The Business Master file (BMF) Report

The secrets of the BMF revealed.

What is a BMF?

How do you obtain a BMF?

What will a BMF reveal to you?
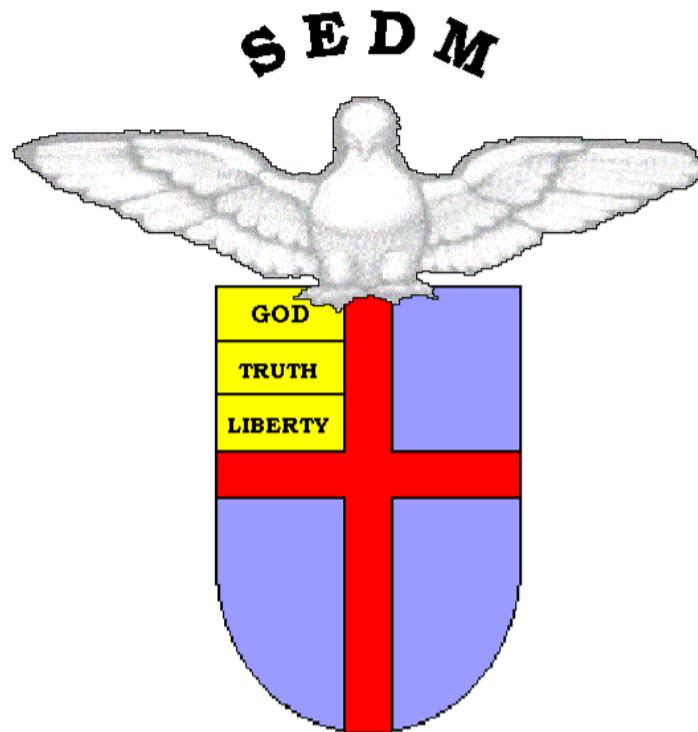
How you can use the BMF to your advantage?

B
M
F

FEBRUARY

2
0
0
2

Table of Contents

Introduction to the Business Master File (BMF)

Any of you who operate a business or trust with an employer identification number (EIN) and not a social security number (SSN) will have a BMF.

If you have a regular business or operate under a Trust with an EIN you will have a BMF for that entity as opposed to an IMF for an Individual. If you do not have a business or a trust with an EIN do not send for BMF using your SSN as it does not apply to a BMF. An EIN starts with two numbers followed with a hyphen (-) followed by 7 more numbers. Now you may ask, "If I do not need to send off for a BMF then how is anything in this issue going to effect me?" If you only have an IMF and you have the IRS wanting to do mean nasty things to you, someone or something deep down inside of some IRS hideout may start committing computer fraud inside your file, without your knowledge, by inserting BMF codes into your IMF. Of course if you operate an entity under an EIN then the information contained herein could be very useful. Also, inside this issue you will find an example of a decoded BMF. We have found that BMF's are somewhat more complex, than the one we have provided and require a great deal of more time to decode than an IMF.

The BMF is usually divided up into four quarters and each quarter must be broken down. Just to let you know about how tricky the IRS is, we spent 3 days decoding one large BMF. The first two days we could not get anything to match. We were not making any progress until we discovered that somebody at the IRS had added an extra quarter into the years in question. Only someone at the IRS would put five quarters into the year so they could try and get extra money from this person. Is there not anything that they

will not do to cheat somebody? Again, how would you even know about these erroneous entities if you were not using the FOIA process?

Like our IMF issue we want to cover the basic items concerning a BMF. We will cover the more complex issues concerning the BMF in other "VIP Dispatch's"

This primer issue on the BMF is to help you to become knowledgeable on the simple basics of the BMF. Many of those who contact us in this respect have been sold a $350.00 to $10,000.00 trust package. Then usually when the IRS comes looking for the trust the person who sold the trust will leave them hanging. Those selling or promoting these trusts might attacked by the IRS and then who is going to help you?

We do not have any problem with someone using a valid trust. As like anything else in this area, a valid trust is only as good as the ability of those who use the trust to defend it.

Most of those selling their trust package do not include any information on how to defend their trust. When you ask the seller of the trust any questions in this area they will tell you to just call them, but when you call they are not there, don't return your call, or they are long gone. Many of these trusts are good but the IRS does not like them for several reasons. For the past several years they have had a major trust-busting program going on to shut down the little guys. It's a lot simpler to take down the little guys than the big guys.

We do not sell any type of a trust package, as that would divert us from our main goal. We will be putting out a trust issue in the future for those of you who have trusts or thinking of obtaining one. Remember, if you have to go to court concerning a trust or corporation you will most likely be needing an attorney to plead your case or you could

5

be hit with the unauthorized practice of law. It takes an artificial entity to represent an artificial entity.

Another item we want to cover is the growing number of people with business who have stopped withholding on those who work for them, or who put people to work without withholding taxes. When the IRS comes knocking at your door, "What do you do". Well you just might find some items in this issue that you can use.

We specialize in breaking down the complex issues into an item by item, line by line approach that will build a chain of solid substantial facts that you can use to expose the IRS errors or wrong doing and take action against them.

We know a lot of people who want to file a big class action lawsuit against the commissioner of the IRS. They have all kind of names for these actions costing $1200.00 to $5000.00 for you to join. They will tell you that as soon as your name is on the lawsuit, the IRS can no longer come after you or something to that effect. We haven't seen one work and when it crashes the IRS goes after everyone on the list.

We have seen a lot of paperwork that people have done themselves or have had someone else do for them. This paperwork is full of allegations, but contains no documented facts to back up what they say. Indeed one of our first questions is "where is the actual evidence that backs up what you are talking about in your paperwork."

Now, with the IRS admitting that millions of Americans are not filing, how do you reach them? By going through the IMF issue and this BMF issue you will have the knowledge to help others obtain these documents. If the IMF or BMF needs to be decoded, you now have a source that you can send it to for that service.

With the information we are providing you through the "VIP Dispatch" you should be able to help at least 10 others. You can introduce them to all these secret records that are being kept on them without their knowledge.

There is a certain way to obtain and document any falsifications to your files. You will then have the best evidence or substantive evidence which when used correctly, will over ride their prima ficia presumptions. A Prima Facia presumption is the best they will have to use against you.

Prima Facia evidence: Evidence good and sufficient on its face. Such evidence as in the judgement of the law is sufficient to establish a given fact or the group or chain of facts constituting the parties claim or defense and which if not rebutted or contradicted will remain sufficient.

Prima Facia Case: Such as will prevail until contradicted and overcome by other evidence.

Substantive Evidence: That adduced for the purpose of proving a fact in issue, as opposed to evidence given for the purpose of discrediting a witness.

Best Evidence: Primary evidence, as distinguished from secondary.

Primary Evidence: Original or first-hand evidence, the best evidence that the nature of the case admits of.

Study of the BMF
Introduction

We are now going to study the BMF Operations manual, which we obtained on one of our trips to Washington D.C.

When we asked the reading room workers at the IRS where else could we obtain this information we were told that this is the only location where this information is kept. So if you live in California you would have to spend a $1000.00 to $5000.00 to go to Washington D.C. to obtain this information. It will also take you a couple of days just to learn your way around town. Just getting a parking space can take a hour or more. We have been to D.C. eight times. Every time we go, something changes to mess you up. The last time we were in D.C. we were arrested for trying to get into the U.S. Customs reading room, even though the U.S. Government Manual says that room has to be open to the general public. However, that's not the way they read it, we were told that it is only open to U.S. customs personal. What does the government have there that they don't want us to have or see?

When we went to the treasury building next to the White House, they had the guards outside the doors. Not only could we not get inside the building, they would not even escort us to the reading room which we have been allowed into in the past. We were told that only employees of Treasury were allowed into the building itself. So we have seen these changes over the years.

Let us give you an example of a study that was conducted in Ohio even though it doesn't have anything to do with an IMF or a BMF. The study was geared towards Ohio drivers and it discovered that one in every seven drivers in Ohio had expired driver

licenses, expired plates or no insurance. What we are getting to, is that one out of every seven Ohio drivers can't even keep up with those documents. In Ohio you must have your Drivers license, registration and insurance card with you plus you must have your seat belt on and if any of your answers are no then off to jail you go. If you kick that up to another level the IRS code is over 10,000 pages not even counting the Code of Federal Regulations (CFR). Many sections of the (CFR) can be changed on a daily basis. Next you have the "Statutes at Large", which are added to weekly. Lets not forget Tax court, Bankruptcy court, Treasury Orders, Treasury Decisions, Attorney General Opinions, and the list goes on and on. No wonder millions of Americans have thrown in the towel and stopped filing. Can anyone blame them? However, surprise, the Central Bankers of Europe who actually control the Federal Reserve System in the United States still want their share of the money collected.

The IRS can bust anyone they want to because it is impossible to keep up with all the changes in the tax code, especially if you have a small business. If you do not have a very good bookkeeper or accountant who keeps up with all the changes, then you can go down at anytime.

One gentleman who contacted us had hired a bookkeeper that unknown to him had just gotten out of jail for ripping off another company 5 months before he hired her. It only took her about 6 months to rip him off. Now she is gone and he is left to deal with the IRS.

Hopefully knowing the basics about the IMF and BMF will help you in sorting out your particular problem, and enable you to help others.

We now want study into the BMF Operations Manual itself as we did with the previous IMF issue. We have enclosed that manual here to make sure that you have it at your fingertips. Please read pages 10 to 27 and we will go back and do a study about what you have just read.

Our next issue will deal with the Non-Master File (NMF) which will contain some unique information that we have on this topic. The NMF is very important in dealing with the IMF or BMF. The NMF is also referred to as the Liability transcript, which is especially important, if they are trying to charge you with interest or penalties.

BMF
OPERATIONS

Table of Contents

30(52)0   BMF Operations

30(52)1 *(1-1-94)*
Introduction

30(52)1.1 *(1-1-94)*
Purpose

This Section provides a general description of Business Master File (BMF) operations at the Martinsburg Computing Center (MCC).

30(52)1.2 *(1-1-94)*
Scope

These procedures are limited to those general processes required at MCC to process data to the BMF, effect settlement with the taxpayer, and to output data for further processing into final outputs at Internal Revenue Service Centers.

30(52)1.3 *(1-1-94)*
Related Text

Law Enforcement Manual 3(27)(68)0, ADP System Codes, contains definitions, listings, and descriptions of all codes used on BMF source documents and outputs, including transaction, status, condition, and unpostable codes.

30(52)2 *(1-1-94)*
General Information

30(52)2.1 *(1-1-94)*
Definitions

(1) **BMF**—a file in Taxpayer Identification Number (TIN) sequence, maintained on magnetic tape, of business taxpayers, individual taxpayers filing returns other than Form 1040, exempt organizations and any entity required by law and regulations to have a federal identification number.

(2) **Business Taxpayer**—one conducting a business enterprise of which the operations or products are subject to federal taxation.

(3) **Exempt Organization**—one exempt from Federal taxes that qualifies for one or more of the purposes specifically designated in the IR Code.

(4) **Individual Taxpayers**—a Social Security Number (SSN) account for taxpayers filing Forms 706, Estate Tax Return and 709, Gift Tax Return.

(5) **Any Entity required by law and regulations to have a federal identification number**—Employer Identification Numbers (EIN) assigned to taxpayers when an individuals SSN cannot be used as a federal identification number. All EINs assigned by the service are placed on the BMF, the number can be assigned to individuals, corporations, pension/profit sharing/retirement plans, exempt organizations, partnerships, trusts, estates and state/local/federal government agencies.

(6) **Type of Tax**—Any tax assessed on a specific tax return filed by the taxpayer. Examples of Type of Tax: excise taxes filed on Form 720, employment taxes filed on Form 941, 942, 943, 940 and CT–1, corporate taxes filed on Form 1120 series, trust taxes filed on Form 1041 series.

(7) **Tax Module**—a variable length record for a taxpayer of one type of tax (a two digit numeric code) for one tax period. See IRM 30(52)2.2 for tax returns and numeric code.

(8) **Deferred Action**—a code established to trigger a particular type of action in a future processing cycle. For example: to issue a TDA Record.

30(52)2.2 *(1–1–94)*
BMF Tax Returns and Master File Tax (MFT) Code

MFT	Form Number	Form Title
01	941	Employer's Quarterly Federal Tax Return
	941E	Quarterly Return of Withheld Income Tax
	941PR	Employer's Quarterly Federal Tax Return, Puerto Rico
	941SS	Employer's Quarterly Federal Tax Return, Virgin Islands, Guam, American Samoa
02	1120	U.S. Corporate Income Tax Return
	1120–A	U.S. Short Form Corporation Tax Return
	1120SF	U.S. Income Tax Return for Settlement Funds
	1120–F	U.S. Income Tax Return of Foreign Corporations
	1120FSC	U.S. Income Tax Return of a Foreign Sales Corporation
	1120–H	U.S. Income Tax Return for Homeowners Associations
	1120L	U.S. Life Insurance Company Income Tax Return
	1120–ND	Return for Nuclear Decommissioning Trusts and Certain Related Persons
	1120PC	U.S. Property and Casualty Insurance Company Income Tax Return
	1120–POL	U.S. Income Tax Return of Political Organization
	1120REIT	U.S. Income Tax Return for Real Estate Investment Trusts
	1120RIC	U.S. Income Tax Return for Regulated Investment Companies
	1120–S	U.S. Small Business Corporation Income Tax Return
03	720	Quarterly Federal Excise Tax Return
04	942	Employer's Quarterly Federal Tax Return for Household Employees
	942PR	Employer's Quarterly Federal Tax Return, Household Employees, Puerto Rico
05	1041	U.S. Fiduciary Income Tax Return (For Estates and Trusts)
06	1065	U.S. Partnership Return of Income
07	1066	Real Estate Mortgage Investment Conduit Income Tax Return
09	CT–1	Employer's Annual Railroad Retirement and Unemployment Return
10	940	Employer's Annual Federal Unemployment Tax Return
	940EZ	Short Form Employer's Annual Federal Unemployment Tax Return
	940PR	Employer's Annual Federal Unemployment Tax Return, Puerto Rico
11	943	Employer's Annual Tax Return for Agricultural Employees
	943PR	Employer's Annual Tax Return for Agricultural Employees, Puerto Rico
12	1042	Annual Withholding Tax Return for US Source Income of Foreign Persons
15	8752	Required Payment or Refund Under Section 7519
16	945	Annual Return of Withheld Federal Income Tax
33	990–C	Farmer's Cooperative Association Income Tax Return
34	990–T	Exempt Organization Business Income Tax Return
36	1041–A	U.S. Information Return—Trust Accumulation of Charitable Amounts
37	5227	Split-Interest Trust Information Return
44	990–PF	Return of Private Foundation
50	4720	Return of Certain Excise Taxes on Charities and Other Persons Under Chap. 41 and 42 of the IRC

MFT	Form Number	Form Title
51	709	United States Gift Tax Return
52	706	United States Estate Tax Return
60	2290	Heavy Vehicle Use Tax Return
63	11C	Special Tax Return and Application for Registry-Wagering
64	730	Tax on Wagering
67	990	Return of Organization Exempt from Income Tax
	990EZ	Short Form Return of Organization Exempt from Income Tax
77	706GS(T)	Generation-Skipping Transfer Tax Return for Terminations
78	706GS(D)	Notification of Distribution from a Generation-Skipping Trust

30(52)2.3 (1-1-95)
Objectives of the BMF

(1) Maintain a record of each business taxpayer including name, current address, the IRS activities with whom the taxpayer does business, and the types of taxes for which the taxpayer is liable.

