment comprised entirely of prepayment credits from the taxpayer’s 202212 tax module. The offset is credited to the 202112 tax module with an availability date of April 15, 2023. No interest is allowed on the offset. Later, the taxpayer files Form 1040-X, Amended U.S. Individual Income Tax Return, for year 202112 reporting a tax decrease equal to the assessment, which releases the credit offset from year 202212. The availability date of the released credit is April 15, 2023, the date on which it was originally applied to the 202112 tax module.

- **The date to which interest was allowed on the released credit, if interest was allowed on the released credit when it was first applied.**

**Example:** The facts are the same as in the above example, except the liability exists on tax year 202312. The overpayment offset from year 202212 is applied to the 202312 tax module on the liability due date of April 15, 2024. Interest on the offset is allowed **from** the availability date of the overpayment (April 15, 2023) **to** the liability due date. When Form 1040-X is filed for year 202312, and releases the amount credited from year 202212, the availability date of the credit is April 15, 2024, the date to which interest was allowed.

**Caution:** In the examples above, interest on the released credit may be computed from availability dates **other than** those cited when the original tax return - for the year to which the credit was applied - was filed late (IRC 6611(b)(3)) or in unprocessable form (IRC 6611(g)). See IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns.

20.2.4.5  
(03-15-2024)  
**Delinquent Returns**

- (1) IRC 6611(b)(3) provides that, when a return is filed after its due date (including extensions), interest will **not** be paid for any period **prior** to the date the late return is actually filed.

- (2) Determining Return Timeliness:

- If a return is postmarked (U.S. or designated Private Delivery Service) on or before the due date, including any approved extension of time to file, the return is considered timely filed (IRC 7502(a)).
- Treas. Reg. 301.7502-1(d) provides that a document filed with an authorized electronic return transmitter is deemed to be filed on the date of the electronic postmark given by the electronic return transmitter. See IRM 25.6.1.6.15, When a Document is Treated as Filed Under the IRC, for additional information.

- Rev. Rul. 2002-23 provides that a document mailed from and officially postmarked in a foreign country will be accepted as timely filed if postmarked on or before the last day for filing.
- IRC 7503 provides that, in the case where the due date for filing or paying falls on a Saturday, Sunday, or legal holiday, the return is considered to have been filed on the due date if it is mailed on the next succeeding day which is not a Saturday, Sunday, or legal holiday. "Legal holiday" means any legal holiday in the District of Columbia, or any statewide legal holiday in the office where the return is required to be filed.

**Note:** IRC 7503 does **not** prescribe a new due date.

**Note:** A return not filed by the date authorized under IRC 7503 is considered late (provided no other extension of time for filing has been granted).

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- (3) Pursuant to IRC 7508(b)(2), the interest provision of IRC 6611(b)(3) is inapplicable to a taxpayer who has served in a combat zone (IRC 7508) or who has been determined to be affected by a federally declared disaster, a significant fire, or a terroristic or military action (IRC 7508A), provided the taxpayer's original return is timely filed (determined by taking into account the applicable suspension period of IRC 7508 or IRC 7508A).
- (4) Besides changing the date interest will begin to accrue on an overpayment, IRC 6611(b)(3) is also considered when determining if the 45-day interest-free period has been met for an original tax return. See IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns.

20.2.4.6  
(03-15-2024)

#### Unprocessable Returns

- (1) IRC 6611(g) prohibits the payment of interest until a return is in processible form, and a return is not treated as filed (for purposes of IRC 6611(b)(3)) until it is received in processible form.
- (2) A return is in processible form if it:
  - Is filed on a permitted form;
  - Contains the taxpayer's name, address, and identifying number;
  - Has the required signature(s); and
  - Contains sufficient information (whether on the return or on required attachments) to permit the mathematical verification of the tax liability shown on the return.
- (3) When an unprocessable, **original tax return** is received, Document Perfection (Code and Edit or Entity Function) or Input Correction corresponds with the taxpayer and or representative for the missing information.

- a. If the requested information is received **after** the return due date (RDD), the return is processed with a Return Processable Date (RPD) reflecting the date the information was received. This date is also known as the Correspondence Received Date (CRD).
- b. If no reply is received or the reply is incomplete, the return is "U" coded to restrict overpayment interest (IMF), or coded with 9s in the RPD field (IMF and BMF).

**Note:** Unprocessable returns are identified on TXMOD by a display of all 9s in the CRD field.

- (4) The IRS should make every effort to request all of the information necessary to make a return processable at one time. However, if the IRS inadvertently fails to request all of the necessary information at one time and a second request becomes necessary, the return is not processable until all of the information needed to process the return is submitted.
- (5) If the statute, published guidance, form or instructions do not require the attachment of a particular form or schedule, that form or schedule is not a required attachment for IRC 6611(g) purposes.
- (6) When a response to a request for missing information is received, the following interest provisions are to be applied.

If the requested information results in	then
a processible return	interest is allowed, when permitted, <b>from</b> the later of the: <ul style="list-style-type: none"> <li>• payment/credit date - see IRM 20.2.4.4.1.</li> <li>• return due date (determined without regard to any extension of time to file).</li> <li>• delinquent return received date - see IRM 20.2.4.5.</li> <li>• date information needed to process the original return is received (provided the processible date is after the due date, including any extension of time for filing - see paragraph 7 below).</li> </ul>
a non-processible return	interest is not allowed.

- (7) A return made processible on or before its due date (or extended due date) is considered timely and is not subject to the late return rule of IRC 6611(b)(3), nor the provision of IRC 6611(g).

**Example:** A taxpayer who has an extension of time to file an individual income tax return until 10/15, files the return on 09/10 reporting an overpayment of credit dated 05/25. However, information needed to make the return processible was not received until 10/01. Since the information was

received prior to the extended due date, interest on the overpayment will accrue **from** the availability date of the credit (05/25). If information needed to make the return processible had been received after the extended due date, interest on the overpayment would begin to accrue on the date the information was received.

- (8) Besides changing the date an original tax return is considered to be received, and thus the date interest will begin to accrue on any overpayment on the tax module, IRC 6611(g) is also considered when determining if the 45-day interest-free period has been met for an original tax return, amended tax return or claim. See IRM 20.2.4.8.3, 45-Day Rule, and its related subsections, for additional information.

20.2.4.6.1  
(03-15-2024)  
**Updating the RPD on  
Unprocessable Returns**

- (1) When the taxpayer supplies the additional information that results in a processible return, update a previously established RPD with the date the additional information is received. Interest is allowed on the overpayment that comprised the original refund from the **later** of the: (i) payment received date; (ii) return due date, determined without regard to any extension of time for filing; (iii) delinquent return received date, or (iv) date information needed to process the original return is received (provided the processible date is after the due date, including any extension of time for filing).
- (2) The RPD is updated through CC ADJ54. See IRM 2.4.16-4, Input Screen CC ADJ 54, for input instructions.
- (3) If a return was erroneously coded as unprocessable or the RPD was input incorrectly and a correction to the RPD is input later, manually recompute any interest to be paid on the original refund and input with TC 770. This action is required because Master File will not adjust the interest on refunds previously issued.

**Note:** Once a return is processible, a subsequent request for additional information **not** needed to make the return processible does not affect the original RPD.

**Example:** Code and Edit requests a signature to process an original 202312 tax return and it is received on April 30, 2024, which becomes the RPD for overpayment interest. The IRS then requests an attachment that is received on May 14, 2024. The attachment, however, was not needed to permit the mathematical verification of the tax liability shown on the return. Thus, the RPD for overpayment interest will remain April 30, 2024.

20.2.4.7  
(03-15-2024)  
**Offsets**

- (1) The IRS **may** apply the amount of any overpayment against any federal tax liability of the person who made the overpayment, IRC 6402(a).

**Note:** Additionally, the IRS **must** reduce an overpayment by several types of offsets specified in IRC 6402(c), IRC 6402(d), IRC 6402(e), and IRC 6402(f) (child support, non-tax federal debts, state income taxes, and certain unemployment compensation debts).

- (2) Once the IRS offsets the liability with an overpayment, interest no longer accrues on that portion of the overpayment.

**Exception:** When an election is made by a taxpayer to apply an overpayment to the next year's estimated tax under Treas. Reg. 301.6402-3(a)(5), interest does not accrue on the amount so credited. See IRM 20.2.4.9.4, Credit Elect.

- (3) An overpayment and interest on the overpayment may be applied as an offset against any outstanding liability of tax, interest, additional amount, additions to the tax, or penalty on **another tax period** of the person who made the overpayment, as long as the offset occurs within the applicable period of limitations for that other period, IRC 6402(a).

- a. Use the earliest available overpayments in the module to satisfy the "outstanding" liabilities in the order of **first-in, first-out**.

**Caution:** In order to be "outstanding", a balance must be unpaid. Also, an overpayment may not be applied to a satisfied module, even if a potential overpayment for offset has an earlier availability date than the credit that was used to satisfy the liability.

**Example:** Due to a tax decrease on a taxpayer's 2022 Form 1120, there is credit of \$20,000 available to be offset or refunded with an availability date of April 15, 2023. The taxpayer's Form 1120 for 2021 was examined and additional tax assessed for \$10,000, which the taxpayer paid, with interest, on December 21, 2023. Although the 2022 overpayment is available prior to the December payment, the balance on 2021 is no longer "outstanding" and, provided there are no other outstanding liabilities, the entire \$20,000 will be refunded from 2022.

- b. Once the "outstanding" liabilities are satisfied, refund any remaining overpayment (plus interest, if applicable) to the taxpayer.

**Reminder:** The most recent unused payments or credits in the tax module are refunded in the order of **last-in, first-out**.

- (4) An overpayment and interest on the overpayment may be applied as an offset against any outstanding liability of tax, interest, additional amount, additions to the tax, or penalty on **another type of tax** of the person who made the overpayment, as long as the offset occurs within the applicable period of limitations for that other type of tax (for example, an income tax overpayment may be applied against a sole proprietor's employment tax liability), IRC 6402(a).
- (5) See IRM 20.2.4.7.3, Different Taxpayers and Offsets, for handling requests to transfer an overpayment between different taxpayers.

20.2.4.7.1  
(03-15-2024)  
**Interest on Offsets**

- (1) Generally, when an offset is made, interest is allowed from the availability date of the overpayment to the due date of the outstanding liability to which it is applied (IRC 6611(b)(1)).
- (2) When computing allowable interest on an overpayment that is offset:

<b>If an overpayment is applied to</b>	<b>then</b>
unpaid liabilities (including tax, penalties, additions to tax or additional amounts) due <b>on or before</b> the availability date of the overpayment,	no interest is allowed on the overpayment.
unpaid liabilities due <b>after</b> the availability date of the overpayment,	interest is allowed <b>from:</b> the availability date of the overpayment <b>to:</b> the due date of the liability.
unpaid liability for another taxpayer due <b>after</b> the availability date of the overpayment (see IRM 20.2.4.7.3, Different Taxpayers and Offsets),	interest is allowed <b>from:</b> the availability date of the overpayment <b>to:</b> the 23C date of the credit transfer for applying the credit to the liability.

**Exception:** If interest is computed **from** a date other than the availability date of the overpayment because the original tax return was filed late or in an unprocessable form, interest on the offset will be allowed so long as the liability due date is later than the interest start (**from**) date. See paragraph (5) below (IRM 20.2.4.7.1(5)).

**Caution:** Interest on an offset will stop on the liability due date, not the date to which underpayment interest on the liability may be suspended. See paragraph (7) below (IRM 20.2.4.7.1(7)).

- (3) The availability date of the overpayment is determined by the payment(s) and/or credit(s) of which it is comprised. See IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types.

<b>If the payment or credit is a</b>	<b>then the availability date of the overpayment is the</b>
prepaid or timely credit <b>Example:</b> Estimated tax payment, withholding, or a payment before the due date (determined without regard to any extension of time for filing).	due date of return (determined without regard to any extension of time for filing).

If the payment or credit is a	then the availability date of the overpayment is the
subsequent payment or credit made or dated on or after the due date (determined without regard to any extension of time for filing)	payment received date or credit date.

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**Example:** A taxpayer has an overpayment of prepayment credits of \$15,000 on its 202212 Form 1120 and an underpayment of \$25,000 on its Form 1120 for 202312. The taxpayer has not paid the balance on the 202312 tax period and requests that its overpayment from the 202212 tax period be credited to year 202312. Interest is allowed on the \$15,000 offset **from** April 15, 2023 (the availability date of the overpayment on the 202212 return) **to** April 15, 2024 (the due date of the liability on the 202312 return). Both the \$15,000 and the interest on the offset are applied to the 202312 tax period with a date of April 15, 2024.

- (4) Since an overpayment can be made up of multiple payments and or credits, it may have more than one availability date. Offset the earliest available payment or credit that comprises the overpayment, in the order of first-in, first-out.
- (5) Interest may be computed from **other than** the availability date of the overpayment when the original tax return was filed late (IRC 6611(b)(3)), or in unprocessable form (IRC 6611(g)). (See IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns). In the event the return was filed late or unprocessable, interest on an overpayment offset is allowed from the **later** of the date of the overpayment, the delinquent return received date, or the date information needed to process the original return is received (provided the processible date is after the due date, including any extension of time for filing).

If the return is	then allow interest from the later of
timely filed (return received by the original or extended due date)	the return due date (determined without regard to any extension of time for filing), the date of the overpayment (as determined in the preceding table), or the date information needed to process the original return is received (provided the processible date is after the due date, including any extension of time for filing).
late filed (return <b>not</b> received by the original or extended due date)	the late return received date, the date of the overpayment (as determined in the preceding table), or the return processible date.

**Example:** On June 22, 2023, a taxpayer late files Form 1040 for tax year 202212, due April 15, 2023. A subsequent adjustment to the 202212 tax year results in an overpayment comprised entirely of prepayment credits. The overpayment is offset to a balance due on the taxpayer’s Form 1040 account for tax year 202312, with a liability date of April 15, 2024. Although the prepayment credit from the 202212 tax module is available for offset as of its un-extended return due date (April 15, 2023), interest on the offset will not begin to accrue until the date the 202212 return was filed (June 22, 2023). The offset is applied to the 202312 tax module on the liability due date of April 15, 2024. Interest on the offset is computed **from** June 22, 2023 to April 15, 2024.

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- (7) When an overpayment is available earlier than a liability and a manual offset is required, interest on the offset **must** be manually computed on the module that generated the overpayment. Master File will only generate the correct amount of overpayment interest if *it* originates the offset. Expressly, offset overpayment interest will systemically generate only on systemic offsets, not manual offsets.

- (8) Although underpayment interest on an assessment of tax may not begin until a date later than the actual due date (typically due to use of money per Rev. Rul. 99-40), overpayment interest on the amount offset into the module will stop on the liability due date. This rule also applies to the recapture of a previously allowed carryback credit. When a carryback recapture is satisfied by an offset, any overpayment interest will be computed to the loss year return due date, not the date of the carryback refund.

**Example:** A taxpayer has an overpayment of \$25,000 on its Form 1120 for 202112, and an underpayment on its Form 1120 for 202312 that arose from a tax assessment of \$40,000. At the time of the assessment on the 202312 taxable year, a request pursuant to Rev. Rul. 99-40, (as it relates to unpaid installments of estimated tax), was accepted by the IRS which resulted in deficiency interest charged on the assessment from the estimated tax installment due date of December 15, 2024, instead of the return due date of April 15, 2024. Although the date underpayment interest began on the assessment was changed, the tax liability due date did not. Thus, interest on the offset of \$25,000 is computed **from** April 15, 2022 (the availability date of the 202112 overpayment) **to** April 15, 2024 (the due date of the 202312 liability). Both the \$25,000 and the interest on the offset are credited to the 202312 tax period, with a date of April 15, 2024.

**Example:** On April 3, 2023, the IRS received a Form 1139, Corporation Application for Tentative Refund, from an insurance company requesting a tentative refund for an NOL carryback from its 202212 tax period to its 202112 tax period. The application was processed and the resulting overpayment of \$100,000 was refunded from the 202112 tax module without interest on April 24, 2023 (due to the 45-day interest-free period of IRC 6611(e)). Subsequently, the IRS examined the taxpayer's 2023 return, and disallowed the entire NOL carryback. As part of the same examination, the IRS determined a general tax decrease for tax year 202112 (unrelated to the NOL carryback) in the amount of \$40,000, which will be offset against the \$100,000 carryback recapture liability. Although underpayment interest on the carryback recapture will begin on the date of the carryback refund (April 24, 2023), overpayment interest on the general tax decrease of \$40,000, (when offset against the \$100,000 liability of the carryback recapture), may only accrue **from** April 15, 2022 (the due date of the 202112 taxable year return and availability date of the tax decrease) to April 15, 2023 (the liability date of the carryback recapture).

20.2.4.7.2  
(03-15-2024)  
**Rules for Applying  
Offsets Under Section  
6402**

- (1) When there are outstanding liabilities for several periods and the overpayment is insufficient to cover them all, generally the overpayment is applied to offset the liability with the shortest CSED, which is generally the oldest outstanding liability.