(2) Record all returns filed, payments, and assessments made to each taxpayer's account for each tax liability and tax period. Check taxpayer compliance with return filing requirements established by law and regulation.

(3) Effect settlement and collection action with each taxpayer by issuing refunds, bills, and notices.

(4) Detect duplicate filing of returns and prevent consequent erroneous refunds made to taxpayers filing multiple returns for the same tax and tax period.

(5) Through processing of return data, indicate those returns having definite audit and intelligence examination potential.

(6) Provide data for maintenance of prescribed records by offices accountable for funds received on behalf of the Government in payment of business tax liabilities.

(7) Provide revenue and management reports from data maintained in or processed to the BMF.

(8) Provide magnetic tapes and reports of data maintained in or processed to the BMF to other governmental agencies such as Social Security Administration and Treasury Disbursing Offices.

(9) Freeze accounts identified as owing a federal agency liability on the DMF, and offset refundable credits when they become available.

30(52)2.4 (1-1-95)
Administrative Rules of the BMF

(1) General
    (a) The Business Master File is designed to contain the following.
       1 One Entity Module for each taxpayer.
       2 One Tax Module for each type of tax for each tax period.
       3 One tax return for each Tax Module (except Civil Penalty, Payer Master File, CAWR, and the FTD Credit Module).
    (b) Settlement with the taxpayer is made as returns are posted.
    (c) Computer programs provide that whenever the computer analysis of the taxpayer's accounts requires generated transactions such as computed penalties, transfers of credits from one Tax Module to another, offset to DMF, etc., the required transactions are generated and posted to the Transaction Section of the affected Tax Module and the Account and Module Balances are adjusted as applicable.

(d) In most instances, the status date of each Status Code generated at the Martinsburg Computing Center and posted to the Status History Section of a Tax Module is the 23C date (assessment date) for the processing cycle during which the Status Code is generated. The only exceptions to this rule are specifically stated in other procedures which deal with status transactions.

(e) The 23C date for assessment and the schedule date for abatements are prescribed in IRM 3(30)(123)(35) for the week in which these transactions are processed and posted to the Master File at the Martinsburg Computing Center.

(f) In the absence of specific designation by the taxpayer, payments or credits are applied within each Tax Module to tax, penalty, other additions to liability, and interest, in that order.

(g) Extensions of time granted for filing are not extensions of time for payment of the tax. Returns processing specifications include applicable rules for interest computations when automatic extensions are applicable, when extensions are granted, or when the tax is payable in installments.

(h) If a duplicate return attempts to post, any remittance with the return is posted to the Transaction Section of the Tax Module, but final settlement is deferred until an Examination (Audit) or DP Adjustment is posted in a subsequent cycle.

(i) Output requirements initiated by other governmental agencies such as the Social Security Administration can only be altered upon request by or through coordination with that agency.

(j) Changes to these procedures must be coordinated with the Chief, Business Systems Branch, Corporate Systems Division.

(2) Specific

(a) The check date for refunds will be the 23C date plus 1 day and the schedule date for refunds will be the 23C date minus 9 days as determined in IRM 30(52)2.4:(1)(e) above. Interest is not allowable on refunds of income tax if the date of the refund check is within 45 days of the later of Correspondence Received Date, or due date of the return; or if the return was delinquent, the date the return was filed. Interest is not allowable on an overpayment elected for credit to estimated tax for the succeeding tax period or on an Undelivered Refund Check (if taxpayer is at fault for undelivery) which has been redeposited. Any overpayment less than $1 is cleared, consequently no interest is allowed thereon.

(b) IMF Credits Offset against BMF Liabilities.

1 Prior to issuing refunds from the Individual Master File, credits are written on tape for possible application to the BMF whenever IMF processing identifies the following conditions:

a the IMF refund principal is equal to or more than the prescribed amount; and

b the taxpayer's individual return includes a Schedule C and/or Schedule F showing his/her Employer Identification Number; and, that Employer Identification number is present on the Debtor Master File.

2 The input transaction to the BMF from the IMF is automatically generated by the computer for the amount of the IMF refundable amount.

(c) Balances due of less than $5.00 ($1.00 for Form 11) of tax and assessed interest/penalty or overpayments of less than $1.00 are not held, offset, refunded or billed, but are cleared in the computer by generated transactions and posted to the Transaction Section prior to executing the Offset Settlement and Refund Routines.

(d) After all IRS debts are satisfied, offsetting to DMF can occur. Accounts frozen during Agency Certification (MCC cycle YY03) are analyzed weekly when refundable credits become available on a tax module. The DMF is checked to determine if a debt is still outstanding, how much is owed, and to which Agency/Subagency. A TC896 will be posted to the module for any credits offset, a CP–149 notice is issued to notify the taxpayer, and an update record is sent to DMF weekly. Module adjustments (TC897's), agency deletions, and refunds (TC131) are posted to business accounts with a DMF freeze.

(e) Computation of Normal Interest under ADP System.

1 Detailed rules for interest computations, including the applicable rates, periods, and methods of computation are currently prescribed in accordance with Sections 6601 and 6611 of the 1954 Code.

2 3111 and 3113 of LEM III include statements relating to interest. Observance of these statements in specifying computer processes does not obviate the District or SC Director's authority to subsequently abate or assert penalty or interest charges when this action should be taken.

3 As stated in 3111 and 3113 of LEM III, interest or additional interest will not be asserted whenever full payment of the amount due is received within the prescribed time period.

4 Restricted interest will be manually computed by DO's and SC's and transcribed for input to the BMF. Restricted interest due is entered or abated with Transaction Codes 340 and 341. The processing of an accepted Offer-In-Compromise (TC 780) or TC 534 (Expired Balance Writeoff) will also restrict computer computation of interest due or allowed. Restricted interest allowed is entered with TC 770. When TC 340, 341, 780, or 534 is posted, the computer yields to these transactions in lieu of the normal interest routines, and all subsequent debit interest transactions must be manually computed. The computer yields to the 770 transaction amounts or TC's 780 or 534, after which future credit interest is manually computed. TC 342 (Interest Restriction Deletion), 781 (Defaulted Account Compromised), 782 (Correction of TC 780 Processed In Error) or 535 (Reversal of Expired Balance writeoff) which completely reverses the TC 534 amount allows the computer to recompute debit interest under normal interest routines.

5 Interest previously assessed is, as a rule, abated when necessary by an input transaction coded 341. However, when a payment credit now applied (e.g., an unpostable or overpayment offset) reduces the liability for taxes so that previously assessed amounts or normal interest are excessive, abatement of such excess to the amount actually due is generated and recorded using Transaction Code 197 or 337 as appropriate.

(f) Computation of Failure to Pay Tax Penalty under ADP System.

1 The penalty is asserted at the rate of ½ of 1 percent per month on the unpaid balance of tax (shown on the return) for each month such underpayment continues, not exceeding 25% in the aggregate. The penalty also applies to Examination/DP Tax Assessments that are not paid within 10 days after notice and demand. This penalty applies to unpaid taxes on returns required to be filed after December 31, 1969, and Examination/DP Tax Assessments made after December 31, 1969, regardless of return due date. The penalty will not be asserted if it is shown that such failure is due to reasonable cause and not due to willful neglect.

2 The rate at which the penalty is asserted will change from ½ of 1 per cent per month to 1 per cent per month on the unpaid balance of tax for each month the underpayment continues effective with the issuance of the fourth notice to the taxpayer or the establishment of a TDA condition on the tax module.

3 The assessment and abatement of this penalty can be restricted with the input of Transaction Codes 270 and 271 containing the manually computed amount, TC 780 or TC 534. When these transactions are input, it prevents further computer computation of penalty and recompute can resume only after the input of TC 272, 781, 782, or TC 535 which completely reverses the TC 534 amount.

4 Penalty abatements (TC 277) will, in general, be made when tax abatements and/or payments are applied with an effective date prior to the date the assessment was made.

30(52)3 (1-1-94)
Concept of the BMF

30(52)3.1 (1-1-94)
Purpose

The BMF is designed to accumulate on tape all data for the tax liabilities of one taxpayer. The returns filed for each type of tax, the assess-ments, the debit and credit transactions for each tax account, and a record of all changes made on a tax return are maintained for each taxpayer on the master file.

30(52)3.2 (1-1-95)
BMF Sections of Each Taxpayer's Record

(1) Entity File
  (a) Entity Section
  (b) Entity Transaction Section
  (c) Deferred Action Section
  (d) Vestigial Section
  (e) Offset Section
  (f) IDRS Section
  (g) Audit History Section
  (h) Level Section
  (i) Last Period Satisfied Section
  (j) Exempt Organization Section
  (k) COPYS Section
(2) Tax Module File
  (a) Balance Section
  (b) Status History Section
  (c) Transaction Section
(3) Subsidiary Files
  (a) Master Directory File
  (b) Group Exemption Number (GEN) File
  (c) Temporary Files
    1 Cumulative SSA File
    2 Cumulative Report File
    3 Cumulative FTD Received File
    4 Form 940 Tax Base File
    5 Form 1120, 1041, 1065 DIF and Audit Files
    6 Cumulative Returns Transaction Tapes Files

7 Form 990, 990EZ, 990PF, 990C SERFE and Audit Files
8 Disclosure Records File

30(52)3.3 *(1-1-94)*
Entity File

(1) The entity file contains eleven retained sections which describe the taxpayer as an entity and record entity postings and deferred actions. In some instances, generated offset transactions are also included for posting in a subsequent run. It is a separate file, common to all tax modules of the taxpayer, and is divided into two areas—active and inactive. The active Entity File consists of those accounts in a given cycle for which activity occurs. For example: expiring Deferred Action or transaction input. The inactive Entity File consists of those accounts in a given cycle for which no activity is necessary. These accounts will not enter the posting or analysis runs for that cycle.

(2) Entity Section—The Entity Section contains the following data.
    (a) Taxpayer's TIN.
    (b) Taxpayer's Name Control and Check Digits.
    (c) Taxpayer's Name, Address and ZIP Code.
    (d) The District and Area Office handling the taxpayer's account.
    (e) The various taxes for which the taxpayer is liable. (Filing Requirement Codes)
    (f) The period during which the account was established.
    (g) Railroad Retirement Board Number for CT-1 taxpayers.
    (h) PIA/PBA/SIC Code.
    (i) Unified Cumulative Credit (Form 709 returns).
    (j) Number of Partners (Form 1065)
    (k) Old Name Control
    (l) Various programming indicators and codes for entity freezes and other uses (e.g., Employment Code for certain 941 taxpayers, Exempt Organization Status Indicator, Accounting Period Fiscal Year and Month)
    (m) Bankruptcy Petition Date
    (n) CAF Count
    (o) Sole Proprietor SSN
    (p) Latest F709 Tax Period
    (q) TEFRA Indicator
    (r) Address Change Cycle
    (s) TDA/TDI Location Codes
    (t) Primary Location Codes
    (u) Level Section Hash
    (v) FTD Coupon Reorder Date
    (w) Business Operation Date
    (x) Wages Paid Date
    (y) FTD Service Center Indicators

(3) Entity Transaction Section—Detailed information on a specific entity transaction may be found in BMF PRP 160, Section 13.01. The standard portion of the Entity Transaction Section contains the following data.
    (a) Entity Transaction Code, Reversal Indicator
    (b) Entity Transaction Document Locator Number (DLN).
    (c) Cycle Posted.
    (d) Entity Transaction Date.

(4) Deferred Action Section—This section contains the following data.
    (a) Master File Tax Code (MFT)

(b) Tax Period

(c) Deferred Action Code

(d) Cycle action to be taken

(5) Vestigial Section—Also known as the Retention Section, it contains records which identify tax modules which were removed from the BMF. If this removal causes an overflow condition, the earliest tax periods removed will be dropped. A record is retained by MFT of the latest tax period dropped. Vestigial Section records contain the following.

(a) MFT

(b) Tax Period

(c) Tax module control district office code

(d) Year removed from BMF

(6) Offset Section—The Offset Section is for programming use in posting taxpayer's generated offset transactions in a subsequent program run. It does not remain as a permanent section of the Entity File after its designated purpose has been fulfilled.

(7) IDRS Section—The IDRS Section contains records which identify entity and tax modules selected to be monitored by IDRS. These records include the following.

(a) MFT

(b) Tax Period

(c) Service Center(s) monitoring the tax period.

(d) Last Extract Cycle

(e) Reason Codes

(8) Audit History Section—The Audit History Section shows, for each BMF MFT the last two tax periods audited and the amount of tax changes made for each.

(9) Level Section—The Level Section shows the location of tax modules on the two lower levels of inactivity. These modules are not processed every cycle but are activated only when addressed by an input transaction.

(10) Last Period Satisfied Section—This section contains the following data.

(a) MFT

(b) Tax Period

(c) Transaction Code

(d) Amount

(e) Return Condition Codes (F, Y, T, 4) or TC 59X Closing Code (01–99)

(11) Exempt Organization Section—This section contains data unique to Exempt Organization returns filers, and contains the following type of information:

(a) Group Exemption Number (GEN)

(b) Subsection Code—Current/Prior

(c) Affiliation Code, Classification Codes, Foundation Code (Prior/ Current), Activity Codes, Pension Plan Code, Large Case Code, CUM List Indicator, Type of Organization Code.

(d) Deductibility Codes and Year

(e) Ruling Date. Advanced Ruling Expiration Date

(f) EO Location Codes (Region/District of Jurisdiction/Key District)

(g) File Folder Number

(h) Status Code and Status Date (YYMM)—to contain all EO Statuses sequentially posted to the EO entity section.

(i) Various codes for programming and other uses (e.g., TCMP Sample Code, Lobby Indicator/Year, Asset Code, Income Code).

(12) COPYS Section—The COPYS Section is for programming use in developing COPYS scores for F941/F1120 tax modules.

30(52)3.4 *(1–1–95)*
Tax Module File

(1) The Tax Module File consists of one or more tax modules. This file is divided into four areas—active and inactive and two lower levels. The active file consists of tax modules in a given cycle for which activity occurs. The inactive file consists of tax modules for which no activity occurs. The lower levels consist of tax modules with increasing periods of inactivity, lack of freezes, etc. It is possible and probable that a taxpayer with more than one tax module may have his account in part on the active file, on the inactive file, and on the two lower levels during a given cycle. The Tax Module File contains the following sections.

(2) Balance Section—This section contains the following data.

(a) Various hold and program codes which identify certain freezes against settling or refunding. (See "Table of BMF Processing Freezes," Exhibit 30(52)0-1.)

(b) Taxpayer's TIN.

(c) MFT Code and Tax Period.

(d) Module tax and penalty balance—this shows the current debit or credit balance of the Tax Module excluding debit interest.

(e) Interest amounts showing the balances of assessed interest, paid interest, and total interest (assessed plus accrued).

(f) Control DLN.

(g) Interest Date showing the last date interest was computed to.

(h) Failure to Pay Penalty Start Date—Earliest date from which penalty can be computed.

(i) Failure to Pay Penalty Amounts—Net assessed penalty and total due (assessed plus accrued).

(j) Assessment Statute Expiration Date (ASED)

(k) Latest Collection Statute Expiration Date (CSED)

(l) Refund Statute Expiration Date (RSED)

(m) 2% Interest Trigger Date

(n) Return Due Date (RDD)

(o) Certain codes/indicators identifying various conditions present in the tax module and/or on the posted return (e.g., Lien Filed/CAF Indicators, Manufacturing/Valuation Codes).

(p) Accounting Control District Office

(q) Cycle Last Active

(r) Historical District Office

(s) Retention Register Indicator

(t) Extended Return Due Date

(3) Status History Section—The Status History Section contains the following data for each status the Tax Module attains.

(a) Status Code—The last one in this section is the current Status Code. Status Codes indicate, for example, if the tax return is past due, the account is full-paid, balance overdue. Full descriptions of the Status Codes are contained in Law Enforcement Manual 3(27)(68)0, ADP System Codes.

(b) BMF Cycle of posting.

(c) Special TDI indicator.

(d) Status amount and/or date.

(e) TDI COPYS score

(f) Status Date

(g) Notice Number

(h) District Office

(i) Extension Date

(j) TDA Indicator Amount

(4) Transaction Section—The Transaction Section contains input transactions that are posted to the BMF Tax Module. The transaction length and the elements of data vary between input types.

(a) The following elements are present for all transactions posted to the tax module.

1 Transaction Code—defines the precise nature of the transaction. See Law Enforcement Manual 3(27)(68)0, ADP System Codes, for definitions of these codes.

2 DLN.

3 Cycle Posted.

4 Transaction Date.

5 Transaction Amount, if applicable, Debit or Credit.

(b) In addition, the following data elements are present in the tax module for all returns posted to the tax module.

1 23C Date (Cycle of Return Posting).

2 Tax Liability (Total Tax Settlement) (Not present on F990, F1065 or F1041A).

3 Tax per Taxpayer (Not present on F990, 990EZ, F1065 or F1041A).

4 Penalty/Interest Codes (Not present on F990, 990EZ, F1065 or F1041A).

5 Certain Condition Codes.

6 Return Math Error Notice Codes and Math Status Code.

7 Payment Received with return.

8 Correspondence Received Date

9 Taxpayer Information Codes

(c) More detailed information on a specific MFT may be found in BMF PRP 160, Section 4.01. The following data elements are unique to the specific types of returns posted to the BMF.

1 Abstract Numbers and Amounts (Forms 720, 4720).

2 Start Day, Nature of Change Indicator, and Signature Indicator (Form 11C).

3 Pre-computed Daily Delinquency Penalty (Forms 990, 990PF, 1041A).

4 Taxpayer Claimed Federal Tax Deposits (Forms 940, 940EZ, 941, 943, 720, CT–1, 1042, 945).

5 Principal Industry Activity Code (Forms 1120, 1065).

6 Foreign Bank Code reflecting whether or not the taxpayer has foreign bank account (Forms 1041, 1120, 1065).

7 Overpayment Windfall Profit Tax, Jobs Credit (not on F990T), and Net Income Limitation Code (Forms 1120, 1041, 990C, 990T).

8 Advanced Earned Income Credit (Forms 941, 942, 943).

9 TCMP/SOI Sample Codes (Forms 1120, 1041, 1065).

10 Preparer's Code (Forms 1120, 1041, 990C, 990T, 5227).

11 For Form 941—Taxable Social Security Wages Paid, Adjusted Total of Tax Withheld, Taxable Tips Reported, Total Compensation, Adjusted Total Social Security and Medicare Tax Amount, Adjusted Total of Backup Withholding, Adjustments to Withholding, Adjustment to Social Security and Medicare, Tips Deemed Wages, Medicare Wages and Tips, Tax on Social Security Wages, Tax on Social Security Tips, Tax on Medicare Wages and Tips, ROFT Indicator, State of Deposit, Base Period Indicator, and Schedule Indicator (FTD).

12 For Form 1120—Total Income, Total Deductions, Net Taxable Income, Gross Receipts Less Returns (Net Receipts), Minimum Tax, Personal Holding Company Tax, Surtax Exemption, New Job Credit, Overpayment of Windfall Profit Tax, Current Year Tax Base, Exception 1 Amount, Net Credits Claimed, and Environmental Tax plus various indicators/codes input on the return (e.g., Tax Preference, Audit, Possession Tax Credit, Exempt Organization, Production Tax Credit, ADP Accounting indicators and codes). For returns posted in 1972 and later, Net Operating Loss Deduction and/or Special Deduction if present will be included in Total Deductions field.

13 For Form 720—Cross Reference SSN, Net Income Limit Amount Special Abstract Amount field for IRS Numbers 020, 022, 026, 027, 028, 050, 052, and 056.

14 For Form 942—Adjusted Total Withholding, Total Social Security Wages, Total Medicare Wages and Adjusted Total Social Security and Medicare Tax Amount.

15 For Form 1041—Taxable Income, Total Deductions, Total Income, Fiduciary Code, Activity Code, Pooled Income Code, Tax Preference, Complex Trust Accumulation Indicator, and Estimated Tax Credit.

16 For Form 1065—Net Receipts, Total Income, Total Business Receipts, Average Loss per Partner, Ordinary Income, Tax Preference Code, Negative Capital Indicator, Limited Partnership Indicator, Number of Partners, Salary and Wage Code, Audit Code, and Missing Information Code.

17 For Form 940/940EZ—Total Tentative Credit, Total Taxable Wages, Gross Federal Tax, State Codes and associated Credit Reduction Amounts, Multiple Identification Indicator, ABCD Indicator and Schedule Indicator (FTD).

18 For Form 943—Adjusted Total of Withheld Income Tax, Taxable Social Security Wages, Adjustment to Social Security and Medicare, Adjusted Total Social Security and Medicare Tax Amount and Taxable Medicare Wages.

19 For Forms 990C and 990T—Total Income, Total Deductions, Taxable Income, Correspondence Indicator, Audit Indicator, Minimum Tax, Type of Organization Code, Control Group, and Environmental Tax and for Form 990C only, Total Assets (EOY), Asset Code, Total Gross Receipts, Income Code, ADP Accounting Indicator, SERFE Score, Net Credits Claimed and for Form 990T only, Multiple Surtax Exemption, Surtax Exemption, and Estimated Tax Credit.

20 For Forms 990PF and 5227—Total Receipts, Total Deductions, Net Investment Income (Form 990PF only), Asset Code, Income Code, Audit Indicator, Correspondence Indicator, Total Assets (EOY), Total Gross Receipts, SERFE Score (Form 990PF only), ADP Accounting Indicator (Form 990PF only), Type of Organization Code (Form 990PF only), and Estimated Tax Credit (Form 990PF only).

21 For Form 4720—Organization Code, Audit Indicator, and Correspondence Indicator.

22 For Form 709/709A—Total Gifts (current), Taxable Gifts (prior), Generation-Skipping Transfer Tax, Prior Filing Code, Unified Credit (T/P, Prior), Marital Deduction, Current Taxable Gifts, Basis of Gifted Property, Citizenship Code, Total Gifts by Donor, Gifts Included from Spouse, and Consent Code.

23 For Form 706/706NA—Payment Indicator Code, Estate Code, Special Valuation Code, Generation-Skipping Transfer Tax, Section 4980A Tax and Treasury Bonds Claimed by Taxpayer.

24 For Form 2290—Vehicle Category, and Number of Vehicles and Amount(s) of Tax per Vehicle Category.

25 For Form 730—Wagers Accepted, Wager Lay-offs Accepted, Total Wagers, and Credits.

26 For Form 990/990EZ—Asset Code, Income Code, School Certification Code, Correspondence Indicator, Total Assets (EOY), Total Gross Receipts, Audit Indicator, 501(c)(7) Code, and SERFE Score.

27 For Form 1041A—Correspondence Indicator.

28 For Form 1042—F1042s Filed on Magnetic Tape, F1042s Filed on Paper, Gross Income Paid.

29 For Form 945—Federal Income Tax Withheld from Pensions, Annuities, Gambling, etc., and Backup Withholding.

(d) For all other posted transactions, the data outlined in (a) above will be retained; any additional elements of data will vary depending upon the input transaction type. (Reference Computer Program Book (CPB–3) for the Core Record Layouts of transactions posted to the Business Master File).

30(52)4 (1–1–94)
Processing the BMF

30(52)4.1 (1–1–94)
Functional Responsibilities

(1) Initial Processing—Daily transaction input tapes are received from the Service Centers and controls are established per Project 709 (Data Control).

(2) Regular Processing
   (a) Post transactions to the BMF.
   (b) Return unpostable transactions on tape to the Service Centers.
   (c) Maintain subsidiary files consisting of the Master Directory File, as well as temporary files.
   (d) Analyze the Business Master File after transactions are posted.
   (e) Prepare the output tapes containing reports, refunds and notices.
   (f) Ship output tapes and records to Service Centers or elsewhere as required.

30(52)4.2 (1–1–94)
Work Schedule Limitations

Transactions are posted to the BMF on a weekly schedule.

30(52)4.3 (1–1–94)
Initial Processing Sort and Merge

(1) All transactions are sorted by TIN, MFT Code, Tax Period, Transaction Code, Transaction Date, and DLN.

(2) During the initial processing block-out-of-balance records and rejected transaction records (prior cycles' errors on resequence tape) are removed for further correction.

(3) Processing segments are established and controls maintained.

30(52)4.4 *(1-1-94)*
Extraction

(1) The Index Record Tape is used to identify and extract those entities and tax modules which are needed for current processing.

(2) Certain deferred actions may also cause entities and tax modules to be placed on the active files for the current processing cycle.

(3) The inactive portions of the Entity and Tax Modules Files are then excluded from the current cycle's posting and analysis.

30(52)4.5 *(1-1-95)*
Posting (General Rules)

(1) The posting process uses the merged posting tapes from IRM 30(52)4.3 above and the active files, Entity and Tax Module, from IRM 30(52)4.4 above.

(2) Except for adding a new taxpayer to the BMF, IDRS Indicators, and Requests for Transcripts, all transaction records must match the BMF entity record on TIN and Name Control or Check Digit. Mismatched records either establish a new account, are written on the Unpostable Tape, or are dropped according to the specific transaction codes involved. In addition, posting to tax modules generally requires matching on MFT Code, Tax Period, and in some instances on Transaction Code, Fiscal Month, or Transaction Date. Mismatched records either establish a new tax module, are written out on the unpostable tape, or are dropped.

(3) Many validity checks and unpostable checks are required in order to insure that correct data is posted. For a list and explanation of unpostable conditions, see LEM 3(27)(68)0. The types of validity checks (identified as particular unpostable codes) can be grouped as follows.

(a) Reversal or correction input transactions must find a related transaction posted to the tax module of the same MFT Code and Tax Period. An example is a TC 281 (Abatement of Bad Checks Penalty) which must find either a TC 280 (Manual Penalty) or TC 286 (Generated Penalty). An exception of this rule is TC 611 (Dishonored Remittance with Return).

(b) Money amounts for input transactions attempting to reverse a previously posted related transaction cannot exceed the amount of the posted transaction. An example is the same as (a) above where the 281 amount exceeded the 280 and/or the 286 amount.

(c) In addition to tests in (a) and (b) above some transactions also require a match on transaction date. An example is a dishonored check with a different date than the original check.

(d) Obsolete transaction codes are invalid and are rejected as unpostable. For a list of obsolete codes, see Law Enforcement Manual 3(27)(68)0, ADP System Codes.

30(52)4.6 *(1-1-94)*
Analysis (General Rules)

(1) After posting of transactions is completed per IRM 30(52)4.5 above, certain offset transactions generated in the prior posting run and carried in the Entity File are posted to the respective tax modules. Module balance, interest and penalty fields, and account balances are updated and the tax module completely analyzed for various output actions resulting from transactions posted this cycle or deferred actions with current cycle dates.

(2) Outputs are separated for subsequent processing to the following tapes.

    (a) Updated Entity File
    (b) Updated Tax Module File
    (c) Resequence Tape (Posting Run)
    (d) Unpostable Tape (Posting Run)
    (e) Accounting Data
    (f) Raw Reports Data
    (g) Raw Notice Data
    (h) Raw Accounts Register Data
    (i) Refund Data
    (j) Transcript Data
    (k) SSA Data
    (l) Controls
    (m) IMF Reference Tape
    (n) Census Data (Agriculture, Payroll)
    (o) Preparer's Data (Project 437)
    (p) Audit Selection Data
    (q) CAWR Data
    (r) Non-Federal Filer data
    (s) IDRS TIF Weekly Extract Data (IDRS Extract Run)

30(52)4.7 *(1-1-95)*
Subsequent BMF Processing

(1) Various sorts and edits are made for output tapes forwarded to the service centers and the Disbursing Centers for printing of outputs.

(2) Subsidiary files are updated by a delete-and-add record method for the following: Master Name Directory (Project 139)

(3) The Exempt Organization Group Exemption Number (GEN) File will be updated each week with add/delete records input on entity transactions. The purpose of the GEN file is to allow the "mass posting" and "individual posting" of entity (TC 000/016) and Fact of Filing (TC 590) transactions to all of the subsidiary (group) filers associated by GEN to a particular parent organization.

(4) The Updated Master File, Combined File (Notices, TDA Information Records, Audit Selection Records), Resequence Tapes, and Unpostables Tapes are analyzed weekly and appropriate output is created and forwarded to Service Centers for updating the related account on IDRS Control Files. DMF update records are output to DMF subsequent processing. In addition, data is also created and cycled into the subsequent week Master File Processing for marking the master file to reflect specific tax modules under IDRS Control. (Project 760)

(5) Semi-annually the BMF is searched for tax modules whose Assessment Statute Date is nearing expiration. Those which are in debit, credit or suspense Status are identified and tapes prepared and forwarded to the centers for printing and resolution. (Project 702)

(6) Annually (in January), tapes are prepared identifying taxpayers who received interest payments during the preceding calendar year. Necessary data is extracted and forwarded to the centers for printing Forms 1099, U.S. Information Returns, and mailing to affected taxpayers.

(7) Sample Codes are maintained in the entity Exempt Organization section of the BMF and specific tax modules to accommodate the Taxpayer Compliance Measurement Program for various returns (e.g., Forms 1120, 1041, 1065, 990).

(8) Periodically, various reports data are accumulated and tapes produced for printing. (Project 701).

(9) Periodically, data requested by Social Security Administration is accumulated and tapes sent to SSA for their use.

Digging into the BMF Operations Maual

Lets go over some of what you read in the BMF operations manual starting at page 3 of the manual. Paragraph 30(52) 1.3 lists the Law Enforcement Manual 3(27)(68) 0 and the ADP system codes (6209 Manual). Both of those publications are on our literature list.