**Note:** In general, a taxpayer may not designate how the IRS should apply an overpayment. But a taxpayer may make an election to apply an overpayment to the next year's estimated income tax under Treas. Reg. 301.6402-3(a)(5). See IRM 20.2.4.9.4, Credit Elect. The IRS may apply an overpayment to a prior year's outstanding liabilities (and other offsets prescribed in IRC 6402(c), IRC 6402(d), IRC 6402(e), and IRC 6402(f)) before carrying out the credit election.

- (2) When an election is made to apply an overpayment to the next year's estimated income tax, the IRS will credit the overpayment in the order necessary to avoid the addition to tax for underpayment of estimated income tax. Accordingly, the designation of all or part of the overpayment to a specific estimated tax installment on the immediately succeeding tax year is not necessary and will not be accepted (Rev. Rul. 99-40).

**Reminder:** If the taxpayer is requesting that all or part of the overpayment shown on a return (or amended return) is to be applied to the estimated income tax for the next succeeding taxable year or period ("credit elect"), allow no interest on the portion of the overpayment so credited. See IRM 20.2.4.9.4, Credit Elect. If, however, the taxpayer makes a written request to credit an overpayment to other than the immediately succeeding taxable year or period but does not specify a particular installment the overpayment is to be applied, it is credited to the first installment of the requested tax year or period. If the taxpayer requests the application of the overpayment to an installment in which the interest rates are unknown/not determined, calculate overpayment interest on the offset at the prevailing rate(s).

**Example:** On April 4, 2023, a taxpayer files a Form 1120-X to amend its timely filed and processible return for 202112 requesting a tax decrease of \$5,000. The taxpayer asks that the overpayment be applied to its 202312 estimated tax account. Inform the taxpayer that the overpayment will be credited to the first estimated tax installment for 202312, due April 15, 2023. Since the original return for year 202112 was timely filed and processible, interest on the overpayment is allowed **from** its availability date of April 15, 2022 **to** the installment due date of April 15, 2023. The overpayment is credited to year 202312 with a date of April 15, 2023. Since the transfer is not a credit elect, it is made using transaction codes TC 820 and TC 700. Do not use TC 830 and TC 710, which are specifically designated for credit elect.

**Exception:** A request to apply an overpayment of income tax to a future installment of estimated tax may not be honored after the original return for the period to which the overpayment is to be credited has been filed. Payments of estimated income tax are to be made before the tax is determined and due.

- (3) When an overpayment originating from a net operating loss carryback adjustment is credited to an installment of future tax, interest on the offset is allowed **from** the start date (loss year return due date, determined without regard to extensions; received date of delinquent loss year return; date the loss year return is filed in processible form; or date the overpayment arose, whichever is later) **to** the due date of the estimated tax installment against which the credit is taken.

**Example:** A taxpayer timely files a Form 1040 for year 202012 reflecting a loss (loss year). The taxpayer then files a Form 1040-X carrying back the NOL to 201812 (gain year), which creates an overpayment for 201812. At the taxpayer's request, the IRS agrees to credit the overpayment to the first quarter estimated tax installment for 202212 (due April 15, 2022). Interest on the offset is allowed **from** the loss year return due date (April 15, 2021) **to** the due date of the estimated tax installment

(April 15, 2022). The credit is applied to the 202212 tax module with a date of April 15, 2022. Since the transfer is not a credit elect (202212 is not the immediately succeeding tax year of 201812), it is made using transaction codes (TCs) 820 and 700.

- (4) A refund should not be delayed to accommodate the possibility of a future offset. The IRS may, however, credit an overpayment against a liability when a determination of liability has been made and a notice of deficiency has been issued, even though the deficiency has not been assessed and the taxpayer may challenge the proposed deficiency in Tax Court (see Rev. Rul. 2007-51). The IRS may also credit a liability identified in a proof of claim filed in a bankruptcy case even though the liability has not been assessed or included in a notice of deficiency (see Rev. Rul. 2007-52).

**Example:** A taxpayer files Form 1120-X for 202312, reporting a tax decrease of \$30,000. The amended return is accompanied with a request that the IRS credit the overpayment to a liability of \$40,000 on the 202112 tax period for which a 90-day letter has been issued. Although the deficiency has not been assessed, the overpayment from tax year 202312 may be credited to 202112 because a liability for that year has been determined and is unpaid.

**Exception:** An overpayment may not be credited against a liability that has been prepaid by an advanced payment.

- (5) When a payment or credit is moved and or reversed, any offset(s) that generated from that payment or credit are typically reversed (TC 701, TC 702, TC 821, TC 822). Interest allowed as a result of the offset must also be reversed (TC 851, TC 731, TC 772). Master File will not systemically adjust the interest (see IRM 20.2.4.7.6, Master File and Systemic Offsets).

20.2.4.7.3  
(03-15-2024)  
**Different Taxpayers and Offsets**

- (1) An overpayment and the interest thereon may be credited to the liability of a different taxpayer with the overpaid taxpayer's consent. See IRM 4.4.3, AIMS Procedures and Processing Instructions - Credit Transfers and Reprocessing Returns.
- (2) Allow interest on the overpayment **from** the date it arose **to** the 23C date of the transfer actually applying the credit to the other taxpayer's liability. If the cases are being closed on the same day, compute interest to the current 23C date and apply the overpayment to the liability as of that same day - Rev. Proc. 65-20.

**Example:** Taxpayer A is requesting a \$10,000 overpayment be transferred from its timely filed and processible 202112 Form 1120 to Taxpayer B's 202012 Form 1120. The IRS is processing the request on August 8, 2022. Compute interest on Taxpayer A's module **from** the availability date of the overpayment **to** August 29, 2022 (the 23C date of the credit transfer) and apply the \$10,000 overpayment, as well as the related overpayment interest, on August 29, 2022. Underpayment interest continues to run on the tax module of Taxpayer B, on the \$10,000 and allowable interest until August 29, 2022.

20.2.4.7.4  
(03-15-2024)

**Overpayments Offset  
Against Underpayment  
Interest**

- (1) The due date for underpayment interest when paid by an offset overpayment is as follows:

<b>If the underpayment interest</b>	<b>then the due date for underpayment interest is</b>
accrued <b>ON OR BEFORE</b> December 31, 1982 ("simple interest"),	the assessment date of the underpayment interest charge.
accrued <b>AFTER</b> December 31, 1982,	as the interest accrues.

20.2.4.7.5  
(03-15-2024)

**Applying Overpayments  
as Credits to Liabilities  
for the Same Tax Period**

- (1) The IRS has, over the years, had different procedures concerning the accrual of overpayment interest on credits applied to liabilities for the same tax period.
- (2) Prior to August 1, 1983, interest was not allowed on an overpayment applied to unpaid tax, interest, penalty, or additions to tax for the same tax period because an overpayment was not deemed to exist for the tax period until the entire liability was satisfied. See Rev. Proc. 60-17.
- (3) Effective August 1, 1983, Rev. Proc. 83-58 provided that if an overpayment was applied as a credit to an unpaid liability for the same taxpayer, same tax period, and same type of tax, interest was allowed from the availability date to the due date of the liability to which the overpayment was applied.
- (4) Rev. Rul. 98-37 announced the obsolescence of Rev. Proc. 83-58 based on changes made to the Internal Revenue Code and accompanying regulations in order to conform to the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) and the Deficit Reduction Act of 1984, section 158 (DEFRA). Therefore, when an overpayment of any credits made on or after August 25, 1992 is applied to unpaid interest, penalties, or additions to tax due for the same year and the same type of tax, interest is **not** allowed to accrue on the overpayment.

**Exception:** Interest is generally allowed when an overpayment is applied to a later carryback liability within the same module, as the carryback liability is deemed to originate from another tax period, the year of the loss. See IRM 20.2.9, Interest on Carryback of Net Operating Loss. Also see IRM 20.2.4.7.1(7).

- (5) A tax period overpayment comprised of multiple payments and/or credits is applied to unpaid tax, interest, penalty, or additions to tax for the same tax period in the order of earliest payments/credits first.

**Example:** A timely filed Form 1040, due April 15, was assessed an estimated tax penalty of \$100 on May 2. Excluding the penalty, the tax period has an overpayment comprised of subsequent payments of \$100 and \$200, dated April 28 and June 9, respectively. The earliest payment of \$100 is applied to and fully satisfies the penalty, meaning that overpayment interest is not allowed to accrue from the date of the payment (April 28) to the liability date of the penalty (May 2).

20.2.4.7.6  
(03-15-2024)

#### Master File and Systemic Offsets

- (1) Master File can generally perform systemic offsets correctly within the same account (same taxpayer) and will also transfer overpayment interest.

Master File Transaction Code	Action
TC 826	Transfer overpayment out of a module.
TC 706	Transfer credit into a module.
TC 896	Debit of an overpayment from an IMF module to a BMF module.
TC 796	Credit of an overpayment from an IMF module to a BMF module.
TC 856	Transfer overpayment interest out of a module.
TC 736	Transfer overpayment interest into a module.
TC 876	Debit of overpayment interest from an IMF module to a BMF module.
TC 756	Credit of overpayment interest from an IMF module to a BMF module.

**Note:** Effective Cycle 199501 and subsequent, TC 856 and TC 736 post with the TC 776 transaction date (the date to which overpayment interest is computed).

- (2) Exceptions to systemic processing of offsets:
- When an overpayment is available earlier than a liability and a manual offset is required, interest on the offset **must** be manually computed on the module that generated the overpayment. Master File will only generate the correct amount of overpayment interest if *it* originates the offset. Expressly, offset overpayment interest will systemically generate only on systemic offsets, not manual offsets.
  - When Master File is allowed to offset manually computed overpayment interest, it will use the 23C date of the TC 770 for both the TC 856 and TC 736, which can cause erroneous underpayment interest accruals on the module where the TC 736 posts. When a TC 770 must be offset, a manual transfer using TC 850 and TC 730 is always used. Debit with TC 850 using the 23C date of the TC 770, and credit with TC 730 using the date interest on the TC 770 was computed to ("CR-INT-TO-DT" of TC 770).
  - When interest is allowed on an offset overpayment, input TC 772 to remove or reduce that interest when the offset of overpayment principal and or overpayment interest is through manual action(s), either fully or partially reversed. Master File will not systemically adjust the overpayment interest.

**Example:** Overpayment principal (offset with TC 826), and its accompanying interest (posted with TC 776 and offset with TC 856) are fully reversed with TC 821 and TC 851. When TC 821 and TC 851 post back to the module, Master File will **not** generate TC 777 to systemically remove the interest previously allowed by TC 776 and offset with TC 856; the interest must be manually removed with TC 772.

20.2.4.8  
(03-15-2024)  
Refunds

- (1) Within the applicable period of limitations, the IRS will refund any remaining overpayment after all outstanding balances are satisfied, along with applicable overpayment interest, IRC 6402(a) and IRC 6611(b)(2).

**Note:** As stated throughout this IRM, there are various provisions of law that limit or prohibit the payment of interest (IRC 6611(b)(3), IRC 6611(e), IRC 6611(g), etc.). These provisions must be taken into account when determining whether interest is allowed and, if allowed, the amount of that interest.

- (2) When an overpayment is refunded, overpayment interest, when allowed, is generally paid **from** the availability date of the overpayment **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds). See IRM 20.2.4.8.1(3) for the interest TO data on computer-generated refunds (TC 846). See IRM 20.2.4.8.2(4) for the interest TO date on manual refunds (TC 840).
- (3) The availability date of the overpayment is determined by the payment(s) and or credit(s) of which it is comprised. See IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types.

If the payment or credit is a	then the availability date of the overpayment is the
prepaid or timely credit <b>Example:</b> Estimated tax payment, withholding, or a payment before the due date (determined without regard to any extension of time for filing).	due date of return (determined without regard to any extension of time for filing).

If the payment or credit is a	then the availability date of the overpayment is the
subsequent payment or credit made or dated on or after the due date (determined without regard to any extension of time for filing)	payment received date or credit date.

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- (4) Since an overpayment can be made up of multiple payments and or credits, it may have more than one availability date. Refund payments or credits comprising the overpayment in the order of ***last-in, first-out***.

**Reminder:** The earliest available payments or credits are *offset* in the order of ***first-in, first-out***.

- (5) Interest may be computed from **other than** the availability date of the overpayment when the original tax return was filed late (IRC 6611(b)(3)), or in unprocessable form (IRC 6611(g)). (See IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns). In the event the return was filed late or unprocessable, interest on the refund of an overpayment is allowed from the **later** of the date of the overpayment, the delinquent return received date, or the date information needed to process the return is received, provided the processible date is after the due date, including any extension of time for filing.

If the return is	then allow interest from the later of:
timely filed (return received by the original or extended due date)	the return due date (determined without regard to any extension of time for filing), the date of the overpayment (as determined in the preceding table), or the date information needed to process the original return is received (provided the processible date is after the due date, including any extension of time for filing).

If the return is	then allow interest from the later of:
late filed (return <b>not</b> received by the original or extended due date)	the late return received date, the date of the overpayment (as determined in the preceding table), or the return processible date.

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- (7) All refunds issued by a campus must be certified by the campus director as valid. A schedule of the refunds issued is prepared each week.
- The Refund Schedule Date is the date that the campus director certifies that all refunds shown on the schedule are valid and are to be allowed.
  - Additional interest is not computed on an overpayment for any period after the date the refund schedule is signed.

20.2.4.8.1  
(03-15-2024)

#### Systemic Refunds

- (1) A systemic refund (TC 846) is an overpayment issued to the taxpayer by means of normal computer processing.
- (2) Provided interest on the overpayment refunded to the taxpayer is allowed, it will run until a date "preceding the date of the refund check by not more than 30 days," IRC 6611(b)(2). The date of the refund check for computer-generated Individual Master File (IMF) and Business Master File (BMF) refunds is:
- IMF: Date shown with the literal "RFND-PAY-DT" or "RFND-PYMT-DT" that accompanies TC 846.
  - BMF: 23C date of the TC 846 plus 1 calendar day (minus 6 calendar days for direct deposit).

**Note:** Prior to January 2012 (pre-CADE 2 processing), the date of the IMF refund check was the 23C date of the TC 846 minus 3 calendar days (minus 10 calendar days for direct deposit).

**Exception:** Beginning in mid-2004, a sub-set of IMF accounts began to be moved, processed by, and reside in CADE. Transactions posted by CADE (2004 through 2011) will have "Day Designations" of 01 through 05 in the **DD** (Day/Day) portion of the posting cycle (YYYYCCDD). See archived IRM 3.30.123.4.9, Customer Accounts Data Engine (CADE)

Cycles, revision date January 1, 2011, for additional information related to CADE account processing, when applicable.

- (3) In accordance with IRC 6611(b)(2), overpayment interest on systemic refunds is computed to:

- IMF: “RFND-PAY-DT” or “RFND-PYMT-DT” minus 6 business days (minus 4 business days for direct deposit).

**Note:** If a systemic refund is being issued with a manual interest calculation (TC 770), compute interest to the 23C date of the adjustment minus 18 calendar days.

**Exception:** If the adjustment meets the criteria to generate a Priority Refund Transcript (Refund, Refund-E, Refund-S, \$ 1M) or a CP 12, CP 16, CP 21 or CP 24, and a manual interest computation (TC 770) is being posted, calculate interest to the adjustment 23C date minus 11 calendar days.

**Note:** For additional information see IRM 3.30.123.24, Processing Timeliness Criteria for CADE 2; IRM 3.14.1.6.14.3, Million \$ Refund Transcripts; IRM 3.14.1.6.14.4, Refund S Transcripts; and IRM 3.14.1.6.14.5, Refund E Transcripts.

- BMF: 23C date minus 9 calendar days (minus 16 calendar days for direct deposit).

**Note:** Prior to January 2012 (pre-CADE 2 processing), overpayment interest on IMF accounts was computed to the refund 23C date minus 13 calendar days (minus 20 calendar days for direct deposit). See archived IRM 3.30.123.4.9, Customer Accounts Data Engine (CADE) Cycles, revision date January 1, 2011, for additional information related to CADE account processing information (effective 2004 through 2011), when applicable.

**Note:** See IRM 20.2.4.8, Refunds, to determine the date interest on the refund will begin to accrue (the interest **from** date).

- (4) To determine if a TC 846 amount was direct deposited, look for a Direct Deposit (DD) indicator on TXMOD or IMFOLT (DD: “0” for paper check, “9” for direct deposit) near the right margin either on the same line as the TC 846 or the next line. See IRM 3.14.1.7.1.3, Direct Deposit Refunds, for additional identifiers for direct deposit refunds.
- (5) The back-off period of IRC 6611(b)(2) is applied to systemic refunds, not manual refunds.
- (6) Non-application of the back-off period is not considered an erroneous payment of interest, as the IRS has discretion under IRC 6611(b)(2) to apply a back-off period from zero to thirty days. If no back-off period was applied, the period of zero days is considered to have been made. Similarly, the application of a numerically significant back-off period, even one that inadvertently differs from the standards described in paragraph (2) above, is not considered erroneous unless it exceeds the 30-day limitation.