Under paragraph 30 (52) 2.1 definition we find the definition for BMF and it specifically states that the form 1040 is not used for the BMF. At (2) we find the definition of Business taxpayer, but who is really a "Business taxpayer?" At (4) we find Individual Taxpayers filing forms 706 and 709. We have traced back the Estate tax to China. At (6) we find type of Tax any tax assessed on a specific tax return filed by the taxpayer. You have to assess yourself! The government puts this responsibility on you. No wonder so many people are in trouble. How do they get away with having you self assess yourself? What a heavy burden to bear. How could anyone be expected to understand such a complex tax system?

If you refer back to the January issue on the IMF it does not say the 1040 is a type of tax. Yet if you get a lien or levy notice, it will say on those forms, "Type of tax 1040." The form 1040 is not a type of tax, it is a form. No wonder this so called system the IRS uses drives people crazy. From some of the things that we have read, attorneys are the number one professional group for substance abuse and the number two group for suicides.

Go to paragraph 30(52) 2.2 BMF tax returns. As you go down the list there is no 1040 listed. When you request the documents identified by the DLN's on your IMF. You

might be surprised at what you receive. We have had several people, including myself, who have received back a BMF form 720 filled out by the IRS and put it into their file without their knowledge. Just another little trick they use against us. As we said on our January tape, the IRS will tell you in response to FOIA requests for certain documents, "there are no documents responsive to your request". The IRS seems to be going this route to get out of a very sticky situation rather then sending you something like a BMF 720 Excise form, which is an outright fabrication against you. The IMF and BMF do interrelate to each other when used by the IRS.

At Paragraph 30 (52) 2.3 Objectives of the BMF, look at (1) where it says activities with whom the taxpayer does business. Are you one who has a contract with a government agency to do business? Years ago I used to pour concrete and I bid on a HUD project to pour sidewalks and driveway aprons. The bid package was about 2 inches thick. One of the forms I had to fill out was a 2678 form (Exhibit A). Of course I also had to turn in a time card on everyone who worked on that project along with copies of how many yards of concrete we used. I was doing business under contract with a government agency and had to comply with all their requirements. This included proof that all taxes had been paid on everyone who worked on that project. The most I had to do with other contracts was provide proof of workman's comp and a bond. We also have proof that the IRS has set people up, without their knowledge, as though they have a contract doing business with the government, just so the IRS can investigate them.

How do you know what these records will show until you obtain them through FOIA request? One of the things that puzzles us is those who go around telling people that it is a waste of time to do FOIA request. Usually they are selling some package

where they simply remove someone else's name from some paperwork and then insert your name. We will agree that some of that paperwork just sounds so good. But then we ask, "where does this paperwork bring up the specifics of your case?" "Where are the exhibits that back up allegations in the paperwork?" "To whom are you going to send the paperwork?" "What are you going to do next?" "How much did you pay for this?" (Usually $500.00 to $10,000.00) If you have a company or a trust whose activities are being recorded erroneously in a BMF, how is their paperwork going to do anything to help your problem? These are some questions that you might want to ask those selling that type of program.

Item (5) of section 30(52) 2.3 tells you the big reason why they want all that data from you. It's so they can set you up for an audit. In fact you provide the evidence on yourself for this audit.

Item (7) they gather this information to build files for comparison data to make sure no one gets too far out of line. Big brother is always watching you.

Item (8-9) they also collect this data so they can collect for other government entities, even back child support payments. The only thing of substance that we have found in this area is that child support payments apply to military personal only.

When you read section 30(52) 2.4 it becomes very clear that the IRS does create a very extensive file concerning the BMF. The information is used to come after your "entity" for penalties, interest, and for collection amounts supposedly owed on back "Debtor Master File" assessments.

Next, turn the page, and you see the mystical "23C date (assessment date)" showing up again in this BMF manual. Under (d) we also find "collection status codes"

which we talked about briefly near the end of the January "VIP Dispatch" tape. To our knowledge, we are the only ones who take the time to decode these "status codes" posted at the end of an IMF or a BMF.

Again in (e) we find the 23C. If you look at item (2) specific (a) you will see how these two sections intertwine together as (a) refers you back up to (e). (2) Specific (a) explains what the 23C date is to be used for.

We will be covering the 23C in more detail in our assessment issue. But, if the IRS wants money from you and have sent your entity threatening letters to that effect, then you will want to do a FOIA request for the 23C "Certificate of Assessment" In the FOIA section of this Dispatch, you will find a sample of a 23C request. From reading this paragraph (a) it might dawn on you that this 23C is something that you need. We do have some examples of 23C's from years ago but as of the last 8 years we do not know of anyone who has received a current 23C form.

Next go to (2) (b) IMF credits offset against the BMF liabilities. Again we see the inter-workings between the BMF and IMF where, if you owe back BMF liabilities, they will take it form your IMF refund check to reduce those liabilities. We know a number of people who are in this situation who should be getting back a refund check but instead the IRS will take it and send it to some other government entity to make sure that entity gets paid first. We have had a number of people tell us that some IRS agent, CPA or attorney has told them to make their payments to the IRS first, then worry about feeding their families or keeping a roof over their heads second.

On to the next page (d) we find a CP-149 notice, which as we pointed out in the January IMF issue, CP-01 to 99 are used for IMF and CP-001 to 999 are used for BMF,

31

for IMF and three digits for BMF. It then goes on with a brief explanation of TC- 897's and TC -131, which are transaction codes.

Next go to (e) 1: Even though Congress rewrote the IRC in 1986 here we find them taking us back to the 1954 code. In all indictments issued by the U.S. Department of Justice they will go back to the 1954 code and not the 1986 code. Why is that? That is another issue to be explained in detail. On our level III CD you will find the 1954 IRC which will take you back to the 1939 IRC, which is also on that CD. Under item (e) 4: D.O. means District Office and S.C. means Service Center.

Lets move over to paragraph 30 (52) 3.1, which explains the purpose of the BMF. Again, we find the term tax liabilities. You have an enterprise. You are working hard. And then, one day you realize that you are sending more money to the government entities than you are taking home. Then you learn first hand the complexity of the tax code. Lets not forget that the tax man is sitting in his office with his computer monitoring your records trying to find something to use to squeeze some penalties and interest out of you without you even knowing how closely you are being watched. Remember you probably have been sending in all this information about your entity to the IRS and keeping all these books and records for them for FREE!

In Paragraph 30 (52) 3.3 they make it clear that you are just an "entity" to them to be used however they see fit. To go along with this, in some Untied Nations Documents they call Americans, "Economic Work Units" that need to be closely monitored.

At page 20, item 7, we see that IDRS means Integrated Data Retrieval System, which is the IRS's main computer system.

On page 12 at the top under 4-(a) 1-transaction code it tells you where to find these codes that are posted to the BMF. With just a little effort on your part you can soon start learning what is being posted to your file. At 4 (b) 1, we again find the term 23C date. They might enter a 23C date in your records, but where is the actual 23C "Certificate of Assessment" document?

We have lightly covered the first part of the BMF operations manual. Remember that almost all of these procedures are going on without your knowledge. Then you get a letter from agent Doe who wants to come and audit you. What that really means is that someone was looking at your file and found some place where they think they can pry a few more federal reserve notes out of your pocket. They then send Agent Doe out to you to see how much more they can collect.

Please continue to read through the freeze code section of the BMF Operations Manual. Remember, you do not find a freeze code section in the IMF Operations Manual which pertains to any 1040 or 1040X.

Form **2678** (Rev. June 1997)	Department of the Treasury - Internal Revenue Service **Employer Appointment of Agent** Under Section 3504 of the Internal Revenue Code *(For use by employers or payers)*	OMB Number 1545-0748

1. To

Director

_____ Service Center

Note: Rev. Proc. 70-6 is available in Publication 1271 and Rev. Proc. 84-33 is available in Publication 1272,

Instructions

Employer or Payer: Please complete this form and give it to the agent.

Agent: Please attach a letter requesting authority to do either all that is required of the employer for wages you pay on the employer's behalf or all that is required of the payer for requirements of backup withholding. *(See applicable Revenue Procedures 70-6 or 84-33.) Forward both the letter of request and Form 2678 to the Director of the Internal Revenue Service Center where you file your returns. (See reverse side for addresses.)*

2. Employer's or Payer's name	3. Employer's or Payer's address *(Number and street, city, town or post office, State and ZIP code)*
4. Employer identification number	
5. Agent's name	6. Agent's address *(Number and street, city, town or post office, State and ZIP code)*
7. Agent's employer identification number	

8. Effective for *(Check the box or boxes that apply)* ☐ Employment taxes *(Rev. Proc. 70-6)* ☐ Backup withholding *(Rev. Proc. 84-33)*	9. If filing under Rev, Proc. 70-6, does this apply to all employees? ☐ Yes ☐ No	10. Effective date of appointment by employer or payer

Under section 3504 of the Internal Revenue Code, please authorize this agent to do all that is required under *(Check the one(s) that apply)*
 	
☐ Chapter 21 (FICA)
☐ Chapter 22 *(Railroad Retirement)*
☐ Chapter 24-
  ☐ Withholding and/or
  ☐ Backup withholding
☐ Chapter 25 *(General Provisions)* of Subtitle C
 	
The agent named above has been appointed either to pay wages for employers and/or report and deposit backup withholding amounts for payers. This appointment is effective on the date shown in Item 10.
 	
It is understood that the agent and the employer or payer are subject to all provisions of law and regulations *(including penalties)* which apply to employers or payers.
	Signature of employer or payer	Date

	Title of signing official *(Indicate whether the person signing is an owner, partner, member of firm, fiduciary, or a corporate officer.)*	
	For Internal Revenue Service Use Only	
	Effective date granted by IRS ▶	

For the Paperwork Reduction Act Notice, please see the back of this form,

Catalog Number 18770D

Form **2678** (Rev. 6-97)

Exhibit _A_

34

Welcome to the wonderful world of freeze codes

Not only do we have these freeze codes from the BMF operations manual but we also have them from the LEM 3 and the ADP (6209 manual). Master file processing uses alpha codes to identify specific conditions that are generated either systemically during the processing operation, or manually through input of a transaction code. These alpha codes are commonly referred to as "freeze" codes. This term is misleading since not all-alpha codes indicate activity within a module or an account that is frozen. Various IDRS conditions also effect the status of a module. (i.e. assessment/Abatement actions, refunds, status updates). Issuance of TDA balance due notices or suspension of a CSED (Collection Statute Expiration Date) can be affected by these alpha codes or IDRS conditions.

Freeze codes are posted to the first page of your IMF or BMF usually on the right side one third of the way down the page. In this section from the BMF operations manual we find nine pages of "Freeze" conditions that may be encountered in the BMF processing operations, see page 38 of this Dispatch, Exhibit 30(52) 01. Lets go down the list and see what we find: At *A* we find the TC-150 again, *B* we find the 23C date, *K* we find the TC-150 again along with the TC-290/300 (doc code 51). The TC-290 and TC-300 codes appear very often on an IMF or BMF. We will discuss them in more detail in a later issue of the "VIP Dispatch." At *M* we find the TC-150 in connection with form 941. At *N* the TC-290 comes into play again. At *T* the "*-T*" will indicate usually several things. (1) When you see FZ-T posted to your BMF or IMF you have most likely been listed as a high-level drug dealer. (2) You could be subject to a raid at any time by the IRS/Customs agent, if they choose to do so. But, usually they do not take this action.

Across from the "–T " we also find a TC-910 and as in the IMF Dispatch issue, TC-910 has to do with a criminal action. Usually when this "–T" is posted your file is frozen in the IDRS system and no further action can be posted to your file by any other IRS department unless it is allowed by the Criminal Investigation Division. The IRS also stops mailing correspondence to the taxpayer. We have seen this last for one to three years before they come after you again which could mean the seizure of your property or an indictment. At this stage of the game those using IDIOT paperwork will run around telling everyone about how wonderful their paperwork is at stopping the IRS. Then, when they are raided, their property is seized, or they get indicted. They are then befuddled as to what went wrong. We know of these cases because they call us all the time. We ask them if they have a current IMF or BMF and they reply what's that or I did that and it didn't work. We ask what didn't work. They reply it was all in codes and they didn't know what to do with it. In 15 years we have seen a lot of this so-called good idiot paperwork going around the country. Well, if it was so good, where is it today? Usually it is long gone along with those who used it and those promoted it.

We sent out our first FOIA request in 1988 fourteen years later we are still using and asking for the same basic information, and, in addition, we have developed many more FOIA requests. In less then a minute we can usually look at someone's IMF or BMF and tell what stage of the process they are in with the IRS. It worked years ago and it is still working today. We have never said that it is a silver bullet, that it works faster than prune juice or that it will fix all your problems. Remember we are dealing with IRS people who have never read their own code book and according to one study they spend 61% of their computer time at the IRS visiting X rated web pages.

In other words if they have a T freeze code posted to your file, doesn't it just make sense that you just would want to know about it ASAP, so you could get it rebutted right away?

We want to cover just two more freeze codes the "–Z" and the "Z". Usually on the first page of an IMF you will see "crinv-" which indicates a criminal investigation. There will be two of these on the IMF. The first one appears on the top one third of the right side of the page. The other appears more towards the left-hand side. When you see "Crinv-Z" at the first location, it usually means that a revenue agent or revenue officer has referred you to the CID for Criminal investigation. When the second "Crinv-" has a "Z" code it usually means you are now under an <u>active</u> criminal investigation. You will mostly likely find the "T" code also. On the BMF you will find it one-third of the way down on the left-hand side of the page. This indicates that your BMF is under <u>active</u> criminal investigation. How else are you going to know this information if you are not doing a few simple FOIA requests? There are those who tell us they can't do a FOIA request because it might give the IRS jurisdiction over them. If you have an IMF or BMF they already have assumed jurisdiction over you contrary to what any Idiot argument promoter has told you. We have developed a of number specialized FOIA requests that we use when there are specific codes posted to the BMF or IMF.

Table of BMF Processing Freezes

The following table is a general description of the various freeze conditions which may be encountered in BMF processing operations. It is not meant to be all-encompassing. More detailed information may be found in the various handbooks covering the individual subject area. Note: In the table below the hyphen associated with the alpha code is used to designate either a left-handed freeze condition (hyphen follows the alpha code), or a right-handed freeze condition (hyphen precedes the alpha code), or both (no hyphen indicated for the alpha code).

Code (Accounts Register)	Freeze	Explanation
-A	Duplicate Return	INITIATED BY: Subsequent return (TC 976) with unequal DLN posting to module where a return (TC 150) has already posted or vice versa. ACTION: Module is frozen from offset/refund. CP 193 is issued. If an unreversed TC 420/424 is posted, CP 293 is issued. RELEASED BY: Audit/DP Adjustment posting in a subsequent cycle.

A-	Offset-In/Expired Module	INITIATED BY: Computer generated when there is a credit available for offset and a debit balance module present in the account without a TC 534 posted where the earliest CSED has expired, CSED transcript generated (DA 41 set up at this time).
		ACTION: Module—Offset-in frozen.
		    Account—Offsets/refunds frozen.
		RELEASED BY: Module—TC 534 posting.
		    Account—All DA 41's (8 weeks) have been removed.