**Caution:** Such non-application is used to determine the basis for erroneous refund recovery or allowance of additional amounts as may be claimed by the taxpayer. It should not be construed as disregarding the rules presented in the above paragraphs.

20.2.4.8.2  
(03-15-2024)  
**Manual Refunds**

- (1) A manual refund (TC 840) is an overpayment issued to the taxpayer that is not generated by normal computer processing (TC 846).
- (2) When it is necessary to issue a manual refund (see IRM 21.4.4.3, Why Would a Manual Refund Be Needed?), use, depending on the circumstance, Form 3753, Manual Refund Posting Voucher, or Form 5792, Request for IDRS Generated Refund (IGR). See IRM 21.4.4, Manual Refunds.
- (3) Before issuing a manual refund, the actual overpayment available for refund must be determined.
  - Consider previously assessed failure-to-file and failure-to-pay penalties and interest that will be affected by the adjustment action. Any decrease in penalties or interest that have been **paid** must be added into the overpayment amount. In addition, unassessed accruals of penalties and/or interest may reduce the overpayment amount.
  - Verify the taxpayer has no outstanding liabilities that must be satisfied. Offset capability is lost when a manual refund is issued.
  - When an outstanding tax debt is identified, a manual refund may only be issued for the amount of overpayment in excess of the balance due. (Exception: An Offset Bypass Refund (OBR) indicator may be used to bypass outstanding debts when economic hardship exists).
- (4) Interest allowed, when applicable, on an overpayment issued as a manual refund is computed TO the refund issue date (date of the refund check).

Refund Type/ Amount	Refund Issue Date	Criteria	Form Used to Issue Refund	Date of the refund check is generally
\$10 million or more	Date received in Accounting	Accounting must submit the refund to the Bureau of Fiscal Services (BFS) prior to 12:00 p.m., Central Standard Time. (If time-frame is not met, see item c.)	Form 3753, Manual Refund Posting Voucher. When TC 840 posts, it will carry a true Julian date (for example, 28245-237-XXXXX-1).	Posting date of TC 840.

Refund Type/ Amount	Refund Issue Date	Criteria	Form Used to Issue Refund	Date of the refund check is generally
FEDWIRE (Federal Reserve Wire Network)	Date received in Accounting	Accounting must submit the refund to BFS prior to 4:50 p.m., Central Standard Time. (If time frame is not met, see item c.)	Form 3753, Manual Refund Posting Voucher. When TC 840 posts, it will carry a true Julian date (for example, 28245-237-XXXXX-1).	Posting date of TC 840.
All others	Date received in Accounting <b>plus 1 business day</b>	Refund issue date is Accounting received date plus 1 business day if criteria items a. and b. are not met.	Form 5792, Request for IDRS Generated Refund (IGR). When TC 840 posts, it will carry a Julian date inflated by 400 (for example, 28245-637-XXXXX-1). <b>Exception:</b> Form 3753 is to be used when issuing a refund for an account that is not on IDRS.	Posting date of TC 840 <b>plus 1 business day</b> .

**Caution:** The interest TO date for a manual refund may not be the same as the refund posting date on Master File or IDRS. When backing into a posted manual refund, it may be necessary to add or subtract one or more working days to or from the posting date.

**Reminder:** The back-off period of IRC 6611(b)(2) is applied to computer-generated refunds, not manual refunds (see IRM 20.2.4.8.1(5)).

**Note:** See IRM 20.2.4.8, Refunds, to determine the date interest on the refund will begin to accrue (the interest **from** date).

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- (6) Manual refunds of \$1,000,000 or more require a technical review of the interest computation (to be determined by that function) before documentation is sent to the Accounting Function for processing of the refund.
- (7) When manually computing interest, attach the supporting documentation and computation to the manual refund documents before routing to Accounting.
- (8) For specific instructions on preparing manual refunds, see IRM 3.12.37.26.5, Manual Refund, IRM 21.4.4, Manual Refunds, and IRM 21.4.4.6, Other Manual Refund Requirements.

20.2.4.8.3  
(03-15-2024)  
**45-Day Rule**

- (1) The 45-day rule provides for a processing period during which interest is either barred or limited on overpayments originating from:
  - Original tax returns, IRC 6611(e)(1).
  - Amended tax returns/claims for credit or refund, IRC 6611(e)(2).
  - IRS-initiated adjustments, IRC 6611(e)(3).
  - Carryback claims and applications, IRC 6611(e) in coordination with IRC 6611(f)(4)(B). See IRM 20.2.9, Interest on Carryback of Net Operating Loss.

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- (2) An exception to the 45-day rule applies to individuals who have served in a combat zone. If a taxpayer's original return is timely filed (determined by taking into account the combat zone suspension period), the 45-day rule of IRC 6611(e)(1) through IRC 6611(e)(3) shall not apply (see IRC 7508(b)(2)).

20.2.4.8.3.1  
(03-15-2024)  
**45-Day Rule and All  
Original Tax Returns**

- (1) Under IRC 6611(e)(1), no interest is payable on original return overpayments refunded within a 45-day period.

**Note:** For returns with due dates prior to January 1, 1994, the 45-day rule was applied to only overpayments reflected on original **income tax** returns (either timely filed or delinquent). For returns with due dates **on or after** January 1, 1994, without regard to extensions, the 45-day rule is applied to **all** types of original tax returns (employment, excise, estate, income and gift taxes). See IRC 6611(e)(1), as amended by the Omnibus Budget Reconciliation Act (OBRA) of 1993 (P.L. 103-66).

- (2) To determine whether the 45-day period has been met, consider these dates:
  - The original return due date (determined without regard to any extension of time for filing the return).

- The original return received date (used when the return is received after the return due date, determined without regard to any extension of time for filing the return).
  - The date the original return was received in processible form (Return Processible Date (RPD), or Correspondence Received Date (CRD) may be present).
- (3) Add 45 days to the **later** of these dates. If the date of the refund check is not **on or before** that date, interest must be allowed on the refund. See IRM 20.2.4.8.1(2) and IRM 20.2.4.8.2(4), respectively, for the date of the refund check on computer-generated and manually issued refunds.
- (4) When the 45-day interest-free period of IRC 6611(e)(1) is missed, see IRM 20.2.4.8, Refunds, to determine the date interest on the refund will begin to accrue (the interest **from** date). The date interest is computed TO will differ depending on whether the refund is issued manually or systemically (computer-generated).
- See IRM 20.2.4.8.2(4) for the interest TO date on manual refunds (TC 840).
  - See IRM 20.2.4.8.1(3) for the interest TO date on computer-generated refunds (TC 846).
- (5) Besides providing for an interest-free period on original return overpayments, IRC 6611(e)(1) also stipulates no payment of interest when an overpayment resulting from a claim or amended return is refunded within 45 days of the **later** of the original return: (i) due date; (ii) received date; or (iii) processible date. See paragraph 2 above.

**Example:** A taxpayer files an original, zero balance return for tax year 202212 that is received by the IRS on September 5, 2023. On September 19, 2023, the IRS receives an amended return for tax year 202212 reporting an overpayment. The overpayment is issued as a manual refund dated October 10, 2023. Because the overpayment from the amended return was issued within 45 days of the original return received date, **no interest** was allowed on the overpayment.

20.2.4.8.3.2  
(03-15-2024)  
**45-Day Rule and  
Amended Returns and  
Claims, OBRA 1993**

- (1) The 45-day rule also includes amended returns and claims for credit or refund filed on or after January 1, 1995, regardless of the taxable year to which the credit or refund relates, IRC 6611(e)(2).
- (2) When an amended return or claim results in an overpayment, no interest is allowed from the received date of the processible claim or amended return to the refund schedule date, **provided** the overpayment is refunded (refund check is dated) within 45 days of the **later** of the:
- Received date of the claim or amended return, or the
  - Processible date of the claim or amended return.
- (3) Interest, however, is allowed **from** the availability date of the overpayment (see IRM 20.2.4.8, Refunds, for instructions) **to** the received date of the processible claim or amended return, less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3).

**Example:** A claim, Form 1040-X, is received August 14, 2023, resulting in an overpayment comprised of prepayment credits originally reported on a timely

filed 202012 Form 1040, which was fully processible at the time of its receipt. The systemic refund was dated September 22, 2023, within 45 days of receipt of the processible claim. Interest is allowed **from** April 15, 2021, the overpayment availability date, **to** August 4, 2023 (claim received date of August 14, 2023, less the back-off period of 6 business days).

If claim or amended return overpayment is refunded within 45 days of the later of the:	then interest is allowed FROM:	TO:
<ul style="list-style-type: none"> <li>received date of the claim/ amended return, or</li> <li>processable date of the claim/amended return</li> </ul>	the overpayment availability date (see IRM 20.2.4.8, Refunds, for instructions)	the received date of the processible claim or amended return (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/ systemic refunds).

**Exception:** No interest is allowed on a claim or amended return overpayment refunded within 45 days of the **later** of the original return: (i) due date, determined without regard to extensions; (ii) received date; or (iii) processible date, IRC 6611(e)(1). See IRM 20.2.4.8.3.1(5) and IRM 20.2.4.8.3.2.1(4).

- (4) When the 45-day interest-free period is missed, interest is allowed **from** the availability date of the overpayment until the interest **to** date (refund schedule date, less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)).

If claim or amended return overpayment is NOT refunded within 45 days of the LATER of the:	then interest is allowed FROM the	until the interest TO date.
<ul style="list-style-type: none"> <li>received date of the claim/ amended return, or</li> <li>processable date of the claim/amended return,</li> </ul>	overpayment availability date (see IRM 20.2.4.8 Refunds, for instructions)	<ul style="list-style-type: none"> <li>See IRM 20.2.4.8.2(4) for the interest TO date on manual refunds (TC 840).</li> <li>See IRM 20.2.4.8.1(3) for the interest TO date on computer-generated/ systemic refunds (TC 846).</li> </ul>

#### 20.2.4.8.3.2.1 (03-15-2024)

#### Amended Claims Date Processing

- (1) Master File uses the amended claims date field (AMD-CLMS-DT) to apply the 45-day rule of IRC 6611(e)(2).
- (2) When a claim or amended return results in an overpayment, enter the date the processible amended return or claim was received by the IRS in the AMD-CLMS-DT field. Master File will then use this date to perform the interest computation routine described in IRM 20.2.4.8.3.2(2).
- (3) Unless specifically excluded by separate IRM instructions (see examples in item 4 below), the AMD-CLMS-DT field is completed for **all** overpayment adjustments resulting from claims or amended returns, including the adjustments input by the Code and Edit Function (CC ADJ54-TC 29X and Blocking Series 200-299), regardless of whether the 45-day period is met.

**Note:** Solely for the purpose of moving inventory (for example, users of the IAT xMend tool), the AMD-CLMS-DT can be input on adjustments recording a tax increase or decrease, irrespective of whether the adjustment action results in an underpayment, overpayment, or zero balance.

- (4) Do **not** input an AMD-CLMS-DT when processing:
  - Requests to correct math errors. See IRM 21.5.3.2, What are Claims for Credit, Refund, and Abatement?

**Note:** An overpayment adjustment to a tax module involving both math error and non-math error changes will require the input of two separate adjustments. See IRM 21.5.4.5.3, Processing Responses to Math Error Notices.

  - Injured spouse allocation refunds. See IRM 21.4.6.5.12.1, Input of TOP Offset Reversals Reference Number (RN) 766 with OTN.

- CP 09 or 27 (EIC eligibility inquiry) overpayment adjustments. See IRM 20.2.4.8.3.3(2).
  - Combat zone case where the taxpayer’s original tax return was timely filed. See IRM 20.2.7.11.3, Combat Zone Overpayment.
- (5) An AMD-CLMS-DT may be input for an amended return or claim that is filed and received before the return due date (determined without regard to any extension of time for filing the return). If the AMD-CLMS-DT is prior to the return due date, and the refund is issued within 45 days of the **later** of the original return: (i) due date, (ii) received date, or (iii) return processible date, **no** interest is allowed, IRC 6611(e)(1). If the refund is not issued within this 45-day period of IRC 6611(e)(1), interest under IRC 6611(e)(2) is allowed as described in IRM 20.2.4.8.3.2 (2) or (3).

20.2.4.8.3.3  
(03-15-2024)  
**45-Day Rule and IRS  
Initiated Adjustments**

- (1) If an IRS-initiated adjustment results in a refund or credit of an overpayment, 45 days are subtracted from the number of days that interest would otherwise be allowed. This rule applies to any credit or refund **paid on or after** January 1, 1995, regardless of the taxable period to which the credit or refund relates, IRC 6611(e)(3).
- (2) An IRS-initiated adjustment is an adjustment initiated by the IRS without the taxpayer’s request.

**Note:** Overpayment adjustments resulting from responses to CP 09 or 27 EIC eligibility inquiries are deemed IRS-initiated, subject to the interest rules outlined below.

If	then
an IRS action, such as an examination or appeal, is the result of a formal or informal taxpayer claim	the resulting overpayment is taxpayer-initiated.
the taxpayer files a claim after an IRS action (such as an AUR or examination assessment) is closed	the resulting overpayment is taxpayer-initiated.
information discovered during an IRS action results in an overpayment	the resulting overpayment is IRS-initiated.
the taxpayer requests an abatement based on an issue unrelated to the IRS action	the resulting overpayment is taxpayer-initiated.
IRS informs the taxpayer that an additional credit may be available and the taxpayer responds	the resulting overpayment is IRS-initiated.

**Example:** IRS has proposed a deficiency on a taxpayer’s Form 1120 for depreciation expense. When the taxpayer’s receipts are examined, it is discovered that the taxpayer is actually entitled to additional depreciation expense. The resulting overpayment is IRS-initiated.

**Example:** AUR generates a notice to the taxpayer regarding unreported interest income. The taxpayer responds that the income was unreported, but includes additional itemized deductions, which creates an overpayment. The resulting refund is taxpayer-initiated.

**Example:** A taxpayer reports an overpayment of \$1,000 on an original or amended return. While processing the return, the IRS determines that the taxpayer is entitled to an overpayment of \$1,700. The amount reported on the return of \$1,000 is taxpayer-initiated, while the additional amount of \$700 is IRS-initiated.

- (3) When the IRS prepares an SFR for a taxpayer who later files a delinquent return, or signs a report of examination changes (for example, Form 4549, Report of Income Tax Examination Changes) that is deemed to be a return, any resulting adjustment **is not** "IRS-INITIATED." These adjustments are a result of the filing of an original delinquent return or the signing of an examination report, and any overpayment is subject to normal interest processing, including the provisions regarding delinquent returns (IRM 20.2.4.5), unprocessable returns (IRM 20.2.4.6), and the 45-day rule for original returns (IRM 20.2.4.8.3.1).
- (4) When processing an IRS-initiated adjustment via Document Code 47 or 54, input Priority Code (PC) 3. Priority Code 3 will allow overpayment interest to be computer generated from the interest start date to the 23C date less 45 days **plus** the applicable back-off period of IRC 6611(b)(2). See IRM 20.2.4.8.1, Systemic Refunds, for the various back-off period routines.

**Note: For Document Code 47,** Priority Code 3 is also used as the settlement amount or amended return freeze "unpostable bypass." Master File "reads" PC 3 for the unpostable bypass and the applicable back-off period when both criteria apply. When a refund adjustment is not being processed, Master File reads the PC 3 for only the unpostable bypass. When a refund adjustment is processed with PC 3, and the 45-day rule **is not** applicable, manually compute the overpayment interest and input it with TC 770.

**Note: For Document Code 54,** Priority Code 3 is used when it is necessary to bypass Unpostable Code 180, Reason Code 2, and apply the 45-day back-off period that is applicable to IRS-initiated adjustments.

- (5) When processing a manual refund, 45 days are backed-off from the refund schedule date. The additional back-off period of IRC 6611(b)(2) is not added, as it applies to systemic refunds. See IRM 20.2.4.8.1(5).

20.2.4.8.3.4  
(03-15-2024)  
**45-Day Rule and  
Coronavirus Pandemic  
Relief for Certain 2019  
Individual Returns Due  
July 15, 2020**

- (1) *Notice 2020-23*, issued April 9, 2020 for the COVID-19 disaster emergency, postponed the filing and payment deadline to July 15, 2020 for individual taxpayers normally required to file and pay their taxes on April 15, 2020. Affected tax returns:
  - Form 1040, Form 1040-NR, Form 1040 (PR), Form 1040-SS, Form 1040 (SP).
  - Form 5329.
- (2) However, where a disaster-related postponement of the filing deadline exists, the IRS is required by law to pay interest on any applicable overpayment. Ad-

ditionally, eligible individual taxpayers are excluded from the interest rules of IRC 6611(e), Disallowance of Interest on Certain Overpayments. Thus, for eligible individual taxpayers, the 45-day interest check for overpayments does not apply to original returns (IRM 20.2.4.8.3.1), amended tax returns (IRM 20.2.4.8.3.2), and IRS-initiated adjustments (IRM 20.2.4.8.3.3).