-B	STEX	INITIATED BY: If module balance is credit ($5.00 or more); and a return for zero liability posts with a transaction date more than 3 years before the current 23C date, or a return posting with a transaction date more than 3 years after normal due date as extended. ACTION: Module is frozen from offset/refund/credit elect. "STEX" transcript is issued. RELEASED BY: TC 820 posting or module balance becoming zero, debit, or less than $5.00 credit.
B-	TC 678 Freeze	INITIATED BY: Form 706 module has an unreversed TC 678 for significant amount present in the module. ACTION: When the freeze is set and a credit balance occurs in the module, the module is frozen from offset-out/refund and a TREASYBOND Transcript is issued instead. RELEASED BY: Posting of TC 679 to reverse all TC 678 in the module with significant amount.
C	Overflow/ Consolidation (-C = Consolidation; C- = Overflow)	INITIATED BY: Computer generated when posting of transaction(s) would cause module to exceed the maximum size allowable or offset storage area is not large enough to hold all transactions generated. ACTION: Transaction is resequenced; module is activated next cycle. "CONS-TRANS" transcript is issued if module consolidation is needed. RELEASED BY: Computer-generated action.
-D	RSED Freeze	INITIATED BY: A TC 29X (block. series ≠ 900 thru 929) or any 30X posts and creates (or releases freeze on) a refundable credit balance that is made up of credits dated by RDD and "refund statute control date" on TC 29X is later than RSED date. ACTION: RSED tax module freeze prevents refund, offset out and credit elect processing in the tax module. RELEASED BY: TC 29X for zero amount posting with priority code 4; or, the module balance becomes zero or debit.

Table of BMF Processing Freezes

Code (Accounts Register)	Freeze	Explanation
D-	Large Corporation Offset Freeze	INITIATED BY: A TC 470 cc 97 posts to the Entity. ACTION: Freezes offset in/out (only) throughout entire account. RELEASED BY: TC 472 cc 97 posts to the Entity, (including expiration of DA 57)
E-	Amended Return—No Original	INITIATED BY: Amended return (G coded) posting prior to original return posting. ACTION: Module is frozen from offset/refund. CP 190 is issued 4 cycles after amended return posting if original return is not posted. RELEASED BY: Subsequent posting of TC 150 or TC 971 with Action Code 2.
-E	Rollback	INITIATED BY: Rollback analysis has been performed and an FTD discrepancy still exists. ACTION: Establish DA 20 for 10 cycles. RELEASED BY: DA 20 expires or the FTD discrepancy is resolved by the subsequent posting of TC 650/660 or the module balance becomes zero or credit or module reaches status 22/23/24/26.
-F	Advance Payment	INITIATED BY: TC 640 posting to a module, and for MFTs other than 13, the TC 640 transaction date is later than the 23C date of a previously posted TC 300/301, or for MFT13, the TC 640 creates a credit module balance and there is no TC 24X with a transaction date later than the TC 640. ACTION: Module is frozen from offset/refund. RELEASED BY: For MFTs other than 13, TC 30X/421 (without Disposal Code 7 or 11) which reverses any open TC 424/420 present and module balance becomes zero/debit and module status is other than 14/18/20; TC 641 or 642 posting which reverses all TC 640 credits in the module. For MFT 13, TC 24X with transaction date equal to or less than TC 640 transaction date; TC 641/642 posting which reverses all TC 640 credits in the module; module going to zero or debit balance.
G-	Restricted Failure to Pay Penalty Computation	INITIATED BY: (1) TC 270, 271 (Reason Code ‡62), 780, 534 (for significant amount) or TC 320 posting. (2) Doc. Code 52 transaction posting; Doc. Code 51 transactions posted prior to cycle 7303; Doc. Code 51 returns posted with Blocking Series other than 100-199. (3) MFT 02, 05, 33, 34, 52, 58, 60 or 61 (tax period 8510 only) return posts and module updated to Status 14. ACTION: Computer will not generate a FTPP assessment or abatement. RELEASED BY: (1) TC 272 (zero amount), 781, 782, 535 (if it completely reverses TC 534) or TC 321 posting. (2) and (3) Permanent restrictions.
-G	Math Error	INITIATED BY: Return posting for Forms 990C, 990PF, 990T, 1041, 1120 series, 4720, 5227, 706, 706NA, or 709 and Math Status Code is "3" and Total Tax Settlement exceeds Total Tax T/P; or, posting of TC 29X in Blocking Series 770-789. ACTION: TDA Record and subsequent IDRS notice issuance frozen for 12 weeks. RELEASED BY: Posting of a TC 290 with Priority Code 6, TC 470 with Closing Code 94 or after 12 weeks (whichever occurs first).

Table of BMF Processing Freezes

Code (Accounts Register)	Freeze	Explanation
-H	Credit Balance (TC 59X— Status 06)	INITIATED BY: Status is 06 and transaction posts putting module in credit balance. ACTION: Module is frozen from offset/refund. RELEASED BY: Module balance becomes zero or debit, or Status updated from 06.
H-	Designated Payment	INITIATED BY: return is posted; TC 690 posts to module where an unreversed penalty assessment for equal or greater amount is not posted. ACTION: Module frozen from offset/refund; CP 185 is issued. RELEASED BY: TC691 or 692 posting for equal amount; TC 29X/30X posting carrying penalty assessment, including Doc. Code 51; end of 8 cycles—whichever comes first
I	Restricted Interest Computation (I- = Credit Interest; -I = Debit Interest)	INITIATED BY: TC 340, 341, 780 or 534 (for significant amount) or the presence of Status 14 restricts computer computation of debit interest. TC 770, 780 or 534 (for significant amount) restricts computer computation of credit interest. ACTION: See above explanation. RELEASED BY: Debit interest restriction is released by posting of TC 342, 781/782 (if no 340/341 present) or 535 (if it completely reverses TC 534 amount). Credit interest restriction is released by posting of TC 771, 772, 781, 782 or 535 (if it reverses 534 amount) or when module balance becomes zero or debit.
J-	Subsequent Payment	INITIATED BY: TC 640/650/660/670/680/690/700/706/716/760 posting which creates a credit balance in a module where TC 150 is posted and the computer is restricted from computing interest or FTPP. ACTION: Module is frozen from offset-out/refund and CP 186 issued. RELEASED BY: Audit/DP adjustment posting or when module balance becomes zero or debit.
-J	TC 470 with Closing Code 94	INITIATED BY: TC 470 Closing Code 94 posting to a module that is/was frozen by the Math Error Freeze (-G). ACTION: Suppresses any deferred actions for TDA Record issuance; does not update module closing code; and allows normal update through first notice status. RELEASED BY: Posting of a TC 291 with priority code 7, or a TC 472 with closing code 94.
K-	Erroneous Credits	INITIATED BY: Module balance is credit but it is not composed entirely of refundable cash credits. ACTION: Module is frozen from offset-out/refund. RELEASED BY: Module balance made up of refundable cash credits only, or it becomes zero or debit.
-K	Adjustment Hold Code/ Joint Committee Case	INITIATED BY: (1) Audit/DP adjustment posting with Hold Code 1, 2, 4, 6, 7, or 9 and credit balance of $1 or more exists after posting. (2) Form 1120 return with Condition Code N posts. ACTION: (1) and (2), Module is frozen from offset/refund. RELEASED BY: (1) later posting of TC 150 (2) TC 290/300 (Doc. Code 51); or, (3) Audit/DP adjustment (TC 29X/30X) with Hold Code other than 1, 2, 4, 6, 7, or 9; or, (4) TC 820 (Doc. Code other than 58), TC 830, or any Doc. Code 24/34 transaction; or, (5) Module balance becomes zero or debit.

Table of BMF Processing Freezes

Code (Accounts Register)	Freeze	Explanation
-M	Maritime Industry	INITIATED BY: Cycle of TC 150 or later Form 941 module balance is credit and entity Employment Code is M. ACTION: Form 941 modules in credit balance are frozen from offset/ refund. RELEASED BY: Deletion of Employment Code M or module balance becomes zero or debit.
-N	Abatement Refusal	INITIATED BY: TC 290, Blocking Series 960–969 posting to a module. ACTION: Computer restricts (Unpostable Code 321) the input to the module of any of the following penalty abatement transactions: TC's 161, 181, 235, 241, 271, or 281. RELEASED BY: Subsequent posting of TC 290, Blocking Series 970–979.
O-	Reestablishment Freeze	INITIATED BY: Posting of TC 370 Doc. Code 52 ACTION: Computer is restricted from offsetting-out, refunding, and TDA issuance. RELEASED BY: Posting of TC 150, 29X, 30X, 421, 550, or Doc. Code 51.
P-	Refund Cancelled/ Deletion/ Repayment	INITIATED BY: Cancellation/Manual Correction/Deletion of Refund— posting of TC 841 or 842, unless the "Recertification Indicator" is set in the TC 841 or a TC 290/291 with Hold Code 8 is posted already with no subsequent TC 720/841/842 posted; Repayment— posting of TC 720, unless a TC 290/291 with Hold Code 8 is posted already with no subsequent TC 720/841/842 posted. ACTION: Module is frozen from offset and refund. RELEASED BY: Cancelled/Deletion—posting of TC 571 or 572 if TC 570 is posted, Audit/DP adjustment, or TC 240 for MFT 13, Doc. Code 24 or 34 transaction, TC 820, 830 posting, or module balance becomes zero or debit. (TC 841 freeze is released by TC 843 posting.) Repayment—TC 290, 300, 721, 722, 820, 830, Doc. Code 24 or 34 transaction posting; or when module balance becomes zero or debit.
-P	Beneficiary Offset	INITIATED BY: F1041 TC 150 with significant Credit to Beneficiaries field posting and no TC 820 is posted. ACTION: Module is frozen from offset/refund/credit elect. Issue CP 208. RELEASED BY: TC 820 posting or module balance becoming zero or debit.

Table of BMF Processing Freezes

Code (Accounts) Register	Freeze	Explanation
Q–	Rollover	INITIATED BY: MFT is 01/02/03/05/10/11/12/33; *and*, 'rollover' analysis has been completed on the tax module; *and*, excess FTD credit exists; *and*, the credit assessed module balance is not composed solely of Backup Withholding FTDs. ACTION: The tax module is frozen from offsetting/refunding. Issue CP 267/268 as applicable. RELEASED BY: Expiration of DA 25 15 cycles after initiation of the freeze; or, when TC 652/662 posts resolving the discrepancy between credits claimed/posted; or, when module balance goes to zero/debit; or, TC 290 for zero amount with Priority Code 4 posts.
–R	Additional Liability Pending	INITIATED BY: TC 570 posting and module balance is credit. TC 570 may be generated and freeze set based on specific postings to the tax module (e.g., return posting with Condition Code "X"; TC 291 posting with Priority Code 7; TC 670 posting with an unreversed TC 420/424 in the module; or, Form 706 module in Status 14 going to credit balance). ACTION: Module is frozen from offset-out/refund. RELEASED BY: TC 571, 572, Audit/DP adjustment (except TC 300 with Disposal Code 7 or 11) posting or when module balance becomes zero or debit. NOTE: If TC 570 freeze was turned on because of a TC 291 with Priority Code 7, the freeze may be released only by a TC 300 (Disposal Code other than 7 or 11) or by a zero module net balance.

Exhibit 30(52)0–1 Cont. (5)

Table of BMF Processing Freezes

Code (Accounts Register)	Freeze	Explanation
R-	RPS—Multiple 610	INITIATED BY: 1) RPS 150 posts creating a credit balance in the module and the module already contains more than one TC 610 that are either unreversed or, if reversed, are RPS 610s matching the RPS 150 and reversed by TC 611; or, 2) TC 610 posts to a module containing a TC 150 (either the TC 610 or 150 is an RPS transaction), the input TC 610 causes a credit balance in the module, and more than one TC 610 is already posted that has not been reversed by TC 612, or there are no TC 610's already in the module and the input TC 610 does not match on DLN with posted TC 150; or, 3) a non-RPS 150 posts creating a credit balance in the module and more than one RPS 610 is already posted that has not been reversed by a TC 612. ACTION: Module is frozen from offset-out and refunding. RELEASED BY: a TC 29X with other than priority code 6, or 7, or 30X posts; or the module goes to zero or debit balance; or TC 612 reversing all TC 610 not matching on return DLN posts, or duplicate return (TC 976) posts.
-S	Reserved	
S-	Undelivered Refund Deposited	INITIATED BY: TC 740 posting. ACTION: Module is frozen from refund. CP 231 is issued. RELEASED BY: TC 018, TC 014 (address change) or 742 posting which reverses all TC 740 credits; or when module balance becomes zero or debit.
-T	Entity Hold	INITIATED BY: TC 910 posting. ACTION: Prevents any tax module from being removed from the Master File. INTEL-910 transcript issued in the cycle TC 910 posts. RELEASED BY: TC 911 posting.
-U	Erroneous Refund	INITIATED BY: TC 844 posting. ACTION: Entire account is frozen from refund and individual module(s) to which TC 844 is posted is frozen from offset. "TRANS-844" transcript is issued in cycle subsequent credits post or cycle a credit becomes available for refund. RELEASED BY: Individual module freeze is released by TC 845 posting. Entire account freeze is released when all TC 844's have been reversed.

Table of BMF Processing Freezes

Code (Accounts Register)	Freeze	Explanation
V-	DMF Freeze	INITIATED BY: TC 130 (B.S. ≠ 99999) posting to the entiy. (Note: effective for 1982 operations, TC 130 can be input by more than one Service Center for application of refundable credits to various Non-Master File accounts). NOTE: Refer to PRP 460–90.02 for DMF processing. ACTION: Freezes entire account from refunding an amount greater than or equal to $25.00. CP 188 is issued in the cycle a refundable credit of $25. or more first becomes available in a module; after CP 188 has been issued for the module, any subsequent refundable credit of $25. or more will cause issuance of an NMFL Transcript. RELEASED BY: TC131 or 824 (may be for zero amount) posting.
-V	Bankruptcy Freeze	INITIATED BY: TC 520 (Closing Code 83, 85–89) posting to any tax module in the account. ACTION: (1) Sets Entity 52 Hold; (2) CC 83/85/88/89 freeze offsets; (3) CC 85/87/88 freeze refunds; (4) CC 83/85/88 send unpostable (UPC 322) any balance due return or any Audit/DP Adjustment (TC 29X nonzero/30X) where the tax period beginning (ending for MFT 02/05/ 33/34) is prior to the entity Petition Date. NOTE: If no tax modules in the account are balance due or contain UPC 322 records, a refund will be issued if the only restriction from refunding is the TC 520 (CC 85) freeze condition. RELEASED BY: TC 521/522 with Closing Code 83/85–89, respectively. When all TC 520 (CC 83/85–89) in the account are reversed, Entity 52 Hold is released.
W-	Claim Pending	INITIATED BY: TC 470 (Closing Code other than 91/94) posting if module balance is debit and Status is not 22. ACTION: Normal TDA issuance is suspended. Offsets-in are frozen if the module Closing Code is 00/90 and the 47 Hold is significant. RELEASED BY: (1) TC 472 with Closing Code other than 91/94; (2) Audit/DP Adjustment posting (TC 29X/30X) with priority code other than 5, 6, or 7; (3) When DA 29 expires; or, (4) When module balance becomes zero or credit. (5) TC 240 posting for zero amount to MFT 13 module. NOTE: For CC 95, only items (1) and (4) apply (TC 472 has to match on CC 95).

Table of BMF Processing Freezes

Code (Accounts Register)	Freeze	Explanation
-W	IRS Litigation	INITIATED BY: TC 520 posting with Closing Codes 70 thru 89 (except 83, 85–89). ACTION: If Closing Code is other than 71/73/82/84 or 72/74, entire account is frozen from offset/refund; if Closing Code is 71/73/82 or 72/74, the individual module to which TC 520 is posted is frozen from offset/refund. If TC 520 Closing Code is 84 and there are no other unreversed TC 520's, the individual module to which the TC 520 CC 84 is posted is not frozen from offset/refund. When a TC 520 CC 84 posts, the entity and tax module CC84 indicators are set. The following transcripts are issued: "LITIGATION" in cycle a debit or credit transaction posts within account which is totally frozen; "RFND LIT" in cycle TC 520 CC 71/73/82 posts and whenever a debit or credit posts to the frozen module. RELEASED BY: Individual module freeze is released by TC 521, 522 posting; account freeze is released when all TC 520's with Closing Codes other than 71/73/82/84 or 72/74 are reversed. NOTE: Entity CC84 Indicator is set off if no tax module CC 84 Indicator remains significant.
-X	Manual Refund	INITIATED BY: (1) TC 840 posting to module where a return is not posted (except MFT 13). (2) TC 840 posting to debit balance module (except MFT 13) where an "O" condition-coded return is not posted and an Audit/DP adjustment with Priority Code 8 and with a later DLN date is not posted or, if Audit/DP adjustment with Priority Code 8 and with later DLN date had posted, but the module balance is equal to or less than TC 840 amount. (3) Condition-coded "O" return posting to module where TC 840 is not posted. (4) TC 840 posting to MFT 13 (Civil Penalty) module creating a debit balance. ACTION: (1) above suspends all settlement notices and freezes module from offset-in. (2) above freezes module from offset-in, suspends issuance of settlement notices; and if module is in non-TDA status, suspends normal TDA issuance for 26 cycles. CP 195 is issued in 7 cycles if module balance is still debit. (3) above freezes module from offset/refund. (4) Above freezes module as in (2) above. RELEASED BY: (1) Posting of TC 150, 841 (Doc. Code 48) or TC 590/591 to zero balance module. (2) When module balance becomes zero or credit, or posting of Audit/DP adjustment with Priority Code 8. (3) TC 840 posting. (4) When module balance becomes zero or credit; or subsequent posting of a DP adjustment TC 29X/30X (TC 241) with Priority Code 8.

Table of BMF Processing Freezes

Code (Accounts Register)	Freeze	Explanation
-Y	Offer in Compromise	INITIATED BY: (1) TC 480 or 782 (2) TC 780 ACTION: (1) freezes module from refund/offset/credit elect. (2) Keeps TC 480 freeze conditions; in addition, Computer is restricted on interest (debit and credit) and FTPP computations. Under both conditions, "OIC" transcripts are issued in cycle TC 480 posts and whenever a subsequent debit or credit transaction posts to frozen module. RELEASED BY: (1) TC 780, 481, 482 or 483 posting. (2) TC 781, 782 posting.
-Z	Intelligence	INITIATED BY: TC 914 posting. ACTION: Account activity is monitored; modular freeze. RELEASED BY: TC 912 posting.
Z-	Intelligence	INITIATED BY: TC 918 posting. ACTION: Account freeze to prevent offsets, refunds, credit elects, delinquency checks, TDAs, etc. RELEASED BY: TC 919 posting.
—	Credit Balance, No Return	INITIATED BY: Credit (other than TC 766) posting to module (except MFT 13) where a return is not posted. ACTION: Module is frozen from offset/refund. RELEASED BY: TC 150 posting or module balance becomes zero or debit.

NOTE: Non-Freeze Conditions—in addition to the codes specified above, some alpha codes are also used to describe certain non-freeze conditions on IDRS and Accounts Registers. For example:

(M-) = Transfer Out (TC 400)
(T-) = TDA (Status 22)
(U-) = Installment Status 60
(N-) = Notice Status; and,
(-L) = AIMS Indicator

Freeze codes from the LEM III

The next set of "freeze" codes is found in the Law Enforcement Manual III. Under paragraph 3(27)(68) 5.4 item (1) it states "master file codes are indicated by 'I' for IMF, 'B' for BMF, 'A' for IRAF" (individual retirement account file)."

(a) Year—Last two digits of calendar year.

(b) Month—01 through 12 for January to December

(c) Day—01 to 31 for designating day of month.

(2) Tax Period—Identifies the return period of each transaction and, with the MFT Code, identifies the specific module to which a transaction is to be posted. (YYMM format.)

(a) Year—Last two digits of calendar year.

(b) Month—01 to 12.

(3) Date of Establishment (BMF)—Prior to ERAS (EIN Research and Assignment system) implementation: The date wages will first be paid: if this date is not available it is the month entity is established on the BMF. (This date is recorded on the BMF in YYMM format.) After ERAS implementation (which took place July through November of 1975, depending on the Service Center involved): The date of establishment will be the date the TC 000 posts to the MF. IDRS: Establishment date is in format MMYY.

(a) Year—Last two digits of calendar year.

(b) Month—01 to 12.

(4) Control Date—Digits 6, 7 and 8 of the DLN, see Section 3(27)(68)4.1. Denotes the numeric day of the year, i.e., February 15, is 046.

3(27)(68)5.3 (1-1-90)
Audit Selection and Return Condition Codes

System	Audit Selection or Return Condition Codes	Code Printed Index Register
IMF	G Amended Return	G
BMF	F Final Return	F
BMF	L Rejected 7004	L
BMF	G Amended Return	G
BMF	F & G Final & Amended Return	G

An "X" printed on the Index Register indicates a renumbered-refiled document.

3(27)(68)5.4 (1-1-90)
Freeze Codes, Transaction Information Codes, and Transcript Codes

(1) Master File Codes are indicated by I for IMF, B for BMF, A for IRAF.

(a) FREEZE CODES

-A	I/B/A	Duplicate Return Freeze—More than · a return has posted for a tax period. IRAF: Also an amended return posted, no original return.
A-	B	Offset In/Expired Module—Credit is available for offset but there is a debit balance module of $ or more without a TC 534 posted and earliest CSED has expired.
A-	I	CSED expired.
-B	I/B	STEX Freeze—The tax module has been frozen from refund, credit elect, or offset because the Statute of Limitations for refund has expired.
B-	I	Potential manual interest/penalty adjustment.
C-	I/B	This is a computer generated freeze condition initiated by a transaction which is forced to resequence because of IMF/BMF Offset Storage Area in posting run is not large enough to hold all transactions for all tax modules. IMF: Entity freeze is on or the amended return (TC 977) DLN. The account is activated next cycle.

C-	A	Credit balance transcript frozen. Prevents issuance of CP 346. Released by posting of a Document Code 24 transaction, TC 820, TC 29X, TC 30X, or when net module balance becomes zero or debit. This freeze code is displayed only on IDRS.
-C	B	Computer generated freeze condition initiated by a transaction forced to resequence because the BMF Transaction Section of the tax module is not large enough to hold all of the transactions attempting to post to the module.
D-	I	ES Validation—Initiated by a return claiming more estimated tax credits than are available in the tax module. Module is frozen pending a search for a spouse's tax module. Automatic computer release in three processing cycles.
D-		Spousal Offset set by overpaid return offsetting to prior liability on spouse's account. Released by spousal 826 posting after approximately 3 cycles.
-E	B	Rollback Freeze—Taxpayer claims more credits than those posted in tax module, and rollback analysis cannot locate the missing credits. Freezes from off-setting for 10 cycles.
-E	I	Tax Shelter freeze set by generated TC816 or input TC810.
E-	I/B	Amended return-no original. Freeze refund and offset out. Issues CP29 or 729. Released by TC150.
-F	I/B/A	Advance Payment Freeze (TC640). Freezes module from generated refund or offset to other tax modules.
F-	I	FOD freeze set by TC470 CC 96. Causes UPC 130.
G-	I/B/A	Failure to Pay Tax Penalty. Restricts computer calculation of FTP
-G	I/B/A	Math error-deferred action.
H-	I	BMF/IMF Offset—This is a computer generated freeze condition which is imposed when a credit balance IMF account may be offset to a debit balance BMF account.
H-	B	TC690 posts to a module where an unreversed penalty assessment for an equal or greater amount is not posted. Module frozen from offset/refund for 8 cycles, unless TC 691/692 posts for equal amount or TC29X/30X posts carrying penalty assessment.
-H	B	Credit balance module with TC59X posting (status 06).
I-	I/B	Restricts computer computation of Credit Interest.
-I	I/B/A	Restricts computer computation of Debit Interest.
J-	I	Excess ES Credits—Initiated by a return claiming less estimated tax credits than are available on the IMF.
J-	B/A	Subsequent payment credit balance freeze, set up by TC's 640, 650, 660, 670, 680, 690, 700, 706, 716 or 760.
K-	I/B	Erroneous Credits Freeze. This condition is computer generated when the module net balance is credit, but such credit balance is not entirely composed of refundable cash credits.
-K	I/B/A	TC 29X/30X posts with a hold code 1, 2, 4, 6, 7, or 9 and a credit module results. IMF: Freeze is set by hold code 1, 2 or 4. BMF: Form 1120 return with CCC 'N' posts. Posting of hold code 2, 4, 7, or 9 will prevent the issuance of an adjustment notice.
-L	I/B	AIMS Indicator—Account selected for Audit.
L-	I/B	Offset in Special Freeze—TC 470 (Closing Code 99) posted. Notices stopped (IMF). Different from a TC 470 freeze without Closing Code 99.
M-	I/B/A ı	Account transferred to Non-ADP
-M	B	Maritime Industry filer
N-	I/B/A	Notice status
-O	B	TC470 (CC91) posting. Do Form 720, 1120 module.

O-	I/B	Reestablishment Freeze. TC 370 (Doc Code 52) posts.
-P	I/B/A	Cancelled Return Refund Check has been redeposited (TC841), Refund Intercept (TC 841 IMF & BMF), or Recertification Credit, or Refund Check has been repaid (TC 720).
-P	B	Beneficiary offset Freeze-set on MFT 05 tax module when F1041 return posts, no TC 820 is posted and Beneficiary indicator is significant. Freezes from offset/refund/credit elect.
-Q	I	Unallowable Tax Hold or Partial Refund Hold (TC 576). Freezes the tax module from refund and offset out.
-Q	B	WPT/BUWH freeze. F720 module is frozen from offsetting if FRC=6 and no IRS No. 50/56 present. F941 module is frozen from offsetting/refunding if overpaid, and BUWH (Back-up withholding) not properly claimed on return.
Q-	B	Rollover Freeze—Excess Credits are present which can't be 'rolled over'. Freezes an account from refund or offset for MFT 01, 02, 03, 10, 11, 12, and 33 if a TC 150 and one excess FTD is on the module. Releases after 5 cycles. Generates an FTD transcripts.
R-	I/B	RPS Multiple 610 Freeze—multiple TC 610's were present in the module when the TC 150 posted.
-R	I/B/A	Additional liability pending (TC 570).
-S	I/B	Return of Strike Force Control—TC 949 (prevents audit when in force).
S-	I/B/A	Undelivered refund check (TC 740).
-T	I/B/A	Unreversed TC 910 posting.
T-	I/B/A	TDA status.
U-	I/B	IDRS installment agreement
-U	I/B/A	Erroneous Refund Issued
V-	I/B	Non-Master File Account Liability (TC 130) or Debtor Master File Liability
-V	I/B	Bankruptcy Indicator (TC 520 CC 81, 85-89)
W-	I/B/A	Claim pending (TC 470—Non Closing Code 94, 96 or 99).
-W	I/B	IRS litigation has been issued (TC 520, closing code 70-89, except CC 71-74, 81, 82 or 85-89)
-X	A	Manual assessment, or manual refund freeze.
-X	I/B/A	Manual refund issued prior to final settlement (TC 840)
X-	I	Million Dollar Refund freeze. Prevents offsets. A tax module freeze only. Released when module balance becomes zero or debit or by posting of TC 840.
-Y	I/B/A	Offer-in-Compromise Freeze (TC 480/780)
Y-	I/A	Refund Schemes
-Z	I/B/A	Unreversed TC 914 posting.
Z-	I/A	Refund Schemes
B-	B	TC 678 Treasury Bond Freeze
-J	B	TC 470-cc94
-N	B	Abatement Refusal. TC 290, blocking series 96X, posts.

(b) TAX TRANSACTION INFORMATION CODES (formerly Accounts Register Codes)

Code (IMF)	Explanation
G	Amended (G Code) return.
X	Indicates DLN (location) of Administrative file.
D	Selected for Discriminant Function—Regular
M	Selected for Discriminant Function—Special
F	Final Return

Code (BMF)	Explanation
A	FTD (Federal Tax Deposit) Credit computer transferred from a prior module.
C	Consolidated FTD (TC 650). TUS will consist of the number of payments consolidated.
F	Final Return

50

Freeze codes from the 6209

This set of "freeze" codes is out of the ADP (6209 manual). In this one we find a different format. It has the "freeze" code first. Then we find like in the LEM III a break down as to which file that Freeze Code falls under. Next we find the first column pertains to freeze conditions and explanation. Next we find a new item added to the mix, freeze release or what has to be done to get that freeze released.

Now you have all three of these in one area for your study and use because these Freeze Codes play a major roll when posted to your IMF, BMF, or IRAF as you have found out. Just sending in a few FOIA's can provide you with a wealth of information. These Freeze Codes play a very important step in decoding the encrypted paperwork you receive back from the IRS from your FOIA request.