(3) Eligibility criteria for overpayment interest:

**Tax return is one of the following:**

- Form 1040 series of returns, MFTs 30 and 31. (ANMF MFTs 20, 21, and 22).
- Form 5329, MFT 29.

Normal (un-extended) due date of the return falls within the emergency declaration period of 04/01/2020 and 07/15/2020.

Original tax return is timely filed, determined by considering the post-

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(4) When an individual taxpayer meets all the eligibility criteria in item 3 above (IRM 20.2.4.8.3.4(3)) to be excluded from the interest rules of IRC 6611(e), interest is generally allowed from the **later** of the:

- Normal (un-extended) due date of the original return. (The due date determined **without** regard to the due date as postponed by Notice 2020-23 (July 15, 2020), or an extended due date under IRC 6081 (for example, an extension to October 15, 2020)).
- Date of the payment/credit creating the overpayment (see IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types).
- Date information needed to process the original return is received, provided the processible date is after the normal return due date, including any extension of time for filing under IRC 6081 (for example, an extension to October 15, 2020).

**Caution:** The postponement period under IRC 7508A is irrelevant when considering the processible date – see Example 2 below.

**Example: 1** Original Return

An original return, Form 1040, is received July 8, 2020, reporting an overpayment for the tax year ending December 31, 2019, which is comprised entirely of prepaid credit (federal income tax withholding, earned income credit, additional child tax credit, etc.), available April 15, 2020. Because the original tax return was timely filed, determined by taking into account the postponed due date of July 15, 2020, interest is allowed on the overpayment **from** its availability date (April 15, 2020) **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)). Furthermore, due to the taxpayer meeting all eligibility criteria described in item 3 above (IRM 20.2.4.8.3.4(3)), IRC 6611(e)(1) is inapplicable (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), regardless of whether the 45-day period is met.

**Example: 2** Original Return

The facts are the same as in the immediately preceding example, except

information needed to process the return was not received until July 13, 2020. Interest on the overpayment runs **from** the date the return became processible, July 13, 2020, **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 3 Amended Return**

An original return, Form 1040, is received July 15, 2020, for the tax year ending December 31, 2019. The taxpayer subsequently files Form 1040-X to claim an overpayment for the same year. Though the overpayment from the amended return, Form 1040-X, is issued within 45-days of its received date, it will not stop accruing interest as of the received date of the processible amended return. This is because receipt of the original 2019 tax return on or before the postponed due date of the disaster emergency has caused the taxpayer to be excepted from IRC 6611(e)(2) (see IRM 20.2.4.8.3.2, 45-Day Rule and Amended Returns and Claims, OBRA 1993). Interest on the overpayment runs **from** the later of the above bulleted dates (IRM 20.2.4.8.3.4(4)) **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 4 IRS-Initiated Adjustment**

An original return, Form 1040, is received July 15, 2020 for the tax year ending December 31, 2019. Subsequently, the IRS initiates an adjustment for the same year, resulting in an overpayment. Though the overpayment was created by the IRS, 45 days will not be subtracted from the period of time interest is otherwise allowed. This is because receipt of the original 2019 tax return on or before the postponed due date of the disaster emergency has caused the taxpayer to be excepted from IRC 6611(e)(3) (see IRM 20.2.4.8.3.3, 45-Day Rule and IRS Initiated Adjustments). Interest on the overpayment runs **from** the later of the above bulleted dates (IRM 20.2.4.8.3.4(4)) **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Reminder:** Since an overpayment can be made up of multiple payments and/or credits, it may have more than one availability date. Refund payments or credits comprising the overpayment in the order of last-in, first-out.

**Reminder:** The back-off period of IRC 6611(b)(2) is applicable to systemic refunds, not manual refunds.

(5) Individual taxpayers who do **not** meet all the eligibility criteria in item 3 above (IRM 20.2.4.8.3.4(3)) are subject to the interest rules of IRC 6611(e), meaning that the 45-day provisions for original returns (IRM 20.2.4.8.3.1), amended tax returns (IRM 20.2.4.8.3.2), and IRS-initiated adjustments (IRM 20.2.4.8.3.3) control when applicable. When interest is allowed, these taxpayers are subject to normal overpayment interest rules, where interest is generally allowed from the **later** of the:

- Normal (un-extended) due date of the original return. (The due date determined **without** regard to the due date as postponed by Notice

2020-23 (July 15, 2020), or an extended due date under IRC 6081 (for example, an extension to October 15, 2020).)

- Date of payment/credit creating the overpayment (see IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types).
- Late received date of the original return - When the received date is after the due date, including the postponement to July 15, 2020, or any extension of time for filing under IRC 6081 (for example, an extension to October 15, 2020).
- Date information needed to process the original return is received, provided the processible date is after the normal return due date, including any extension of time for filing under IRC 6081 (for example, an extension to October 15, 2020).

**Example: 1** Original Return

A fully processible original return, Form 1040, is received August 24, 2020, reporting an overpayment for the tax year ending December 31, 2019. Provided the overpayment is not refunded within 45 days of the return received date (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), the taxpayer is subject to the late return received date rule, preventing payment of interest before August 24, 2020 (see IRM 20.2.4.5, Delinquent Returns). Interest on the overpayment runs **from** the later of August 24, 2020, or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 2** Original Return

The facts are the same as in Example 1, except the taxpayer was granted an additional extension of time to file under IRC 6081 to October 15, 2020, thereby causing the late return received date rule to be disregarded. Provided the overpayment is not refunded within 45 days of the return's August 24, 2020 received date (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2020) or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 3** Original Return

An original return, Form 1040, is received August 3, 2020, reporting an overpayment for the tax year ending December 31, 2019. However, the return is filed without a needed schedule/attachment, which is not received by the IRS until September 14, 2020. The taxpayer is subject to the unprocessable return rule, preventing payment of interest before September 14, 2020 (see IRM 20.2.4.6, Unprocessable Returns). Provided the overpayment is not refunded within 45 days of the date the original return was received in processible form (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), interest on the overpayment runs **from** the later of September 14, 2020, or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 4** Original Return

The facts are the same as in Example 3, except the taxpayer was granted an additional extension of time to file under IRC 6081 to October

15, 2020, thereby causing the unprocessable return rule to be disregarded. Provided the overpayment is not refunded within 45 days of the date the original return was received in processible form (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2020) or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 5** Amended Return

A fully processible original return, Form 1040, is received September 21, 2020 for the tax year ending December 31, 2019. The taxpayer subsequently files Form 1040-X to claim an overpayment for the same year. The overpayment from the amended return, Form 1040-X, is issued within 45-days of its received date, thus limiting the period during which interest may accrue (see IRM 20.2.4.8.3.2, 45-Day Rule and Amended Returns and Claims, OBRA 1993). Interest on the amended return overpayment runs **from** the later of September 21, 2020, or the payment/credit date **to** the amended return received date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 6** Amended Return

The facts are the same as in Example 5, except the taxpayer was granted an additional extension of time to file under IRC 6081 to October 15, 2020, thereby causing the late received date rule for the original return to be disregarded (see IRM 20.2.4.5, Delinquent Returns). Interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2020) or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 7** IRS-Initiated Adjustment

A fully processible original return, Form 1040, is received October 5, 2020 for the tax year ending December 31, 2019. Subsequently, the IRS initiates an adjustment for the same year, resulting in an overpayment. Because the overpayment was created by the IRS, 45 days are subtracted from the period of time interest is otherwise allowed (see IRM 20.2.4.8.3.3, 45-Day Rule and IRS Initiated Adjustments). Interest on the overpayment runs **from** the later of October 5, 2020, or the payment/credit date **to** the refund schedule date less 45 days (plus the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 8** IRS-Initiated Adjustment

The facts are the same as in Example 7, except the taxpayer was granted an additional extension of time to file under IRC 6081 to October 15, 2020, thereby causing the late received date rule for the original return to be disregarded (see IRM 20.2.4.5, Delinquent Returns). Interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2020) or the payment/credit date **to** the refund schedule date less 45 days (plus the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Reminder:** Since an overpayment can be made up of multiple payments and/or credits, it may have more than one availability date. Refund payments or credits comprising the overpayment in the order of last-in, first out.

**Reminder:** The back-off period of IRC 6611(b)(2) is applicable to systemic refunds, not manual refunds.

- (6) Computer programming to systemically apply the above rules was implemented July 23, 2020. The change was also retroactive to January 1, 2020, distributing interest payments, primarily during the week of August 17, 2020, to those taxpayers who were issued systemically generated refunds (TC 846) with no interest or without the appropriate amount of interest. These retroactive corrections involved TCs 846 with RFND-PYMT-DTs between April 20, 2020 and July 30.

**Note:** The requirement to input an AMD-CLMS-DT for amended returns and Priority Code 3 for IRS-initiated adjustments remains unchanged. The IRS computer will simply ignore these entries when the exception criteria has been met.

- (7) Manual interest computations must also account for the above rules. However, as manual computations, they could not be included in the systemic, retrospective correction described in item 6 (IRM 20.2.4.8.3.4(6)). When, during the course of conducting normal casework, a prior manual interest computation is encountered that includes erroneous application of the 45-day interest-free period, the error may be corrected, so long as the six-year statute is open (see IRM 20.2.1.4.2.2.3, Underpaid Overpayment Interest). Use Letter 624-C paragraph E shown below (or an open paragraph variation of it) to inform the taxpayer. Should a claim be received to correct the error, the six-year period for refunding overpayment interest must be open at the time the request is received.

**Example:** Paragraph E - *Our records show that you recently received a refund check for the account identified above that didn't include the interest due to you. We corrected your account and will send you another check for the interest amount only.*

20.2.4.8.3.5  
(03-15-2024)  
**45-Day Rule and  
Coronavirus Pandemic  
Relief for Certain 2020  
Individual Returns Due  
May 17, 2021**

- (1) *Notice 2021-21*, issued March 29, 2021 for the COVID-19 disaster emergency, postponed the filing and payment deadline to May 17, 2021 for individual taxpayers normally required to file and pay their taxes on April 15, 2021. Affected tax returns:
- Form 1040, Form 1040-NR, Form 1040 (PR), Form 1040-SS, Form 1040 (SP).
  - Form 5329.
- (2) However, where a disaster-related postponement of the filing deadline exists, the IRS is required by law to pay interest on any applicable overpayment. Additionally, eligible individual taxpayers are excluded from the interest rules of:
- IRC 6611(e), Disallowance of Interest on Certain Overpayments.
  - IRC 6611(g), No Interest Until Return in Processible Form.
- (3) Thus, for eligible individual taxpayers, the 45-day interest check for overpayments does not apply to original returns (IRM 20.2.4.8.3.1), amended tax

returns (IRM 20.2.4.8.3.2), and IRS-initiated adjustments (IRM 20.2.4.8.3.3). Nor is the interest prohibition for un-processible returns applicable (IRM 20.2.4.6).

(4) Eligibility criteria for overpayment interest:

**Tax return is 202012 and one of the following:**

- Form 1040 series of returns, MFTs 30 and 31. (ANMF MFTs 20, 21, and 22).
- Form 5329, MFT 29.

Normal (un-extended) due date of the return is April 15, 2021.

Original tax return is timely filed, determined by considering the post-

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**Note:** When the eligibility criteria in the preceding table has been met, the un-processible return rule is disregarded (see IRM 20.2.4.6, Unprocessable Returns).

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(5) When an individual taxpayer meets all the eligibility criteria in item 3 above to be excluded from the interest rules of IRC 6611(e) and IRC 6611(g), interest is generally allowed from the **later** of the:

- Normal (un-extended) due date of the return, April 15, 2021.
- Date of the payment/credit creating the overpayment (see IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types).

**Example: 1** Original Return

An original return, Form 1040, is received May 10, 2021, reporting an overpayment for the tax year ending December 31, 2020, which is comprised entirely of prepaid credit (federal income tax withholding, earned income credit, additional child tax credit, etc.), available April 15, 2021. Because the original tax return was timely filed, determined by taking into account the postponed due date of May 17, 2021, interest is allowed on the overpayment **from** its availability date (April 15, 2021) **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds- IRM 20.2.4.8.1(3)). Furthermore, due to the taxpayer meeting all eligibility criteria described in item 3 above (IRM 20.2.4.8.3.5(3)), IRC 6611(e)(1) is inapplicable (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), regardless of whether the 45-day period is met.

**Example: 2** Original Return

An original return, Form 1040, is received April 6, 2021, reporting an overpayment for the tax year ending December 31, 2020. However, the return is filed without a needed schedule/attachment, which is not

received by the IRS until May 3, 2021. The taxpayer is excepted from the unprocessable return rule because the original return was received on or before the postponed due date of the disaster emergency. Interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2021) or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds). Furthermore, due to the taxpayer meeting all eligibility criteria described in item 3 above (IRM 20.2.4.8.3.5(3)), IRC 6611(e)(1) is inapplicable (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), regardless of whether the 45-day period is met.

**Example: 3 Original Return**

An original return, Form 1040, is received May 17, 2021, reporting an overpayment for the tax year ending December 31, 2020. However, the return is filed without a needed schedule/attachment, which is not received by the IRS until June 10, 2021. The taxpayer is excepted from the unprocessable return rule because the original return was received on or before the postponed due date of the disaster emergency. Interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2021) or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds). Furthermore, due to the taxpayer meeting all eligibility criteria described in item 3 above (IRM 20.2.4.8.3.5(3)), IRC 6611(e)(1) is inapplicable (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), regardless of whether the 45-day period is met.

**Example: 4 Amended Return**

An original return, Form 1040, is received April 30, 2021 for the tax year ending December 31, 2020. The taxpayer subsequently files Form 1040-X to claim an overpayment for the same year. Though the overpayment from the amended return, Form 1040-X, is issued within 45-days of its received date, it will not stop accruing interest as of the received date of the processible amended return. This is because receipt of the original 2020 tax return on or before the postponed due date of the disaster emergency has caused the taxpayer to be excepted from IRC 6611(e)(2) (see IRM 20.2.4.8.3.2, 45-Day Rule and Amended Returns and Claims, OBRA 1993). Interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2021) or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 5 IRS-Initiated Adjustment**

An original return, Form 1040, is received May 3, 2021 for the tax year ending December 31, 2020. Subsequently, the IRS initiates an adjustment for the same year, resulting in an overpayment. Though the overpayment was created by the IRS, 45 days will not be subtracted from the period of time interest is otherwise allowed. This is because receipt of the original 2020 tax return on or before the postponed due date of the disaster emergency has caused the taxpayer to be excepted from IRC 6611(e)(3) (see IRM 20.2.4.8.3.3, 45-Day Rule and IRS Initiated Adjustments). Interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2021) or the payment/credit date **to** the refund schedule date (less the applicable back-off

period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Reminder:** Since an overpayment can be made up of multiple payments and/or credits, it may have more than one availability date. Refund payments or credits comprising the overpayment in the order of last-in, first-out.

**Reminder:** The back-off period of IRC 6611(b)(2) is applicable to systemic refunds, not manual refunds.

- (6) Individual taxpayers who do **not** meet all the eligibility criteria in item 3 above are subject to normal overpayment interest rules, where interest is generally allowed **from** the **later** of the:
- Normal (un-extended) due date of the original return. (The due date determined **without** regard to the due date as postponed by Notice 2021-21 (May 17, 2021), or an extended due date under IRC 6081 (for example, an extension to October 15, 2021).)
  - Date of payment/credit creating the overpayment (see IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types).
  - Late received date of the original return - When the received date is after the due date, including the postponement to May 17, 2021, or any extension of time for filing under IRC 6081 (for example, an extension to October 15, 2021).
  - Date information needed to process the original return is received, provided the processible date is after the normal return due date, including any extension of time for filing under IRC 6081 (for example, an extension to October 15, 2021).

**Example: 1** Original Return

A fully processible original return, Form 1040, is received May 31, 2021, reporting an overpayment for the tax year ending December 31, 2020. Provided a) there is no IRC 6081 extension to 10-15-2021 and b) the overpayment is not refunded within 45 days (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), the taxpayer is subject to the late return received date rule, preventing payment of interest before May 31, 2021. Interest on the overpayment runs **from** the later of May 31, 2021, or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2)).