Freeze Code	File	Freeze Condition and Explanation	Freeze Release
—A	I/B/A	Duplicate Return Freeze—Initiated by TC 976 return (with or without "G" code) or generated (IMF & BMF) from the posting of TC 971 with action code 10 or 12-15. IMF only—TC 150 if amended return freeze (E—) is present, TC 977 if TC 150 is present (except if the DLNs are equal or the TC 977 DLN has a doc code 11 with B.S. 9XX), TC 290 (B.S. 200-289) posts to a module with amended/duplicate freeze or unreversed TC 576 is present. IRAF only—TC 976 posted—no original. Freeze refunds, credit elect and offset out. Generates CP 36/36A or CP93 except for TC 971 AC 10 or 12-15.	IMF: TC29X (except blocked 2XX or priority code 6, or 7, (except TC 291 with priority code 7 blocked 740-769); TC 30X with priority code 1 or 3 (except with 51 doc code). BMF: Audit/DP Adjustment posting in a subsequent cycle. IRAF: TC29X or 30X.
A—	I/B	Offset In/Expired Module—Credit is available for off-set but there is a debit balance module of $25 or more without a TC 534 posted. Earliest CSED has expired. CSED Transcript generated. Entity freeze.	Module - TC 534 posting Account - All DA 41's (8 weeks) have been removed.
—B	I/B	STEX Freeze—Statute of Limitations for refund has expired. Module freeze.	TC 820 or module becomes zero (except unreversed TC 576 on IMF) or debit, or less than $5.00 credit.
B—	B	Treasury Bond Freeze—credit balance of $500 or more and TC 678 credit of $500 has posted for MFT 52 only.	Posting of TC 679 to reverse all TC 678 in the module with significant amount.
B—	I	Potential manual interest/penalty adjustment. Freezes Refunds or offsets out of module.	Module goes to zero or debit balance or TC 29X (except Priority Code 6, or 7 or blocked 200-299) or TC 30X.
—C	I	Combat Zone Indicator. Set by TC 150 CC Z or TC 500 CC 52 input to any module in the account. Prevents offsets, suspends the ASED and CSED, and restricts interest, FTP, delinquency and estimated tax penalty on all modules in the account containing a normal RDD prior to the Combat Departure Date plus grace period.	Released when all module TC 500 transactions with CC 52 have been reversed by TC 500 with CC 53, and input of TC 502.
—C	B	Consolidation—Computer generated when the posting of transactions would cause the module to exceed the maximum size allowable.	Upon consolidation of excess transactions. Computer generated
C—	I/B	Offset overflow—The offset storage area is not large enough to hold all generated transactions, transactions are resequenced because of Entity freeze, DLN of posting TC 150 with a credit balance is same as posted TC 977 DLN. A credit balance has been completely offset and 2 or more debit modules still exist. The 57 hold is released due to the credit module balance being equal to or less than the sum of the TC 197 posted in the module.	Computer released after all resequencing transactions are posted and/or account becomes active or at least 1 debit module which is either completely or partially satisfied contains Accrued Late Payment Penalty. Transactions with money present being resequenced. Current year return with unhonored credit elect attempting to refund.
—D	I,B	RSED—(Refund Statute Expiration Date). Tax module freeze prevents refund, offset out and credit elect processing. Set the freeze when TC 29X or 30X (doc code 47 or 54) posts and creates a credit balance that is comprised of pre-paid credits (credits posted by the due date of the return), and the Refund Statute Expiration Date (RSED) has expired. Exclude from the selection criteria 29X with blocking series 900-909, 910-919 and 920-929 all with 54 doc code only.	RSED freeze is released by posting of the 29X with priority code 4, or when module balance becomes zero or debit.
D—	I	(1)ES validation freeze is initiated by a TC 150 claiming more ES credits than are available resulting in a TC 667 resequencing to spouse's account. Module freeze.	Computer released by TC 666 (except with Julian date 999).
		(2) Used to offset an overpayment to a joint balance due account.	Released by spousal TC 826 (normally in 3 cycles).
D—	I,B	Large Corporation Offset Freeze. Created when TC 470 CC 97 posts; freezes entire account (all modules) from offset in/out.	Released by the TC 472 CC 97 expiration of DA57, or when module balance becomes zero or debit.
—E	I	Tax shelter freeze is set by posting TC 810 to any module in the account.	TC 811 (for each TC 810) with a credit release field of zero or with an amount in the credit release field will allow an equal amount of credit in that module to settle provided no other freeze is in effect.
—E	B	Rollback freeze is set Whenever rollback analysis has been performed and a discrepancy still exists. It is also set on debit modules that do not qualify for Rollover/Rollback analysis if the account has no modules that are or have been in status 22 or 23 in the past 12 months. This freeze prevents offsets (generated) into the module.	Computer released in 10 cycles, discrepancy is resolved by a subsequent posting of TC 650/660 or module balance becomes zero or credit or module reaches status 22/23/24/26.

Freeze Code	File	Freeze Condition and Explanation	Freeze Release
E—	I/B	Amended return freeze is set by TC 977 (IMF) or TC 976 (BMF) posting to a module and a posted TC 150 is not present. The freeze is also set when a TC 976 is generated from the posting of a TC 971 with action code 10 or 12-15. The module is frozen from refunding or offset (in or out). Generates CP 29 unless initiated by TC 971, action codes 10 or 12-15.	TC 150 (sets duplicate return freeze on IMF when DLNs are not identical). TC 971, action code 2.
—F	I/B/A	Advance Payment freeze—TC 640. Freezes module from generated refund or offset to other tax modules. Module freeze if no TC 290 blocked 500-519, 540-589, 600-619 or 640-679 or if no TC 300 present or, if TC 300 present containing disposal code 7 or 11, if 23C date of TC 290 blocked per above or TC 300 blocked per above or TC 300 (not disposal code 7 or 11) is earlier than transaction date of TC 640.	TC 30X (without Disposal Code 7 or 11) posting if the 23C date is equal to or later than the TC 640 trans date; TC 641/642 posting which reverses all TC 640 credits in the module; module going to zero or debit balance and module status is other than 14, 18 or 20 or when TC 29X blocking series 500-519, 550-589, 600-619, or 650-679 (for underreporter); or blocking series 540-549 or 640-649 (for substitute for return) posts. TC 641/642 or module balance becomes zero or debit (MFT 13/55). TC 24X transaction with a date equal to or later than TC 640 transaction. Do not release Freeze if an unreversed TC 420 is posted.
F—	I	ACI freeze set by TC 470 CC 96. Causes TC 150 and/or TC 29X (with blocking series 2XX to go UPC 130. Module freeze.	TC 472 CC 96.
G—	I/A	The restricted failure to pay penalty freeze is set by: (1) TC 270 generated by posting of TC 150 with condition code "Z". (2) TC 270/271 (except with RC 62), 320 (with significant amount), 500 or 780. (3) Doc Code 51 (except B.S. 100-159 or Doc Code 52. (4) IRAF—TC 270, 271 or 780.	(2) TC 272, 321, 502, 781 or 782. (1)(3) Permanent restrictions. (4) TC 272, 781 or 782.
G—	B	The restricted failure to pay penalty freeze is set by: (1) TC 270/271 (except with RC 62), TC 320 (RDD is prior to 1-1-87), 534 (for significant amount) or 780. (2)Doc Code 51 (except B.S. 100-199) or Doc Code 52.	(1)TC 272 (zero amount) 321, 535 (If TC 534 amount is completely reversed), 781 or 782. (2) Permanent restrictions.
—G	I/B/A	(1) Posting of an original return which contains a math error code. (2) Posting of an adjustment in the 770-789 block. (3) TC 150 (IMF) posting which contains CC "X" or "Y". (4) Posting of TC 470 CC 94. Module is frozen from updating to TDA status.	TC 472 CC 94, TC 290 with priority code 6 or computer release in 12 cycles.

Freeze Code	File	Freeze Condition and Explanation	Freeze Release
H—	I	IMF—BMF offset freeze set by resequencing a module TC 796.	TC 896
H—	B	TC 690 and unreversed penalty assessment not present for an equal or greater amount.	TC 691/692 (posting for same amount), TC 29X/30X (with penalty assessment, including document code 51) or computer released in 8 cycles.
—H	B	Module is frozen for offset or refund whenever a transaction posts that creates a credit balance and the status code is 06 with a TC 59X present.	Module balance becomes zero or debit, or status updated from 06.
I—	I/B	Credit interest is restricted under the following conditions: (1) TC 770, 780 or 534 (BMF—for significant amount). (2) TC 150 with CCC "U" (IMF). (3) TC 150 posting to invalid segment (except if Accretion Indicator is set) or the doc code of the TC 150 is 72/73 with a temporary SSN (1st digit is 9). (4) TC 150 with CCC "Z" generates a TC 770 for zero amount.	(1) TC 771 (BMF), 772, 535 (BMF—must completely reverse TC 534 amount), 781 or 782. (2)(3) IMF only—reversal by TC 29X which contains a Returns Processible Date. (1)(4) Net Module balance becomes zero or debit.
—I	I/B/A	Debit interest is restricted by posting of TC 340/341, TC 500/780 (IMF); including DC 52, TC 150 on IMF (with CCC 'Z'). TC 370 doc code 52 posting cycle and subsequent TC 534 on BMF (with significant amount) or status 14 on BMF. Module freeze.	TC 342, including DC 52, 535 on BMF (must completely abate TC 534), 781 or 782 including DC 52.
J—	I	Excess Estimated Tax Credit freeze—taxpayer claims less credit than available on IMF. Module freeze.	TC 662 (may be for zero amount), 667 or 712. TC29X with Priority Code 8.
J—	B	Subsequent payment freeze is set by posting of TC 640, 650, 660, 670, 680, 690, 700, 706, 716 or 760 which creates a credit balance and interest or FTP penalty computation is restricted.	TC 29X, 30X or assessed module balance becoming debit by $5 or more, when total module balance (including accruals) becoming debit by $25 or more, or when both the FTP penalty and interest freezes are released.
—J	I/B/A	IMF: Math error freeze set when return posts containing a math error notice code that increases tax. Also set by 29X blocked 770-789. TDA freeze set by posting of TC 470 with CC 94: IMF/BMF. BMF: Math error freeze is set by TC 470 CC 94 posting to a module that was/is frozen by the math error freeze (—G).	IMF: Released by posting of TC 290 with PC 6, or TC 470 with CC94. BMF: Released by posting of TC 472 with CC 94 or posting of TC 291 with PC 7.

Freeze Code	File	Freeze Condition and Explanation	Freeze Release
—K	I/B	Credit module balances are frozen from refund or offset when the following conditions are present: (1) IMF—TC 29X/30X is posted with a hold code 1, 2 or 4. (2) BMF—TC 29X/30X is posted with a hold code 1, 2, 4, 6, 7 or 9. (3) Form 1120 with a CCC "N" (Joint Committee Case) is posted.	(1)(2) TC 150, 29X (IMF—except with priority code 6, 7 or B.S. 2XX). TC 30X (IMF—except if the doc code is 51 and the hold cod is 2 on a C—UPC transaction or an unreversed TC 576 is present), TC 820 (BMF—except Doc code 58), TC 830, Doc code 24 or 34 transaction, net module balance becomes zero or debit. (3) TC 29X/30X posts with doc code 51. (4) CCC "N" released by posting of 29X/30X. NOTE: Posting of TC 29X/30X with hold code 2/4/7/9 will withhold issuance of adjustment notice.
K—	I/B	Erroneous Credits freeze is set when credit balance module with other than refundable cash credits, (i.e., TC 606 write-off). The total module balance plus accrued FTP penalty less credit interest is greater than the net of transactions cited above (IMF). Module freeze.	Module balance is made up of only refundable cash credits, becomes zero or debit.
—L	I/B	AIMS indicator—Account selected for audit freeze is set by posting TC 420/424. Module freeze.	Certain TC 30X or 42X transactions or TC 914, 916 or 918 if TC 424 is present and TC 150 is not posted.
M—	I/B/A	Account transfer out freeze is set by posting of TC 400. Module freeze (except DC 52).	TC 402 (input only by Accounting Branch).
—M	B	Maritime Industry Filer	Deletion of Employment Code "M" or module balance becomes zero or debit.
N—	I/A	Notice status account. Module indicator only.	Module balance becomes zero or TDA issuance.
—N	I/B/A	Abatement refusal indicator is set when a TC 290 (Blocking Series 960-969) is posted. Subsequent abatement actions TC 161, 181, 235, 241, 271 and 281 are unposted (UPC 321).	TC 290, blocking series 970-979.
O—	I/B	The re-establishment or account reactivated freeze is set by TC 370 (doc code 52) when a module is transferred from the Retention Register to the master file. Offset out, refunding and Balance Due TDA issuance (BMF) is restricted. Module freeze.	TC 150, 29X, 30X, 421, 550 or Doc. code 51 record.
P—	I/B/A	The refund cancelled/deletion/repayment freeze is set under the following conditions: (1) TC 720 or 841 (IMF/BMF) (except TC 841 with block and serial of 77777 or 88888 or if the module contains TC 29X with hold code 8 posted prior to cycle 8714.) (2) TC 842 with TC 150 present (BMF).	(1)(2) TC 29X/30X (IMF—except with priority code 6/7 or B.S. 200-299), TC 721 (BMF), 722, 820, 830 except IRAF), doc code 24, doc code 34 (BMF and IMF. (except with TC 720 or 841) TC 843 (IMF) or net module balance becomes zero or debit.
—P	B	Beneficiary offset freeze. Prevents F1041 (MFT 05) module from offset/refund/credit elect if credit beneficiaries field is significant on return and 820 not posted.	Released by TC 820 or if module becomes zero or debit balance. Note: If debit balance is zero or credit is still holding check module for credit elect.
Q—	B	Rollover Freeze—Excess credits not declared upon return. Account frozen from refunding, or offsetting for MFT 01, 02, 03, 10, 11 and 12, 16 and 33, TC 150 posts that has been 'E' coded (MFT 02/33).	Computer released after 15 cycles, when TC 652/662 posts and falls within $10 of the credits claimed by the taxpayer and the credits posted or by input of TC 290 00 HC 3 priority code 4.
—Q	I	Unallowable tax hold or partial refund hold (TC 576). Freezes the tax module from refund and offset out. Module freeze.	TC 30X, 571 or 572. TC 421 when Disposal Code is 20-25, 27, 29, 31-33, 35 or 36.
—R	I	The additional liability freeze is set when a TC 570 is posted to a module. TC 570 is generated on IMF under the following conditions: (1) TC 150 posts with a CCC "3" (except if a unreversed TC 424 or 940 is posted or an audit code "L"/TCMP is on the return) (2) TC 150 with B.S. 920-929 is posted. (3) Posting of TC 680 creates a credit balance of $5.00 or more after the interest accruals are assessed. (4) Adjustment record (doc code 54) B.S. 740-769. (5) Julian date 999 TDI refund hold.	The 150 (non SFR), 571, 840 (B.S. 920-929), 29X (except with priority codes 6 or 7, B.S. 200-299 if the net of the TC 760 and 762 is not zero or TC 294/295 if TC 570 was set with doc code 54), 30X (except disposal code 7 or 11), net module balance becomes zero or debit or a debit transaction is posted that causes the credit module to be equal to or less than the sum of a TC 197 posted subsequent to the latest TC 196. If situation meets (5) due to TDI refund hold, the refund must be released with a TC 290 and priority code 8.
—R	B/A	The additional liability freeze is set on BMF/IRAF when a TC 570 is posted to the module. TC 570 is generated on BMF under the following conditions (1) TC 150 with CCC "X". (2) TC 291 with priority code 7.	TC 571, 572, 29X (except with priority codes 5, 6 or 7 (IRAF) or TC 180 for zero posts to module with no unreversed TC 186 (BMF), 30X (except disposal code 7 or 11) or net module balance becomes zero or debit. TC 291 with priority code 7 and TC 570 can only be reversed by TC 300 (except disposal code 7 or 11 or when the net module balance is zero. TC 24X posts to the Civil Penalty Module (MFT 13).