**Example: 2** Original Return

The facts are the same as in Example 1, except the taxpayer was granted an additional extension of time to file under IRC 6081 to October 15, 2021, thereby causing the late return received date rule to be disregarded. Provided the overpayment is not refunded within 45 days of the return's May 31, 2021, received date (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2021) or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 3** Original Return

An original return, Form 1040, is received June 2, 2021, reporting an overpayment for the tax year ending December 31, 2020. However, the

return is filed without a needed schedule/attachment, which is not received by the IRS until October 1, 2021. The taxpayer is subject to the unprocessable return rule, preventing payment of interest before October 1, 2021 (see IRM 20.2.4.6, Unprocessable Returns). Provided the overpayment is not refunded within 45 days of the date the original return was received in processible form (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), interest on the overpayment runs **from** the later of October 1, 2021, or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 4** Original Return

The facts are the same as in Example 3, except the taxpayer was granted an additional extension of time to file under IRC 6081 to October 15, 2021, thereby causing the unprocessable return rule to be disregarded. Provided the overpayment is not refunded within 45 days of the date the original return was received in processible form (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2021) or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 5** Amended Return

A fully processible original return, Form 1040, is received May 25, 2021, for the tax year ending December 31, 2020. The taxpayer subsequently files Form 1040-X to claim an overpayment for the same year. The overpayment from the amended return, Form 1040-X, is issued within 45-days of its received date, thus limiting the period during which interest may accrue (see IRM 20.2.4.8.3.2, 45-Day Rule and Amended Returns and Claims, OBRA 1993). Interest on the overpayment runs **from** the later of May 25, 2021, or the payment/credit date **to** the amended return received date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 6** Amended Return

The facts are the same as in Example 5, except the taxpayer was granted an additional extension of time to file under IRC 6081 to October 15, 2021, thereby causing the late received date rule for the original return to be disregarded (see IRM 20.2.4.5, Delinquent Returns). Interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2021) or the payment/credit date **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example: 7** IRS-Initiated Adjustment

A fully processible original return, Form 1040, is received June 18, 2021 for the tax year ending December 31, 2020. Subsequently, the IRS initiates an adjustment for the same year, resulting in an overpayment. Because the overpayment was created by the IRS, 45 days are subtracted from the period of time interest is otherwise allowed (see IRM 20.2.4.8.3.3, 45-Day Rule and IRS Initiated Adjustments). Interest on the overpayment runs **from** the later of June 8, 2021, or the payment/credit

date **to** the refund schedule date less 45 days (plus the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example:** 8 IRS-Initiated Adjustment

The facts are the same as in Example 7, except the taxpayer was granted an additional extension of time to file under IRC 6081 to October 15, 2021, thereby causing the late received date rule for the original return to be disregarded (see IRM 20.2.4.5, Delinquent Returns). Interest on the overpayment runs **from** the later of the normal due date of the return (April 15, 2021) or the payment/credit date **to** the refund schedule date less 45 days (plus the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Reminder:** Since an overpayment can be made up of multiple payments and/or credits, it may have more than one availability date. Refund payments or credits comprising the overpayment in the order of last-in, first out.

**Reminder:** The back-off period of IRC 6611(b)(2) is applicable to systemic refunds, not manual refunds.

- (7) Computer programming to systemically apply the above rules was implemented April 8, 2021. Any manual interest computations must also follow the same application.

**Note:** The requirement to input an AMD-CLMS-DT for amended returns and Priority Code 3 for IRS-initiated adjustments remains unchanged. The IRS computer will simply ignore these entries when the exception criteria has been met.

20.2.4.8.4  
(03-15-2024)  
**180-Day Rule**

- (1) In 2010, Public Law 111–147 (HIRE Act), added IRC 6611(e)(4) to increase the interest-free processing period from 45 days to 180 days on any overpayment resulting from tax deducted and withheld under Chapter 3 (withholding of tax on non-resident aliens and foreign corporations) or Chapter 4 (taxes to enforce reporting on certain foreign accounts) of the Internal Revenue Code.

- (2) IRC 6611(e)(4) substitutes “180 days” for “45 days” each place it appears in:

- IRC 6611(e)(1), refunds after return is filed. See IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns.
- IRC 6611(e)(2), refunds after claim for credit or refund. See IRM 20.2.4.8.3.2, 45-Day Rule and Amended Returns and Claims, OBRA 1993.
- IRC 6611(e)(3), IRS-initiated adjustments. See IRM 20.2.4.8.3.3, 45-Day Rule and IRS Initiated Adjustments.

**Note:** Likewise, the 180-day period is to be considered for IRM 20.2.4.8.3.4 and IRM 20.2.4.8.3.5 when it applies.

- (3) IRC 6611(e)(4) applies to:

- Refunds on original returns with due dates (determined without regard to extensions) after March 18, 2010.

- Refunds after claims for credit or refund on amended returns and claims filed after March 18, 2010 (regardless of the taxable period to which such refund or credit relates).
- IRS-initiated adjustments resulting in refunds and or credits of an overpayment or interest after March 18, 2010 (regardless of the taxable period to which such refund or credit relates).

**Note:** In practice, the effective date of IRC 6611(e)(4) for overpayments originating from Chapter 4 (IRC 1471 through IRC 1474) is to payments made after December 31, 2012.

- (4) Chapter 3 and/or 4 withholding is identified by TC 766 with Credit Reference Number (CRN) 330 through 333, and is reported on Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation, Form 990-T, Exempt Organization Business Income Tax Return, Form 1040-NR, U.S. Nonresident Alien Income Tax Return, Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, Form 1120-F, U.S. Income Tax Return of a Foreign Corporation, and Form 8804, Annual Return for Partnership Withholding Tax (Section 1446).
- (5) The literal **“180-DAY-CR-INT-TO-DT”** indicates the date used to calculate overpayment interest on Chapter 3 and/or 4 withholding taxes.
  - When the 180-day interest-free period is missed and interest is systemically computed for credits identified by TC 766 CRN 330-333 (Chapter 3 and/or 4 withholding), the interest **TO** date is posted, for audit-trail purposes, in the **“180-DAY-CR-INT-TO-DT”** field.
  - If an overpayment for which interest is being calculated includes credit **not** comprised of Chapter 3 and/or 4 withholding, the interest **TO** date for that credit is posted in the **“CR-INT-TO-DT”** field. Thus, if a TC 776 includes interest on Chapter 3 and/or 4 withholding credit and non-Chapter 3 and/or 4 withholding credit, **both** fields (**“180-DAY-CR-INT-TO-DT”** and **“CR-INT-TO-DT”**) will be populated with their respective dates. The **“180-DAY-CR-INT-TO-DT”** field should be used in the same manner when interest is computed manually.

20.2.4.8.5  
(03-15-2024)  
**Undeliverable, Returned,  
Intercepted,  
Non-Receipt, and  
Non-Negotiable Refund  
Checks**

- (1) This subsection provides instructions for determining when undeliverable, returned, intercepted, non-receipt and non-negotiable refund checks are to receive overpayment interest.

20.2.4.8.5.1  
(03-15-2024)  
**Undeliverable Refund  
Checks**

- (1) To determine if additional interest is allowed on an undeliverable refund check, you must determine whether the refund check was undeliverable through fault of the taxpayer or **any** government agency, such as the United States Postal Service (Rev. Rul. 76-74).

If check is undeliverable	then
through the fault of a government agency	<p>additional interest is allowed to the new refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds- IRM 20.2.4.8.1(3)).</p> <p><b>Note:</b> When manually computing additional interest in a module re-computation, do not apply the back-off period of IRC 6611(b)(2) to the original refund when the reason for its return is the fault of a government agency. The back-off period is applied, when applicable, to the refund subsequently issued, thereby settling the period of interest under IRC 6611(b)(2).</p>
through no fault of a government agency	no additional interest is allowed for the period of the delay.

**Note:** See Command Code CHK64 in IRM 2.4.21, Command Codes CHK64 and CHK64R.

- (2) Transaction code 740 and Freeze Code "S-" post on IDRS and Master File to denote an undeliverable refund check that has been redeposited. When the address is updated, the freeze is removed.
- (3) Additional instructions are found in IRM 21.4.3.5.3, Undeliverable Refund Checks.

20.2.4.8.5.2  
(03-15-2024)  
**Returned and  
Intercepted Refund  
Checks**

- (1) There are times when it is necessary for the IRS to intercept (prevent the issuance of) a refund check, and others when a refund check is returned by the taxpayer. When a refund is canceled, a "P-" freeze will be reflected on the transcript for the module. The DLN of the TC 841 will indicate whether the refund was returned by the taxpayer or intercepted by the IRS. See IRM 21.4.2.4.7.1, Refund Credits/Debits TC 740/TC 841/TC 843 - Bureau of the Fiscal Services (BFS) Reason/Cancellation Codes, for the DLN definers.
- (2) When a refund check is **returned** to the IRS:

If	then
<p>the taxpayer alleges the amount is incorrect and the IRS determines that the amount of the original refund was <b>incorrect</b></p>	<p>issue correct refund with interest to the new refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)).</p> <p><b>Note:</b> Interest will be allowed on the correct refund only if interest would normally be due and the taxpayer in no way caused the returned refund to be incorrect.</p> <p><b>Note:</b> When manually computing interest in a module re-computation, do not apply the back-off period of IRC 6611(b)(2) to the original refund when the reason for it to be incorrect was the fault of the IRS. The back-off period is applied, when applicable, to the refund subsequently issued, thereby settling the period of interest under IRC 6611(b)(2).</p>
<p>the taxpayer alleges the amount is incorrect and the IRS determines that the amount of the original refund was <b>correct</b></p>	<p>reissue the refund with no additional interest.</p> <p><b>Note:</b> The refund may only include the interest allowed on the original refund, provided that interest is accurate. If interest on the original refund is inaccurate, the reissued refund may only include interest the taxpayer is entitled to receive.</p>

if	then
the taxpayer requests that the refund amount be applied to a different module	<p>post the check as a TC 700 on the date the returned refund check is received. The posted credit may only include the interest (if any) allowed on the returned refund, provided that interest is accurate. Do not allow additional interest.</p> <p><b>Note:</b> If interest on the original refund is inaccurate, the posted credit may only include interest the taxpayer is entitled to receive.</p>

- (3) When a refund check is **intercepted** by the IRS, and the resulting overpayment:

is	then
applied to unpaid liabilities (including tax, penalties, additions to tax) due <b>before</b> the overpayment availability date,	no interest is allowed on the overpayment.
applied to unpaid liabilities due <b>after</b> the overpayment availability date,	<p>interest is allowed <b>from</b> the availability date of the overpayment <b>to</b> the due date of the liability against which the overpayment is applied.</p>

**Note:** See IRM 20.2.4.4, Availability Dates for Overpayments, and IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types, for a definition of “overpayment availability date”.

**Caution:** Interest on an overpayment may be computed from **other than** its availability date when the original tax return was filed late (IRC 6611(b)(3)) or in unprocessable form (IRC 6611(g)). See IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns.

- (4) When a refund check is returned by the taxpayer or intercepted by the IRS because it was issued for the wrong amount or to the wrong taxpayer (such as ID theft), the account must be analyzed and the appropriate adjustments made before allowing a second check to be issued. The account must be adjusted to reflect the correct transactions and amounts for the taxpayer. Erroneously applied credits must be reversed and reapplied to the correct account.

**Note:** Interest will be allowed on the correct refund amount, or to the correct taxpayer, only if interest would normally be due and the taxpayer in no way caused the refund to be intercepted or the returned refund to be incorrect.

**Note:** When manually computing interest in a module re-computation, do not apply the back-off period of IRC 6611(b)(2) to the original refund when the reason for it to be incorrect was the fault of the IRS. The back-off period is applied, when applicable, to the refund subsequently issued, thereby settling the period of interest under IRC 6611(b)(2).

20.2.4.8.5.3  
(03-15-2024)

**Non-Receipt of Refund  
Check**

- (1) When a second refund (replacement) check is issued which contains no additional interest beyond that included in the original refund check, and it can be determined that non-receipt of the original refund check, or an abnormal delay (greater than 120 days) in issuance of a second check, is the fault of a U.S. government agency, additional interest may be allowed.

If non-receipt of the refund check was	and	then
through the fault of a U.S. government agency	blank	<p>additional interest is allowed to the schedule date of the replacement refund (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)).</p> <p><b>Note:</b> Interest will be allowed on the replacement refund only if interest would normally be due.</p> <p><b>Note:</b> When manually computing interest in a module re-computation, do not apply the back-off period of IRC 6611(b)(2) to the original refund when the reason for its non-receipt was the fault of a U.S. government agency. The back-off period is applied, when applicable, to the replacement refund, thereby settling the period of interest under IRC 6611(b)(2).</p>
through no fault of a U.S. government agency	blank	no additional interest is allowed, except under the circumstance described in the next row.

If non-receipt of the refund check was	and	then
through no fault of a U.S. government agency	due to the fault of a U.S. government agency, there is a delay greater than 120 days to issue a replacement check	<p>additional interest is allowed <b>from</b> the 121st day <b>to</b> the new refund schedule date.</p> <p><b>Note:</b> Interest will be allowed on the replacement refund only if interest would normally be due.</p> <p><b>Note:</b> When manually computing interest in a module re-computation, apply the back-off period of IRC 6611(b)(2) to the original refund and the replacement refund.</p>

- (2) Form 3911, Taxpayer Statement Regarding Refund, is completed by the taxpayer to provide the IRS with information to trace the non-receipt of a refund check. When the processing of Form 3911 results in a second refund (replacement) check which contains no additional interest beyond that included in the original refund check, and it can be determined that non-receipt of the original refund check is the fault of a U.S. government agency, additional interest may be allowed. Additional interest may also be allowed for this situation when the replacement refund was not issued within 120 days of the form's receipt.

If non-receipt of the refund check was	and	then
through the fault of a U.S. government agency,	blank	<p>additional interest is allowed to the schedule date of the replacement refund (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/ systemic refunds - IRM 20.2.4.8.1(3)).</p> <p><b>Note:</b> Interest will be allowed on the replacement refund only if interest would normally be due.</p> <p><b>Note:</b> When manually computing interest in a module re-computation, do not apply the back-off period of IRC 6611(b)(2) to the original refund when the reason for its non-receipt was the fault of a U.S. government agency. The back-off period is applied, when applicable, to the replacement refund, thereby settling the period of interest under IRC 6611(b)(2).</p>
through no fault of a U.S. government agency	the reissued refund was issued within 120 days from receipt of the Form 3911	no additional interest is allowed.

If non-receipt of the refund check was	and	then
through no fault of a U.S. government agency	the reissued check was <b>not</b> issued within 120 days from receipt of the Form 3911	<p>additional interest is computed on the amount of the original check <b>from</b> the 121st day after receipt of Form 3911 <b>to</b> the new refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).</p> <p><b>Note:</b> Interest will be allowed on the replacement refund check only if interest would normally be due.</p> <p><b>Note:</b> When manually computing interest in a module re-computation, apply the back-off period of IRC 6611(b)(2) to the original refund and the replacement refund.</p>

20.2.4.8.5.4  
(03-15-2024)

#### Non-Negotiable Refund Checks

- (1) If, through fault of the IRS, a refund check is issued in non-negotiable form and a new check is issued, correct the entity and allow interest to the new refund schedule date, less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3).

**Note:** Interest will be allowed on the new refund check only if interest would normally be due.

**Note:** When manually computing interest in a module re-computation, do not apply the back-off period of IRC 6611(b)(2) to the original refund when the reason for its non-negotiability was the fault of the IRS. The back-off period is applied, when applicable, to the refund subsequently issued, thereby settling the period of interest under IRC 6611(b)(2).

- (2) If a refund check is issued in non-negotiable form through no fault of the IRS, correct the entry and reissue the refund with no additional interest.

20.2.4.9  
(03-15-2024)  
**Special Rules**

- (1) Special rules apply for interest on:
- Cash Bonds.
  - IRC 6603 Deposits.
  - Unidentified Remittances.
  - Credit Elects.
  - Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax.

20.2.4.9.1  
(03-15-2024)  
**Cash Bonds**

- (1) Interest is **not** allowed on a cash bond deposit, or any portion of a cash bond deposit that is offset to other tax liabilities or returned to the taxpayer, before or after assessment, Rev. Proc. 84-58 (superseded by Rev. Proc. 2005-18).

**Exception:** In the event a deposit in the nature of a cash bond is posted to a taxpayer's module as a "payment of tax", interest is allowed under IRC 6611 on an overpayment later determined to be due from the date the deposit was posted as a "payment of tax" to the date of refund or offset.

- (2) Rev. Proc. 84-58 provides that a deposit in the nature of a cash bond will be posted to the taxpayer's account as a "payment of tax" as of the date the assessment is made (typically, the 23C date of the deficiency assessment). The amount treated as a "payment of tax" cannot exceed the proposed deficiency plus any interest that has accrued on the deficiency. Any amount of a deposit that is not posted as a "payment of tax" because it exceeds the liability, will continue to be considered a deposit and, provided no other liabilities exist, will be returned to the taxpayer **without interest**. If another liability does exist, the deposit will not convert to a "payment of tax" until it is offset and applied to another assessed liability. Interest cannot accrue on a cash bond deposit until it is converted to a "payment of tax."

**Example:** A taxpayer submits a cash bond deposit of \$6,000, dated October 18, 2000, that exceeds the proposed deficiency (tax, penalty, interest) on its 199812 tax module. At the end of the examination, the taxpayer is assessed a liability of \$4,500. The IRS then transfers the remaining cash bond of \$1,500 to an unpaid tax deficiency of \$2,000 on year 199912 (assessed on November 7, 2000) using debit and credit transaction codes TC 640 and TC 642, designated payment code 12, and a debit and credit transaction date of October 18, 2000. No interest is allowed on the transfer. Although the transferred cash bond is available to reduce underpayment interest as of its availability date of October 18, 2000, interest cannot accrue on the deposit, if the deficiency for tax year 199912 is subsequently reduced, until November 7, 2000, the assessment date of the 199912 deficiency, and the date the deposit was converted to a "payment of tax."

- (3) If, as of the date of a deficiency assessment, a deposit in the nature of a cash bond is posted to a taxpayer's module as a "payment of tax," any subsequent full or partial abatement of the deficiency that results in an offset or refund will accrue interest **from** the date the abated deficiency was originally assessed (the date it became a "payment of tax").

**Example:** A taxpayer submits a cash bond deposit of \$1,000 for an assessment of the same amount. It is later determined that the actual assessment should have been \$800. Interest is allowed on \$200 **from** the 23C date of the \$1,000 assessment **to** the date the overpayment is either refunded or offset.

- (4) A taxpayer may request the return of all or part of a deposit made in the nature of a cash bond at any time **before** the IRS assesses the tax. That amount will be returned to the taxpayer, **without interest**, unless the IRS determines that assessment or collection of the tax determined to be due would be in jeopardy, or that the amount should be applied against any other liability. In such cases, the deposit will not be returned, but will be applied against a jeopardy or termination assessment or against the other liability.
- (5) Cash bond deposits are identified by a TC 640 (Advanced Payment of Determined Deficiency or Underreporter Proposal), Blocking Series "999" and Designated Payment Code (DPC) 12.
  - For cash bond payments posted after January 1, 1990, the Blocking Series is 990–999.
  - Prior to cycle 198427, interest is not allowed on the refund or offset of any portion of a posted TC 640.
  - After cycle 198427, and prior to January 1, 1990, only those TC 640s blocked "999" are refunded or offset without interest.

**Note:** When moving a deposit in the nature of a cash bond from one tax module to another, maintain the identity of the cash bond on the receiving module by using Designated Payment Code (DPC) of 12 on the credit side of the transfer.

- (6) There is no systemic means to identify and permit a Master File calculation of allowable interest on a deposit in the nature of a cash bond. When interest is allowable, it must be manually computed and input with TC 770.

20.2.4.9.2  
(03-15-2024)  
**IRC 6603 Deposits**

- (1) The American Jobs Creation Act of 2004, P.L. 108-357, 118 Stat. 1418 (ACJA) was enacted on October 22, 2004. Section 842 of the Act added new IRC 6603 to permit taxpayers to make deposits to suspend the running of interest on potential underpayments of tax. Rev. Proc. 2005-18 provides guidance establishing procedures for taxpayers to make, withdraw, or identify deposits to suspend under IRC 6603 the running of interest on potential underpayments. Remittances submitted to suspend the running of interest under this section are referred to as **6603 deposits**. This revenue procedure supersedes Rev. Proc. 84-58, 1984-2 C.B. 501, which provided procedures for taxpayers to make remittances (cash bonds) in order to suspend the running of interest on deficiencies.
- (2) IRC 6603 codifies the taxpayer's right to make a deposit in lieu of a payment to stop the running of interest on a potential deficiency, and, for the first time, provides for the accrual of interest on a deposit returned to the taxpayer to the extent that the deposit is attributable to a disputable tax. The amount and nature of the disputable tax must be identified at the time the amount is remitted to the IRS, or the date a converted cash bond is identified by the taxpayer as a 6603 deposit. Until further guidance is issued, taxpayers are permitted to use any reasonable method for calculating the amount of disput-

able tax. However, to the extent that a taxpayer's calculation of a disputable tax exceeds the amount proposed as a deficiency in a 30-day letter issued to the taxpayer, or the taxpayer desires to remit a deposit prior to receiving the 30-day letter, the taxpayer must provide a written statement to the IRS identifying and describing the amount of the disputable tax at the time the deposit is remitted. The written statement must also include:

- a. The taxpayer's calculation of the amount of disputable tax;
- b. A description of any item of income, gain, loss, deduction or credit for which the taxpayer has a reasonable basis for the treatment of the item on its return, and for which the taxpayer reasonably believes that the IRS also has a reasonable basis for disallowing the taxpayer's treatment of the item; and
- c. The basis for the taxpayer's belief that it has a reasonable basis for the treatment of any item on its return and that the Secretary also has a reasonable basis for disallowing the taxpayer's treatment of such item.

**Note:** IRC 6603 applies to income, gift, estate, or generation-skipping taxes imposed on the taxpayer under the Code, or certain excise taxes imposed on the taxpayer under the Code. However, IRC 6603 does **not** apply to employment taxes. If an employment tax examination includes worker classification issues and the employer has not yet received a notice of determination under IRC 7436, the employer can make a cash bond deposit with the IRS to stop any interest from accruing and still preserve the employer's right to go to Tax Court. See Treas. Reg. 31.6205-1(a)(6)(ii) and Rev. Proc. 2009-39. But, because IRC 6603 does not apply to employment tax, IRC 6603(d) interest is **not** available for deposits made to stop the accrual of interest on a potential employment tax underpayment.

- (3) If a taxpayer has been issued a 30-day letter, the amount of disputable tax is, at a minimum, the amount of the proposed deficiency specified in the letter, including penalty and/or interest charges.

**Example:** The IRS issues a 30-day letter to taxpayer proposing a deficiency in the amount of \$40,000 and penalties in the amount of \$4,000. Taxpayer remits \$50,000 for tax year X and states the remittance is a section 6603 deposit. Taxpayer does not provide a statement of disputable tax in writing. Though not reflected in the 30-day letter, underpayment interest in the amount of \$5,800 has accrued on the deficiency, computed to the date of the deposit.

The amount of disputable tax is, at a minimum, the amount set forth in the 30-day letter. In this case, the taxpayer chose to rely on the amount set forth in the 30-day letter, rather than provide a statement of disputable tax in writing. However, because the \$6,000 is a reasonable estimate of the interest (\$6,000 estimate, versus \$5,800 actual) on the liability in dispute, the entire remittance of \$50,000 is deemed to be attributable to a disputable tax.

**Example:** The facts are the same as in Example 1, except the accrual of underpayment interest on the amount reflected in the 30-day letter is \$1,000. The \$5,000 overestimate of interest (\$6,000 rough calculation minus \$1,000 actual) is treated the same way that the IRS would treat an overestimate of the disputable tax. In order to qualify as a disputable tax, the taxpayer's estimate of the amount of interest attributable to the maximum amount of disputable tax must be reasonable.

- (4) If a taxpayer fails to identify the amount and nature of the disputable tax in writing or provide a copy of the 30-day letter at the time of the deposit, the payment of interest will **not be allowed** if the deposit is later withdrawn by the taxpayer unless the taxpayer subsequently provides the IRS a written statement identifying and describing the amount of the disputable tax. In such cases, interest will be allowed on the deposit under IRC 6603 as of the date on which the amount and nature of the disputable tax is identified.

**Note:** The amount identified as disputable tax can include penalty and or interest charges.

- (5) An overpayment may **not** be converted to a 6603 deposit. The IRS has IRC 6402 authority to apply overpayments to outstanding liabilities. Taxpayers cannot assume this authority by directing the IRS to convert an overpayment to a 6603 deposit.

#### 20.2.4.9.2.1 (03-15-2024)

#### Identification and Rate of Interest for 6603 Deposits

- (1) Remittances submitted after October 22, 2004, identified as “6603 deposits” are processed and posted in the same manner as the IRS previously processed a cash bond remittance. Deposits are identified by TC 640 (Advance Payment of Determined Deficiency or Underreporter Proposal), Blocking Series “990-999,” or TC 640 with Designated Payment Code (DPC) 12.

**Caution:** Because a 6603 deposit is posted in the same manner that the IRS used to process a cash bond remittance after January 1, 1990 (TC 640, Blocking Series 990 to 999, or TC 640 with DPC 12), the payment posting date alone cannot be relied upon as the date a deposit is subject to the provisions of IRC 6603. This applies to a deposit made after October 22, 2004, and before March 28, 2005, and also for a cash bond deposit that is being “converted” to a 6603 deposit. The IRC 6603 effective date for such deposits is, instead, the date the IRS receives the written statement. See IRM 20.2.4.9.2.4, Designating a Deposit Made Under Rev. Proc. 84-58 (Cash Bond) as a Deposit Under IRC 6603.

**Note:** A deposit made after the effective date of IRC 6603 cannot be designated as a deposit in the nature of a cash bond. Likewise, a 6603 deposit cannot be re-designated as a deposit in the nature of a cash bond. See IRM 20.2.4.9.2.4, Designating a Deposit Made Under Rev. Proc. 84-58 (Cash Bond) as a Deposit Under IRC 6603.

- (2) Besides TC 640, a 6603 deposit can also include TC 680, Designated Payment of Interest, and TC 690, Designated Payment of Penalty.

**Note:** When a 6603 deposit is split to account for what is designated for tax (TC 640), interest (TC 680), and penalty (TC 690), each will typically carry the same posting date.

- (3) To the extent a deposit (TC 640, TC 680, TC 690) is attributable to a disputable tax, IRC 6603(d) provides for a unique rate of interest, known as “6603 deposit interest”, to be paid on 6603 deposits. The rate of interest is the Federal short-term rate provided under IRC 6621(b), compounded daily. The ACT/DMI Program (version 6.13 and subsequent) provides a Federal Short-Term Rate Chart specifically for computing interest on 6603 deposits. The rate of interest allowed is lower than the rates for overpayments.

**Example:** IRC 6621(a)(1) provides for the payment of interest on overpayments at the Federal short-term rate plus 3 percentage points (2 percentage points in the case of a corporation, and for corporate overpayments exceeding \$10,000, only a “0.5” percentage point is added). If the prevailing corporate overpayment rate is 5%, then the Federal short-term rate is 3%. For an individual, if the overpayment rate is 6%, the Federal short-term rate is still 3%. The Federal short-term rate is the same whether the overpayment is for an individual or corporation.

- (4) Rev. Proc. 2005-18 provides that a 6603 deposit will be posted to the taxpayer’s account as a “payment of tax” as of the date the assessment is made (typically, the 23C date of the deficiency assessment). The amount designated as a “payment of tax” cannot exceed the determined deficiency of the initial examination (tax and penalties), plus any interest that has accrued on the deficiency. Any amount of a 6603 deposit that is not posted as a “payment of tax” because it exceeds the liability as ultimately determined in the initial examination, will continue to be considered a 6603 deposit and will be returned to the taxpayer **with** interest. Interest on the returned deposit, to the extent the deposit is attributable to a disputable tax, will be allowed at the Federal short-term rate **from** the date of the deposit **to** the date it is refunded (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)). If the deposit exceeds the amount of disputable tax, interest under IRC 6603 or IRC 6611 is generally not allowed on the excess. Refer to IRM 20.2.4.9.2.2, Applying an Offset Against Another Liability, for offset criteria.

If	And	Then
as of the date of an initial deficiency assessment, a 6603 deposit is not posted to a taxpayer’s account as a “payment of tax” because it exceeds the determined deficiency of the initial examination, including penalty and/or interest charges,	the 6603 deposit <i>is greater than</i> the amount of the deficiency first proposed in the 30-day letter or the taxpayer’s reasonable calculation of disputable tax, including penalty and/or interest charges,	no interest is allowed on the return/refund of the excess deposit.

If	And	Then
as of the date of an initial deficiency assessment, a 6603 deposit is not posted to a taxpayer's account as a "payment of tax" because it exceeds the determined deficiency of the initial examination, including penalty and/or interest charges,	the 6603 deposit <i>is less than or equal to</i> the amount of the deficiency first proposed in the 30-day letter or the taxpayer's reasonable calculation of disputable tax, including penalty and/or interest charges,	interest on the excess deposit will accrue at the Federal short-term rate <b>from</b> the date of the deposit <b>to</b> the date it is refunded (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example:** The taxpayer remits a section 6603 deposit of \$75,000, accompanied with a reasonable calculation of disputable tax for the same amount. Ultimately, a tax assessment of \$50,000 is agreed to for the initial examination. Underpayment interest on the \$50,000 totals \$7,000. When the total liability of \$57,000 is subtracted from the 6603 deposit of \$75,000, it results in an excess 6603 deposit of \$18,000. The \$18,000 excess 6603 deposit bears interest at the Federal short-term rate **from** the date of deposit **to** the date it is refunded (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example:** The IRS issues a 30-day letter to the taxpayer proposing tax in the amount of \$20,000 and penalties in the amount of \$2,000. Taxpayer remits \$25,000 for tax year X and states the remittance is a section 6603 deposit, which represents payment of the tax, penalties, plus the taxpayer's estimate of \$3,000 of underpayment interest, computed to the date of the deposit. Though the taxpayer chose to rely on the amount set forth in the 30-day letter, as opposed to providing a statement of disputable tax in writing, the entire remittance of \$25,000, including the taxpayer's estimate of \$3,000 of interest, is considered to be a payment of disputable tax. (While the actual interest on the liability totaled \$2,700, the taxpayer's estimate of \$3,000 is considered reasonable.) When the total liability of \$24,700 is subtracted from the 6603 deposit of \$25,000, it results in an excess 6603 deposit of \$300. The \$300 excess 6603 deposit bears interest at the Federal short-term rate **from** the date of deposit **to** the date it is refunded (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).

**Example:** The facts are the same as in the immediately preceding example, except the accrual of underpayment interest on the amount reflected in the 30-day letter is \$500. The \$2,500 overestimate of interest (\$3,000 rough calculation minus \$500 actual) is treated the same way that the IRS would treat an overestimate of the disputable tax. In order to qualify as a disputable tax, the taxpayer's estimate of the amount of interest attribut-

able to the maximum amount of disputable tax must be reasonable. The \$2,500 excess 6603 deposit is refunded to the taxpayer without interest.

- (5) If, as of the date of a deficiency assessment for the initial examination, a 6603 deposit is posted to a taxpayer's account as a "payment of tax," any subsequent full or partial abatement of the deficiency that results in an excess 6603 deposit will accrue interest (to the extent the deposit is attributable to a disputable tax), **from** the date of the deposit **to** the date of refund (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)), and or the due date of the liability against which the credit is taken (refer to IRM 20.2.4.9.2.2 for offset criteria). Interest will accrue at different rates for different periods:
- Interest will accrue at the 6603 deposit interest rate (the Federal short-term rate) **from** the date of deposit **to** the date of assessment.
  - Upon assessment, the deposit becomes a payment, thus interest will accrue at the overpayment rate (IRC 6621(a)(1) rate) **from** the assessment date **to** the refund date (less the back-off period of IRC 6611(b)(2) when applicable), and/or the due date of the liability against which the credit is taken.
  - Interest accrued at the 6603 deposit interest rate (the Federal short-term rate) prior to the date the deposit becomes a payment will continue to accrue at the 6603 deposit interest rate *after* the date the deposit becomes a payment *and until* the date of refund (less the back-off period of IRC 6611(b)(2) when applicable), and/or the liability date against which the credit is taken.

If	And	Then
<p>as of the date of an initial deficiency assessment, a 6603 deposit is posted to a taxpayer's account as a "payment of tax,"</p> <p><b>Reminder:</b> A deposit less than or equal to the determined deficiency, including penalty and/or interest charges, posts as a "payment of tax" on the date of the deficiency assessment. A deposit not posted as a "payment of tax" because it exceeds the determined deficiency of the initial examination, including penalty and/or interest charges, is returned to the taxpayer per paragraph 4 above.</p>	<p>that assessed deficiency is later abated in full or part,</p>	<p>a. Interest on the excess deposit, to the extent the deposit is attributable to a disputable tax, will accrue at the Federal short-term rate <b>from</b> the date of the deposit <b>to</b> the date of the deficiency assessment.</p> <p>b. Interest will then accrue at the overpayment rate (IRC 6621(a)(1) rate) <b>from</b> the date of the deficiency assessment (when the deposit becomes a payment) <b>to</b> the date the overpayment is credited and/or refunded (less the back-off period of IRC 6611(b)(2) when applicable).</p> <p><b>Note:</b> Interest accrued at the Federal short-term rate prior to the date the deposit becomes a payment will continue to accrue at the Federal short-term rate <i>after</i> the date the deposit becomes a payment <i>and until</i> the date the payment is credited and/or refunded (less the back-off period of IRC 6611(b)(2) when applicable).</p>

**Caution:** Interest may be computed from **other than** the date of the deposit when the original tax return was filed late (IRC 6611(b)(3)) or in unprocessable form (IRC 6611(g)). See IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns.

**Example:** A taxpayer submitted \$100,000 to the IRS stating that it was designating the remittance as a 6603 deposit for tax year 202112. The \$100,000 remittance, received February 13, 2023, met the criteria for a section 6603 deposit. The IRS assessed \$100,000 on August 14, 2023, and applied the \$100,000 deposit as a payment as of the assessment date. The IRS later determined that the actual assessment should have been \$80,000. The IRS returned the \$20,000 to the taxpayer on December 22, 2023, with interest. On August 14, 2023, the amount of the section 6603 deposit needed to satisfy the assessment (\$100,000) became a payment; before that date, it retained its character as a deposit. Accordingly, from the date of deposit (February 13, 2023) to the date of

assessment (August 14, 2023), the \$20,000 is an excess section 6603 deposit and bears interest at the Federal short-term rate. The interest accrued through August 14, 2023 will continue to accrue at the Federal short-term rate until the date of refund (December 22, 2023), less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3).

As of the date of assessment (August 14, 2023), the \$20,000 is a payment and bears interest at the IRC 6621(a)(1) overpayment rate to the date of the refund (December 22, 2023), less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds.

**Example:** A taxpayer submitted a 6603 deposit of \$5,000 for a proposed assessment of disputable tax, comprising \$4,700 of tax and \$300 of interest. The deposit was received by the IRS on February 6, 2023. After the assessment, dated June 12, 2023, the taxpayer files a claim for refund of interest, whereby it was determined that the taxpayer was liable for only \$200 of underpayment interest. The IRS returned the \$100 to the taxpayer on July 21, 2023.

Because the amount of the deposit did not exceed the amount of disputable tax, as originally determined, the excess remittance of \$100 retains its character as a deposit and bears interest at the Federal short-term rate **from** the date of deposit (February 6, 2023) **to** the date of assessment (June 12, 2023). The interest accrued through June 12, 2023 will continue to accrue at the Federal short-term rate until the refund date of July 21, 2023, less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds.

The \$100 then bears interest at the IRC 6621(a)(1) overpayment rate **from** the assessment date of June 12, 2023 **to** the refund date of July 21, 2023, less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds.

- (6) Interest allowed on 6603 deposits **does not** qualify for interest netting under IRC 6621(d) (net rate interest netting) or Rev. Proc. 94-60 (within module (annual) netting).
- (7) The provisions of IRC 6611(e) (the 45-day back-off period) do not apply to IRC 6603 deposits.
- (8) There is no systemic means to identify and allow a Master File calculation of allowable interest on 6603 deposits. When interest is permitted, whether at the Federal short-term rate or the normal overpayment rate of IRC 6621(a)(1), it must be manually computed and input with TC 770.
- (9) A 6603 deposit is not considered a payment for purposes of the IRC 6621(c) large corporate underpayment rate. A 6603 deposit will not cause a notice to be disregarded for large corporate underpayment purposes until it becomes a **payment of tax**.

20.2.4.9.2.2  
(03-15-2024)  
**Applying an Excess  
6603 Deposit Against  
Another Liability**

- (1) An excess 6603 deposit is not an overpayment as defined in IRC 6402(a). Therefore, the IRS may not, on its own accord, offset an excess 6603 deposit to an outstanding tax liability, nor to an unassessed liability that has been determined in a statutory notice of deficiency (Rev. Rul. 2007-51). Additionally, the common law right to offset does not apply to excess 6603 deposits.

- (2) An excess 6603 deposit results when a deposit is not posted as a payment of tax because it exceeds the determined deficiency of the initial examination, including penalty and/or interest charges. The excess section 6603 deposit cannot, via the IRS's unilateral action, be applied against another assessed or unassessed liability; only the taxpayer can make such a designation. The taxpayer's request must: (1) be made in writing, (2) be directed to the same office where the original deposit was made, and (3) include a computation of the disputable tax the deposit is to be applied against.
- (3) When a properly executed written request is received to credit an excess 6603 deposit against another assessed or unassessed liability, the deposit is to be transferred from the losing tax module and to the receiving tax module using the date of the deposit. Section 6603 deposit interest is **not** allowed on the transfer. If, however, the liability on the tax module to which the deposit is applied is either fully or partially abated, or if the deposit is not posted as a payment of tax because it exceeds the determined deficiency of the initial examination (including penalty and/or interest charges), interest is allowed on the deposit credited to the receiving module.

**Example:** A taxpayer submits a 6603 deposit of \$6,000, dated June 12, 2023, that exceeds the proposed deficiency on its 202112 tax module, but not the amount of disputable tax (tax, penalty and interest) as calculated by the taxpayer. At the end of the examination, the taxpayer is assessed a liability of \$4,500. Following a written request from the taxpayer, the IRS then transfers the remaining 6603 deposit of \$1,500 to a proposed, yet unassessed, disputable tax liability on year 202312 of \$1,500. The transfer is made using debit and credit transaction codes TC 640 and TC 642, with a debit and credit transaction date of June 12, 2023. No interest is allowed on the transfer. The transferred 6603 deposit is available to reduce debit interest on tax year 202312, as of the due date of the tax liability: April 15, 2024. When the assessment for tax year 202312 is made, the deposit will convert to a "payment of tax" on the 23C date of the assessment. However, if the deficiency for tax year 202312 is subsequently reduced, thereby releasing all or part of the deposit, interest will accrue on the deposit at the Federal short-term rate **from** June 12, 2023, the date of the deposit. Interest will accrue at the IRC 6621(a)(1) overpayment rate from the date of assessment (see paragraph 4 below).

**Example:** Same facts as above, except the initial assessment agreed to for tax year 202312 is \$1,000, not \$1,500. Since the remaining \$500 exceeds the liability, thereby prohibiting it from being posted as a payment of tax, the excess 6603 deposit bears interest at the Federal short-term rate **from** the date of deposit **to** the date it is refunded (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)).

**Note:** When moving a 6603 deposit from one tax module to another, maintain the identity of the deposit on the receiving module by using Designated Payment Code (DPC 12) on the credit side of the transfer.

- (4) When, on the date of assessment, a 6603 deposit is posted to the taxpayer's account as a "payment of tax" (see IRM 20.2.4.9.2.1(4)), any subsequent full or partial abatement of the deficiency that results in an excess 6603 deposit is

thereafter deemed an overpayment. Once an overpayment, the provisions of IRC 6402(a) govern, whereby the IRS may offset the overpayment on its own accord.

IF	Then
the overpayment is applied to unpaid liabilities (including tax, penalties, additions to tax or additional amounts) due <b>on or before</b> the date of the overpayment.	no interest is allowed on the overpayment.
the overpayment is applied to unpaid liabilities (including tax, penalties, additions to tax or additional amounts) due <b>after</b> the date of the overpayment	<p>interest is allowed <b>from</b> the date of the deposit <b>to</b> the due date of the liability against which the credit is taken.</p> <p>Interest will accrue at different rates for different periods:</p> <ul style="list-style-type: none"> <li>• Interest will accrue at the 6603 deposit interest rate (the Federal short-term rate) <b>from</b> the date of deposit to the date of assessment.</li> <li>• Upon assessment the deposit becomes a payment, thus interest will accrue at the overpayment rate (IRC 6621(a)(1) rate) from the assessment date <b>to</b> the due date of the liability against which the credit is taken.</li> <li>• Interest accrued at the 6603 deposit interest rate (the Federal short-term rate) prior to the date the deposit becomes a payment will continue to accrue at the 6603 deposit interest rate <i>after</i> the date the deposit becomes a payment <i>and until</i> the liability date against which the credit is taken.</li> </ul>

**Caution:** Interest may be computed from **other than** the date of the deposit when the original tax return was filed late (IRC 6611(b)(3)) or in unprocessable form (IRC 6611(g)). See IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns.

**Example:** A taxpayer submitted \$100,000 to the IRS stating that it was designating the remittance as a 6603 deposit for tax year 202112. The \$100,000, received March 6, 2023, met the criteria for a section 6603 deposit. The

IRS assessed \$100,000 on August 28, 2023, and applied the \$100,000 deposit as a payment as of the assessment date. The IRS later determined that the actual assessment should have been \$80,000. When the IRS made the over-assessment for tax year 202112, the taxpayer had an outstanding liability on its Form 1120 account for tax year 202312, due April 15, 2024. On May 20, 2024, the IRS credited the entire over-assessment of \$20,000 to the 202312 liability with debit and credit transaction codes TC 820 and TC 700, including the allowable interest on the amount applied using debit and credit transaction codes TC 850 and TC 730.

From the date of deposit (March 6, 2023) to the date the abated deficiency was originally assessed (August 28, 2023), the \$20,000 is, for interest computation purposes, an excess section 6603 deposit and bears interest at the Federal short-term rate. The interest accrued through August 28, 2023 will continue to accrue at the Federal short-term rate until April 15, 2024, the due date of the year 202312 liability to which the interest is applied.

As of the date of assessment (August 28, 2023), the \$20,000 is an overpayment. Interest on the overpayment of \$20,000 bears interest at the IRC 6621(a)(1) overpayment rate from August 28, 2023 to April 15, 2024, the due date of the 202312 liability and the date with which both the \$20,000 and its associated interest are applied.

**Example:** Same facts as above, except the liability is for the 202212 period, not 202312. On May 20, 2024, the IRS credited the entire over-assessment to the 202212 liability with debit and credit transaction codes TC 820 and TC 700, including the allowable interest on the amount applied using debit and credit transaction codes TC 850 and TC 730. From the date of deposit (March 6, 2023) to the due date of the 202212 return (April 15, 2023), the \$20,000 is, for interest computation purposes, an excess section 6603 deposit and bears interest at the Federal short-term rate. The resulting interest is credited to the 202212 period, along with the excess 6603 deposit, with the year 202212 liability date of April 15, 2023. As of the date of assessment (August 28, 2023), the \$20,000 is an overpayment. However, no interest will accrue at the IRC 6621(a)(1) overpayment rate because the date the deposit became an overpayment (August 28, 2023) is after the due date of the year 202212 liability (April 15, 2023).

#### 20.2.4.9.2.3 (03-15-2024)

#### Request for Return of an IRC 6603 Deposit

- (1) IRC 6603(c) provides that, based on a written request, the IRS will return to the taxpayer any amount of a deposit to the extent the deposit has not been used to pay tax, unless collection of the tax is in jeopardy. Deposit remittances submitted after October 22, 2004, are allowed interest if, by request, the deposit is returned to the taxpayer. A taxpayer may request the return of all or part of a deposit at any time **before** the deposit is used for a payment of tax.
- (2) Taxpayers who desire the return a deposit **before** the deposit is used for payment of a tax deficiency must submit a written statement to the IRS campus or examining office to which the original deposit was sent requesting that the deposit be returned. The written statement must also include:
  1. The date(s) and amount(s) of the original deposit(s);
  2. The type(s) of tax to which the deposit was intended to be applied;

3. The tax year(s) to which the deposit was intended to be applied.
- (3) The deposit will be returned to the taxpayer and, to the extent the deposit is attributable to a disputable tax (see IRM 20.2.4.9.2, IRC 6603 Deposits), interest will be allowed. Such interest is computed at the Federal short-term rate, compounded daily, for the period from the date of deposit to the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)).
- (4) If a taxpayer fails to identify the amount and nature of the disputable tax in writing or provide a copy of the 30-day letter at the time of the deposit, the payment of interest will **not be allowed** if the deposit is later withdrawn by the taxpayer, unless the taxpayer subsequently provides the IRS a written statement identifying and describing the amount of the disputable tax. In such cases, interest will be allowed at the Federal short-term rate **from** the date the amount and nature of the disputable tax is identified **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds).
- (5) A withdrawn deposit is not subject to offset under IRC 6402(a). Therefore, the IRS may not, on its own accord, offset a withdrawn deposit to an outstanding tax liability, nor to an unassessed liability that has been determined in a statutory notice of deficiency.

20.2.4.9.2.4  
(03-15-2024)

**Designating a Deposit  
Made Under Rev. Proc.  
84-58 (Cash Bond) as a  
Deposit Under IRC 6603**

- (1) Remittances submitted prior to October 22, 2004, that were posted as “cash bonds” (per Rev. Proc. 84-58) may, upon written request, be “converted” to a “6603 deposit” for purposes of earning interest. Any portion of a cash bond made under Rev. Proc. 84-58 will **not** earn interest unless the IRS receives a written statement to identify and convert these previously posted cash bonds as “6603 deposits.”
- (2) The date the IRS receives the written statement is the date a “converted” 6603 deposit can begin to bear interest (see exception for converted cash bonds in Paragraph (4), below). Taxpayers requesting conversion of a cash bond to a 6603 deposit must send the written statement to the IRS campus or examining office where the deposit was originally submitted. If the deposit relates to a tax year under examination or in Appeals, the statement should be submitted to that office.
- (3) The written statement must include:
  - a. The date(s) and amount(s) of the original cash bond deposit(s);
  - b. The type(s) of tax to which the cash bond deposit was intended to be applied;
  - c. The tax year(s) to which the cash bond was intended to be applied;
  - d. The deposit amount attributable to “disputable tax” for the underpayment tax period. The amount determined as “disputable tax” may require an examination of the return and case records.
- (4) In the case of an amount held as a cash bond under Rev. Proc. 84-58 on October 22, 2004, the deposit will be treated as made on October 23, 2004 (for purposes of allowing interest on the returned deposit) if the taxpayer provided the written statement identifying the cash bond as a “6603 deposit” **before** May 27, 2005.

**Example:** 1: Taxpayer Y submitted a cash bond payment for the 200212 tax year on July 7, 2004. Taxpayer Y then submitted a written statement on March 10, 2005, requesting that the cash bond be converted to a 6603 deposit. On November 7, 2005, Taxpayer Y requests that the deposit be returned (the deposit has not been used to pay any tax liability nor is collection in jeopardy). Since Taxpayer Y provided the written statement for the bond conversion **before** May 27, 2005, interest is allowed at the Federal short-term rate **from** October 23, 2004, **to** the date the deposit is scheduled to be refunded (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)).

**Example:** 2: The facts are the same except that the written statement was received June 3, 2005. If the taxpayer requests that the deposit be returned, the date from which interest begins is June 3, 2005.

- (5) Case file documentation is critical when a taxpayer requests that an amount be treated as a 6603 deposit for a previously posted cash bond. The date of the taxpayer letter requesting the “conversion” must be reflected in the source documents maintained with the case file. To document the request, date stamp the original letter, maintaining it in the case file, and provide the taxpayer a copy advising them to maintain it for their records. Except as provided in Paragraph (4), above, the date on which the IRS receives the written statement is the date that a converted deposit begins to accrue any allowable interest.
- (6) Because IRC 6603 superseded Rev. Proc. 84-58, Rev. Proc. 2005-18 does not permit taxpayers to designate a deposit made under IRC 6603 as a deposit under Rev. Proc. 84-58. In addition, no provision of IRC 6603 or Rev. Proc. 2005-18 permits a taxpayer to convert a designated deposit to a payment or undesignated remittance. Once designated, a 6603 deposit remains a designated deposit until it is applied by the IRS as described by Rev. Proc. 2005-18.

20.2.4.9.3  
(03-15-2024)  
**Unidentified  
Remittances**

- (1) Interest **is** allowed on a remittance in the Unidentified or Excess Collection accounts when it is applied to a correct tax module and an overpayment results. Overpayment interest is generally computed from the later of the payment received date, the original return due date, the original return received date (if delinquent), or the date information needed to process the original return is received (provided the processible date is after the due date, including any extension of time for filing). See IRM 20.2.4.4, Availability Dates for Overpayments, IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types, IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns.
- (2) If a remittance in the Unidentified or Excess Collection accounts is refunded because it cannot be associated with a correct tax module, interest **is not** allowed on the refund.

20.2.4.9.4  
(03-15-2024)  
**Credit Elect**

- (1) Pursuant to Treas. Reg. 301.6402-3(a)(5), the IRS is authorized to credit an overpayment of income tax against estimated tax for the succeeding taxable year. A credit under Treas. Reg. 301.6402-3(a)(5) is generally referred to as a “credit elect overpayment” or simply a “credit elect”.

- (2) When an overpayment reported on a return or amended return is applied as a credit elect to estimated tax for the succeeding year, interest is not allowed on that overpayment. See Treas. Reg. 301.6402-3(a)(5) and Treas. Reg. 301.6611-1(h)(2)(vii).
- (3) If the IRS made an error and posted the overpayment as a credit elect instead of a refund, appropriate interest may be allowed when the error is corrected.
- (4) If the taxpayer is not liable for estimated tax payments, and they erred in entering the overpayment as a credit elect, interest is not allowed when the error is corrected.
- (5) If the taxpayer requests permission to change a credit elect to a refund, Policy Statement 3-14 in IRM 1.2.1.4.14, Elections to apply income tax overpayments to estimated tax may be reversed upon showing of undue financial hardship, provides “When an income tax overpayment is elected for credit to estimated tax for the following year, it must be so applied. If the taxpayer wishes to change their election (after the filing of the overpayment return) in order to have the overpayment refunded, the refund may be made only upon showing that the taxpayer would suffer undue financial hardship. Refunds in such cases will be limited to **individual taxpayers** whose requests are submitted far enough in advance to permit refund to be made prior to the end of the taxable year to which the credit was applied. Interest will **not** be allowed on the overpayment for the reason that the IRS was precluded from making the refund within the usual 45-day interest-free period.”

**Example:** A taxpayer timely files a 202312 Form 1040 showing an overpayment of \$500, which the taxpayer requests be applied to estimated tax payments for 202412. In August 2023, the taxpayer requested that the credit elect be refunded, as there will be sufficient withholding to cover the 2024 taxes and that the taxpayer is experiencing a severe hardship and needed the credit elect refunded. The credit elect was reversed and refunded, **without** interest, from the 202312 tax period.

- (6) When an overpayment originating from a net operating loss carryback adjustment is credited to the estimated tax account of the year immediately succeeding the loss year, the credit is **not** subject to the provisions of Treas. Reg. 301.6402-3(a)(5) and Treas. Reg. 301.6611-1(h)(2)(vii).

**Example:** A taxpayer timely files a Form 1040 for year 202312 reflecting a loss (loss year). The taxpayer then files a Form 1040-X carrying back a Net Operating Loss (NOL) to 202012 (gain year), which creates an overpayment for 202012. At the taxpayer’s request, the IRS agrees to credit the overpayment to the first quarter estimated tax installment for 202412 (due 04/15/2024). Since the application of the year 2020 overpayment to the estimated income tax for year 202412 is **not** a credit elect (202412 is not the immediate succeeding tax year of 202012), the provision prohibiting overpayment interest in Treas. Reg. 301.6402-3(a)(5) and Treas. Reg. 301.6611-1(h)(2)(vii) is inapplicable. Nevertheless, interest will **not** accrue on the amount offset because the date of the overpayment (04/15/2024) is the same as the due date of the estimated tax installment against which the credit is taken (04/15/2024).

**Note:** See IRM 20.2.4.7.2, Rules for Applying Offsets Under Section 6402, for additional information on applying carryback overpayments to future installments of estimated tax.

20.2.4.9.5  
(03-15-2024)

**Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax**

- (1) Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax, is filed by corporate taxpayers to request a refund of overpaid estimated tax for the tax year. The function of Form 4466 is to enable corporate taxpayers to receive a refund of excessive estimated tax without having to wait until their tax return is filed. See IRM 3.17.79.3.11, Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax.
- (2) Upon receiving Form 4466, the IRS has a period of 45 days to review the application, credit the amount of the overpayment against a liability (if a liability is present), and refund the remainder (if any) to the corporation. Even so, interest is **not** allowed on an overpayment initiated by the filing of Form 4466, unless the IRS fails to refund the amount within the 45-day period provided in IRC 6611(e). To determine whether the 45-day period of IRC 6611(e) has been met (see IRM 20.2.4.8.3.1, 45-Day Rule and All Original Tax Returns), add 45 days to the **later** of the following dates:
  - The original return due date (determined without regard to any extension of time for filing the return).
  - The original return received date (used when the return is received after the return due date, determined without regard to any extension of time for filing the return).
  - The date the original return is received in processible form (Return Processible Date (RPD), or Correspondence Received Date (CRD) may be present).
- (3) If the 45-day period of IRC 6611(e) is missed, interest is allowed **from** the overpayment availability date (as defined in IRM 20.2.4.4, Availability Dates for Overpayments, and IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types) **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)). The received date of Form 4466 is **not** to be used for tolling the 45-day interest-free period.

**Caution:** Interest on an overpayment may be computed from **other than** its availability date when the original tax return was filed late (IRC 6611(b)(3)) or in unprocessable form (IRC 6611(g)). See IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns.

- (4) If all or part of the overpayment shown on Form 4466 is credited to a balance due on another tax module (or modules), debit the overpaid module with TC 820 and credit the balance due tax module with TC 700. The transaction date (TRANS-DT) for both the debit and credit sides of the transfer is the current date (date of input).

**Example:** The IRS receives Form 4466 on 02/12/2024 from Liliun Corp. for a quick refund of \$50,000 from its Form 1120 tax module for the year ending December 31, 2023 (return due date 04/15/2024). Before refunding, the IRS technician finds the taxpayer has a balance due on its 202112 Form 1120 tax module. The balance due on the 202112 tax module, calculated to the date the credit transfer is input (02/26/2024), is

determined to be \$32,453.00. A credit transfer is then entered on 02/26/2024, debiting the 2023 tax module with TC 820 and crediting the 2021 tax module with TC 700. Both TC 820 and TC 700 are input for \$32,453.00, and are dated 02/26/2024. The remaining overpayment of \$17,547.00 is issued as a manual refund on 02/28/2024. No interest is paid on the refund because it is issued within the 45-day period of IRC 6611(e).

- (5) The effect of offsetting all or part of a Form 4466 overpayment using the date the credit transfer is made may make available on the receiving module a credit that is dated prior to the return due date of the losing module. Nevertheless, if the credit on the receiving module is subsequently refunded or offset, it is considered to be available, for purposes of computing overpayment interest, with the same date that was used to apply it to the receiving module.

**Example:** The scenario is the same as in the prior example, with the addition that a subsequent tax decrease is processed for the 2021 tax module, releasing the credit of \$32,453.00. Interest on the overpayment of \$32,453.00 (provided no exceptions in IRC 6611 are met) is computed **from** 02/26/2024, not the return due date of the 2023 tax module (04/15/2024).

20.2.4.10  
(03-15-2024)  
**Special Overpayment  
Interest Rules for  
Corporations**

- (1) Effective January 1, 1999, underpayment and overpayment interest rates were equalized for all taxpayers except for “corporations” (Revenue Reconciliation Act of 1998 (RRA ’98), section 3302). A corporate overpayment interest rate is established for entities deemed to be corporations.
- (2) A corporation is any BMF taxable entity with at least one of the following significant filing requirements:
- Form 990-T, Exempt Organization Business Income Tax Return (and proxy tax under IRC 6033(e)), with Org. Code 4 or 5.
  - Any Form 1120 series tax return.

**Note:** These procedures also applied to Form 990-C, which was obsolete after the 2005 tax year, and replaced by Form 1120-C.

**Note:** A corporation is a corporation for overpayment interest purposes, notwithstanding a nonprofit purpose or designation (such as under IRC 501(c)(3)). See, for example, *United States of America v. Detroit Medical Center*, 557 F.3d 412 (6th Cir. 2009).

- (3) Generally, Master File or IDRS sets a corporate indicator (the literal “GATT” on CC TXMOD) for BMF returns subject to the corporate overpayment rate.
- (4) BMF taxpayers that are **not** “corporate” filers are allowed overpayment interest at the equalized non-corporate rate.

20.2.4.10.1  
(03-15-2024)  
**GATT Interest-  
Computations on  
Overpayments**

- (1) Effective after December 31, 1994, the General Agreement on Tariffs and Trade (GATT) established a lower interest rate for large corporate overpayments. The GATT rate is one and a half points below the normal corporate interest rate for overpayments exceeding \$10,000 for all business taxpayers with a corporate filing requirement. See IRM 20.2.4.10.2(2).

20.2.4.10.2  
(03-15-2024)

**Determining the GATT  
Threshold**

- (2) Interest on overpayments for non-corporate BMF taxpayers is **not** subject to the GATT rate. See IRM 20.2.4.10(4).
- (1) The GATT threshold consists of any and all overpayments that were previously offset, applied as a credit elect, or refunded (excluding overpayment interest on the offset or refund), regardless of when the offset, credit elect, or refund occurred.
- Interest allowed or accrued on any prior overpayment is excluded from consideration when determining the GATT threshold amount.
  - Do not add overpayments from other tax periods or types of tax to determine whether the threshold amount is exceeded. The threshold is determined separately for each tax module of the same tax type.
- (2) To determine if the threshold has been met:
- a. Add all previous overpayments refunded, offset, or applied as a credit elect (excluding overpayment interest) for the tax module to the amount that you are currently processing.
  - b. If the total is less than or equal to the \$10,000 threshold amount, then the overpayment being processed is subject to normal corporate overpayment interest rates.
  - c. If the total exceeds the \$10,000 threshold, the excess amount represents the portion of the current overpayment that is subject to the lower GATT rate. Any difference between the current overpayment amount and the GATT overpayment amount is subject to corporate credit rates.
- (3) Prior to January 1, 1999, only refunds (TC 840, TC 846) were considered by Master File to reduce the GATT threshold (excluding overpayment interest on refund). Overpayments offset to other modules (for example, TC 820, TC 826, TC 830, TC 836) did not reduce the threshold. Interest computations made prior to the programming change to Master File (effective January 1, 1999), which used this methodology, are to maintain their original character. For interest computations made after the programming change, any offsets or credit elect not previously considered must be counted when determining the threshold.

20.2.4.10.3  
(03-15-2024)

**GATT Rate**

- (1) The reduced GATT rate applies not only to the excess portion of an overpayment that exceeds \$10,000, but also to the interest that accrued on the excess portion under pre-GATT law (Post-Counsel GATT computation).
- a. Normal corporate overpayment interest is computed on the \$10,000 from the overpayment availability date to the scheduled refund date or the offset date, and
  - b. Normal corporate overpayment interest on the excess amount (over \$10,000) is computed from the overpayment availability date to December 31, 1994, then
  - c. Interest on that excess amount and on the related normal corporate overpayment interest accrued through December 31, 1994, is computed at the GATT rate to the scheduled refund date or the offset date. The total of the normal corporate overpayment interest and the interest at the GATT rate is the allowable interest on the refund or offset

**Note:** See IRM 20.2.4.4, Availability Dates for Overpayments, and IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types, for a definition of “overpayment availability date.”

**Caution:** Interest on an overpayment may be computed from **other than** its availability date when the original tax return was filed late (IRC 6611(b)(3)) or in unprocessable form (IRC 6611(g)). See IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns.

- (2) Prior to January 1, 1999, Master File programming computed GATT interest (Pre-Counsel GATT computation) as follows:
- Normal overpayment interest was computed on the entire overpayment from the overpayment availability date to December 31, 1994.
  - Normal overpayment interest rates were used to compute interest on all interest accruals to December 31, 1994 and the \$10,000 threshold amount to the refund or offset date.
  - GATT rates were applied only to the excess principal from January 1, 1995 to the refund schedule or offset date.
  - Under pre-counsel GATT, offsets and amounts applied as a “credit elect” were not considered in determining the GATT threshold amount.

**Note:** An offset or credit elect not previously considered in determining the GATT threshold should be considered when a new overpayment is processed **after** post-counsel GATT was implemented.

- Do not change or “correct” overpayment interest **only because it was computed under pre or post-Counsel GATT computations** before January 1998.

**Note:** See IRM 20.2.4.4, Availability Dates for Overpayments, and IRM 20.2.4.4.1, Availability Dates for Overpayments - Payment and Credit Types, for a definition of “overpayment availability date.”

**Caution:** Interest on an overpayment may be computed from **other than** its availability date when the original tax return was filed late (IRC 6611(b)(3)) or in unprocessable form (IRC 6611(g)). See IRM 20.2.4.5, Delinquent Returns, and IRM 20.2.4.6, Unprocessable Returns.

- (3) The GATT rate affects annual and net rate interest computations.
- When netting the interest on a module in which overpayment interest was allowed at the lower GATT rate, underpayment interest is computed at the GATT rate during the applicable overlapping period. See IRM 20.2.14, Netting of Overpayment and Underpayment Interest, for specific netting instructions.
  - The interest that was allowed on the overpayment subject to netting must be verified so that netting is performed using the appropriate interest rate(s).
  - For netting purposes, use the pre or post-Counsel GATT computation in the same manner it was used on the original overpayment.
- (4) The ACT/DMI software provides special transactions for use with modules involving GATT considerations. These transaction codes are TC 1003 (transaction type “Interest”), and TC 1004 (transaction type “Interest High”). These

transactions allow ACT to properly handle interest and principal for GATT purposes (they are not necessary for modules not affected by GATT). The ACT/DMI software recognizes both TC 1003 and TC 1004 as interest, and will not apply a TC 1003 or TC 1004 amount to the GATT threshold. When entering tax module data on ACT/DMI, use the refund transaction from the transcript (TC 840 or TC 846) to show the refund of principal only. Use TC 1004 for the interest portion if **any** of the refund interest was computed at the normal corporate, "High" rate (or interest on the first \$10,000 of principal if the refund was issued before January 1, 1995). A TC 1003 may be used if the refund interest is **entirely** computed at the GATT rate.

**Note:** The ACT/DMI software does not currently provide a separate transaction code to differentiate the normal corporate overpayment rate from the GATT rate in interest offset situations. When an interest offset transaction (TC 850 / TC 856) includes normal corporate overpayment interest, use the advances features of ACT/DMI to change the "Transaction Type" of the interest offset transaction to "Interest High."

20.2.4.11  
(03-15-2024)  
**Seized Property**

- (1) If the wages, bank account, etc., of a person other than the taxpayer (who actually owed the tax liability) are wrongfully levied upon, interest is allowed when the levied amount(s) are returned to the person. Compute interest **from** the date the money was originally received by the IRS **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds - IRM 20.2.4.8.1(3)). See IRC 6343(c)(1).
- (2) If property of a person other than the taxpayer is wrongfully seized and sold, interest is allowed when the proceeds from the sale of that property are returned to the person. Compute interest **from** the date of the sale of the property **to** the refund schedule date (less the applicable back-off period of IRC 6611(b)(2) for computer-generated/systemic refunds). See IRC 6343(c)(2).
- (3) Interest on wrongfully seized property or levied upon amounts is determined at the overpayment rate under IRC 6621. The provisions of IRC 6611(e) (45 or 180-day rule) are **not** applicable.
- (4) If a levied amount is returned to the taxpayer who actually owed the tax liability, interest is **not** allowed on the returned amount. See IRC 6343(d).
- (5) If there are surplus proceeds for a taxpayer as described in IRC 6342(b) after seized property is sold and the proceeds are applied as provided in IRC 6342(a), interest is **not** allowed on the surplus. IRC 6342 does not provide for interest. Also, the surplus proceeds are not overpayments and, therefore, interest is not allowable under IRC 6611.

20.2.4.12  
(03-15-2024)  
**Manually Computing  
Overpayment Interest**

- (1) 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. See IRM 20.2.1.4, Normal and Restricted Interest.

**Caution:** 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. See IRM 20.2.1.4.1, Systemic Calculation of Interest, and IRM 20.2.1.4.2, Manual Calculation of Interest.

- (2) When a manual overpayment interest adjustment is required (TC 77X), all personnel should double-check their interest computation for accuracy. See IRM 20.2.1.4.2(5) for guidance.
- (3) When it is necessary to manually compute overpayment interest, IDRS Command Code (CC) COMPA and/or InterestNet, commonly referred to as the Automated Computation Tool (ACT/DMI) are used. See IRM 20.2.1.5, Interest Computation Tools and Reports: Manually and Systemically Calculated Interest, and its subsections for guidance.
- (4) Any time 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 (for example, TC 19X, TC 34X, TC 77X), must be verified. See IRM 20.2.1.4.2, Manual Calculation of Interest.
- (5) 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, 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 subsections.
- (6) Manual overpayment interest transactions input through ADJ54 or AMCLS, using TC 770 with a significant money amount, must have an interest-to-date in the CR-INT-TO-DT field (MMDDYYYY format).
- (7) When overpayment 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. See IRM 20.2.1.4.2.1, Manual Calculation of Interest - Documentation.
- (8) When computing overpayment interest with CC COMPA, the appropriate definer must be used. See the following table.

If computing overpayment interest	then use
before 01/01/1999 for a <b>non-corporate</b> taxpayer,	CC COMPAC.
on or after 01/01/1999 for a <b>non-corporate</b> taxpayer,	CC COMPA.

If computing overpayment interest	then use
before 01/01/1995 for a <b>corporate</b> taxpayer, regardless of the overpayment amount (See IRM 20.2.4.10, Special Interest Rules for Corporations, for the definition of a “Corporate” taxpayer),	CC COMPAC.
on or after 1/1/95 for a <b>corporate</b> taxpayer and the overpayment amount is less than or equal to \$10,000, <b>Caution:</b> If the GATT threshold has been met, use the GATT interest rate (COMPAG), regardless of the overpayment amount. (See IRM 20.2.4.10.2, Determining the GATT Threshold).	CC COMPAC.
on or after 1/1/95 for a <b>corporate</b> taxpayer and the overpayment amount is greater than \$10,000, or the GATT threshold has previously been met (See IRM 20.2.4.10.2, Determining the GATT Threshold),	CC COMPAG (GATT). <b>Note:</b> Add the COMPAC interest (first \$10,000) with the GATT interest (over \$10,000) for the total interest allowed on the overpayment.