Freeze Code	File	Freeze Condition and Explanation	Freeze Release
R—	I/B	RPS Multiple 610 freeze Multiple TC 610s were present on the module when the TC 150 posted or RPS TC 610 does not match DLN of posted TC 150. Module freeze.	TC 29X (excluding priority code 6, 7 or blocking series 2XX (IMF) or TC 30X. BMF: TC 612 to reverse TC 610 (except doc codes 17, 18, 58 or 34) not matching on return DLN when TC 976 posts, or when module goes to zero or debit balance.
S—	I/B/A	Undelivered Refund Check. TC 740 (I/B/A) or a refund attempting to generate from an IMF account with a Service Center Zip Code. NOTE: CP 231 will be suppressed if TC 740 posts with bulk series "66666".	TC 018 (IMF/BMF), 150 (IMF), 742 (net of all TC 74X is zero or debit), 840 (IRAF), net module balance is zero or TC 014 (BMF only).
T—	I/A	TDA status: 22-ACS, 24—Queue or 26-paper (D.O.) This is a non-freeze alpha condition. Module Indicator.	Module balance becomes zero or credit. Status 22
—T	I/B/A	TC 910 entity freeze. Intel-910 transcript issued in the cycle TC 910 posts. Account freeze.	TC 911 posting
—U	I/B/A	Erroneous Refund Freeze (TC 844) Freezes entire account.	TC 845 Account freeze released when all TC 844's in entire account are reversed.
U—	I/B	Installment status 60. Module freeze.	Status updated to other than 60.
V—	I/B	Indicates taxpayer has an outstanding liability on another account or a DMF liability. Freezes entire account. (TC 130) Can only be input by National Office	TC 131, TC 132 or TC 824
—V	I/B/A	Bankruptcy freeze is set by TC 520 with the appropriate closing code as follows: CC 83/85/88 (freezes assessment actions), CC 87 (freezes refunds), 83/85/88/89 (freezes offsets), CC 89 (allows credit elect transfer), CC 86/87/89 (allows assessment actions), CC 86/89 (allows refunds), CC 86/87 (allows offsets), CC—ALL (suppresses balance due notices and suspends CSED). See Section 11 for additional information.	TC 521/522 with CC 83/85-89. Any TC 521 (IMF/BMF) containing a Statistical Indicator.
W—	I/B/A	The claim pending freeze is set when a TC 470 is posted to a balance due module. The freeze is also set on IMF with TC 840 (if TC 150 without CCC "O" is present and no 29X/30X is present) or TC 976/977. No closing code or CC 90 prevents offset in. Module freeze. BMF MFT 02 only: releases in 52 weeks or TC 472 CC 98, or TC 295, or when total module balance is zero or credit.	See 470 Closing Code Chart in Chapter 11. BMF: MFT 02 only TC 470 CC 98 carry back claim received. Prohibits offsets.

Freeze Code	File	Freeze Condition and Explanation	Freeze Release
—W	I/B/A	The litigation pending freeze is set by TC 520 with the appropriate closing code. TC 520 with CC 76-89 suspends running of the CSED unless a TC 550, TC 552 or TC 522 is posted with a later transaction date. Refunds/offsets and credit elects are frozen except under certain conditions (See Section 11.08(6)).	TC 521/522 with the appropriate closing code. Also, reestablish CSED on Chapter XI cases, after plan confirmation by inputting confirmation date with appropriate TC.
—X	I/B/A	(1)TC 150 coded '0' without a TC 840 already posted. (2)TC 840 (except B.S. 9XX with Julian date less than 400) if no TC 150 present. (3)TC 840 (except B.S. 9XX with Julian date less than 400) if TC 150 without CCC "O" provided module balance is debit. (4)Module contains overpayment but contains CCC "L or "W" without second name line in the entity. (5)(IMF) A taxpayer claims an overpayment of estimates tax credit of $10.00 or more. (6)TC 840 posts to MFT 13 module creating a debit balance. Module freeze.	(1)(4)(5) TC 840. (1)(5) TC 29X with priority code 8. (2) TC 150 or 841 equal to TC 840. (3) TC 29X with priority code 8 (except B.S. 2XX IMF); TC 30X with priority code 8; status 22, 24, 26 or 60; module balance becomes zero or credit; 20 cycles (IMF) or 20 cycles (BMF) have elapsed. (6) a) module balance becomes zero or credit, or b) subsequent posting of TC 29X/30X (TC 241) with priority code 8
X—	A	The manual assessment freeze is set when a module is in credit status and a CCC "X" is present.	When net module balance becomes zero or debit.
X—	I	Million Dollar Refund Freeze. Restricts offset.	Module balance becomes zero or debit or with posting of a TC 840.
—Y	I/B/A	Offer in Compromise—TC 480/780/782.	TC 481, 482, 483, 781, 782, or 788.
Y—	A	The DP/Audit Adjustment freeze is set by TC 29X/30X that contains a hold code 1, 2 or 4.	TC29X/30X, 820, TC 300 (doc code 51), doc code 24 or net module balance becomes zero or debit.
—Z	I/B/A	Criminal Investigation Hold—case assigned to Criminal Investigation Division. TC 914. Module freeze.	TC 912. Refer case to Criminal Investigation Control.
Z—	I	Refund Schemes—TC 916 and 918. Module freeze.	TC 915, 917. NOTE: TC 915 or TC 919 posting in current cycle will release freeze for refunding or credit electing.
None	I	Entity freeze initiated by generated TC 667, 666 with a Julian date of 999 (credit elect), spousal TC 706 or BMF 796 resequencing from this account. All input transactions are resequenced until the freeze is released.	TC 666, 667 with a Julian date of 999 (credit elect), spousal TC 826, or BMF within the account.
None	I	Memo freeze is set when an account is removed from IMF to resequence to another SSN or to merge with another account. Causes all input transactions to be resequenced.	TC 026 (entity will be deleted) or TC 006 (successful or unsuccessful merge).

TC 148-5/TDA code "T"/ Freeze code "T"

A. TDA codes and Freeze codes are not the same codes but they are interrelated to each other. The IRS will mix them together making it confusing to separate out.

B. Turn to exhibit A from Commerce Clearing House, Tax Practice Guide 315, and APP. C, Section 56(16)(18) High-level drug dealers. It is very clear what is taking place when these items are posted to your IMF or BMF.

C. Exhibit B 1 of 1 is from a 1998, ADP 6209 Manual. It shows a section from the TDA (Taxpayer Delinquent Account) which has the "T" code listed as a Narcotics case also.

D. Exhibit C is from ADP 6209 Manual and lists the Freeze codes T- and –T and although the word narcotics does not appear it still shows the TC-910 code indicating a CI (Criminal Investigation).

E. When you spot this "T" code on your IMF or BMF look for the "Z" code and then look for TC-910, TC-912, TC-914, TC-916, or a TC-918.

F. If you do spot any of these codes on your IMF or BMF you need help ASAP to counter what the IRS is trying to do to you.

G. **These are major red flags you need to be aware of!**

Tax Practice Guide #15

(3) The revenue officer. with the group manager's concurrence. will determine the hours th business will be opened based on such factors as amount of property to be claimed. location c the business and usual hours the business was opened to the public. If the taxpayer's busines hours extended beyond normal IRS work hours. the establishment should be opened some portion of the non-IRS work hours. For example. if Saturday operation was customary. consideration shoul be given to providing at least some Saturday hours. ·

(4) Revenue officers should make reasonable attempts to contact customers on any item wit customer identifying information if the item is not claimed. In no event should items clearly identified as a customer's property be sold.

56(16) (18) High-level Drug Dealers

(1) Service personnel are not authorized to participate in arrests. raids and similar activities wit Drug Enforcement Administration (DEA) personnel. However. revenue officers may take seizure action against drug related taxpayers in connection with jeopardy or termination assessments o other accounts.

(2) To ensure the safety of revenue officers assigned to work cases arising from narcotics relatec assessments. the letters "DLP" should appear in red above the entity on all identified drug dealer TDAs. (Examination employees will have had a TC 148-5 input at the conclusion of an examination on a drug dealer. Resulting TDAs will be identified by a "T" in the history section and TDIs will be identified by a "J". When cases are computer identified. the "DLP" need not be shown.) Prior to making personal contact. the provisions of IRM 5143. Armed Escort for Revenue Officers. shoulc be reviewed.

(3) Collection activity reporting will be limited to seizure actions taken in connection with narcotics assessments which involve jeopardy or termination of taxable periods. For reporting requirements. see IRM 5872.(13).

56(16) (19) Drug Paraphernalia

(1) Drug paraphernalia generally includes such items as pipes. syringes and other devices designed to introduce drugs into the human body.

(2) Drug paraphernalia should not be seized unless it is the sole asset through which collection can be enforced.

(3) Other avenues of collection should be utilized prior to seizure of drug paraphernalia. For example. levy on bank accounts or accounts receivable. or seizure of vehicles. cash register contents. furniture & fixture. or other non-drug paraphernalia assets.

(4) When drug paraphernalia is seized. follow the procedures in IRM 56(16) (16):(3) through :(4).

56(16) (20) Securities and Negotiable Instruments Received through Form 668-A, Notice of Levy

(1) IRM 545(11).3:(10) tells SCCB that if securities or negotiable instruments are received in response to an ACS-issued Form 668-A. Notice of Levy, they are to be sent to the district.

(2) The revenue officer who receives the securities or negotiable instruments must decide whether to return them or whether to follow the seizure procedures in IRM 56(12).

(3) IRM 536(14).7 tells the revenue officer what to do if securities are received in response to a CFf-issued Form 668-A. Notice of Levy.

56(17) 0 Acquired Property

56(17) 1 General

(1) Acquired property means any property obtained by the United States under the following conditions:

(a) any personal property acquired by the United States in payment of. or as security for. debts arising under the internal revenue laws.

(b) any real property which is. or shall become. the property of the United States by judgment of forfeiture under the internal revenue laws: property redeemed by the Government under IRC 7425. or which has been assigned. or shall be assigned. set off. or conveyed by purchase. or otherwise to the United States in payment of debts or penalties arising under the laws relating

---

Handwritten notes in left margin:

Exh. A

IRM 56(16)(18) Explains how the IES Identifies A high level drug dealer

Remember the TC-148-5 and the "T"

Exhibit A

Code	Explanation	Comment
Q	A TC 148 with Entity Indicator 1 has been input to immediately issue the TDI (primarily when a TP is involved in bankruptcy proceedings).	The "Q" coded TDI results when an employee inputs this request. Subsequently, a fourth notice will be issued three weeks after the first notice followed by a TDI six weeks later.
R*	Indicates at least one TDI or TDA was closed during the past twelve months.	The "R" code indicates a TP has had prior delinquencies. Every effort should be made to bring these repeater TP's current and to encourage future compliance.
S	A TC 148 with Entity Indicator 8 has been input to identify an erroneous refund case.	The "S" coded cases will have the fourth notice issued three weeks after the first notice is issued followed by a TDI six weeks later.
T	A TC 148 with Entity Indicator 5 has been input to identify a narcotics case.	The "T" coded cases will have the fourth notice issued three weeks after the first notice is issued followed by a TDI six weeks later.
U	A TC 148 with Entity Indicator 6 has been input to identify a Special Enforcement Program case.	The "U" coded cases will have the fourth notice issued three weeks after the first notice is issued followed by a TDI six weeks later.
V	Indicates notice routine was interrupted or the TDI was accelerated by a reversal or expiration of a TC 474 (other than DC 77)**Can be Secondary Code**	Prompt TP contact should be made on these cases because they usually indicate that TP has not supplied necessary information or the TDI was deliberately accelerated.
W	A TC 148 with Entity Indicator 3 has been input to identify a Potentially Dangerous Taxpayer.	The "W" coded cases will have the fourth notice issued three weeks after the first notice is issued followed by a TDI six weeks later.
X	Total liability shown on the latest return posted for the same type of tax (MFT 01, 03, 09 or 11) was 5,000 or more. This applies to the Last Period Satisfied for the same MFT as the delinquent tax period.	The "X" coded cases indicates a high priority TDI and will be issued five weeks after the first notice. These TDIs should be completed in the shortest possible time period. Often these accounts pertain to trust fund liabilities.
Y	Indicates that a prior closing transaction has been reversed by a TC 592.	The "Y" coded cases indicates that a prior TC was erroneously input or that TDI issuance was accelerated through the input of a TC 590 followed by a TC 592.

* These Codes will appear as secondary codes only.

(6) IRP Selection Criteria Codes

Reference IRM 5422

The filing requirement for an individual liable for Self-Employment Compensation Act Tax is 400 or more of net income. Since the current income tax return filing requirement has increased, many individuals who are liable for the SE tax may be inclined to overlook the 400 filing requirement and believe that they are exempt from the requirement to file. Therefore, the TDI Supplement may be referenced for indications of past payments of SE tax as a basis for interrogating the taxpayer about liability for SE Tax. Certain Selection codes may reflect self employment tax information from the preceding years tax returns.

Freeze Code	File	Freeze Condition and Explanation	Freeze Release
R—	I/B	RPS Multiple 610 freeze Multiple TC 610s were present on the module when the TC 150 posted or RPS TC 610 does not match DLN of posted TC 150. Module freeze.	TC 29X (excluding priority code 6, 7 or blocking series 2XX (IMF) or TC 30X. BMF: TC 612 to reverse TC 610 (except doc codes 17, 18, 58 or 34) not matching on return DLN when TC 976 posts, or when module goes to zero or debit balance.
S—	I/B/A	Undelivered Refund Check. TC 740 (I/B/A) or a refund attempting to generate from an IMF account with a Service Center Zip Code. NOTE: CP 231 will be suppressed if TC 740 posts with bulk series "66666".	TC 018 (IMF/BMF), 150 (IMF), 742 (net of all TC 74X is zero or debit), 840 (IRAF), net module balance is zero or TC 014 (BMF only).
T—	I/A	TDA status: 22-ACS, 24—Queue or 26-paper (D.O.) This is a non-freeze alpha condition. Module indicator.	Module balance becomes zero or credit. Status 22
—T	I/B/A	TC 910 entity freeze. Intel-910 transcript issued in the cycle TC 910 posts. Account freeze.	TC 911 posting
—U	I/B/A	Erroneous Refund Freeze (TC 844) Freezes entire account.	TC 845 Account freeze released when all TC 844's in entire account are reversed.
U—	I/B	Installment status 60. Module freeze.	Status updated to other than 60.
V—	I/B	Indicates taxpayer has an outstanding liability on another account or a DMF liability. Freezes entire account. (TC 130) Can only be input by National Office	TC 131, TC 132 or TC 824
—V	I/B/A	Bankruptcy freeze is set by TC 520 with the appropriate closing code as follows: CC 83/85/88 (freezes assessment actions), CC 87 (freezes refunds), 83/85/88/89 (freezes offsets), CC 89 (allows credit elect transfer), CC 86/87/89 (allows assessment actions), CC 86/89 (allows refunds), CC 86/87 (allows offsets), CC—ALL (suppresses balance due notices and suspends CSED). See Section 11 for additional information.	TC 521/522 with CC 83/85-89. Any TC 521 (IMF/BMF) containing a Statistical Indicator.
W—	I/B/A	The claim pending freeze is set when a TC 470 is posted to a balance due module. The freeze is also set on IMF with TC 840 (if TC 150 without CCC "O" is present and no 29X/30X is present) or TC 976/977. No closing code or CC 90 prevents offset in. Module freeze. BMF MFT 02 only: releases in 52 weeks or TC 472 CC 98, or TC 295, or when total module balance is zero or credit.	See 470 Closing Code Chart in Chapter 11. BMF: MFT 02 only TC 470 CC 98 carry back claim received. Prohibits offsets.
—W	I/B/A	The litigation pending freeze is set by TC 520 with the appropriate closing code. TC 520 with CC 76-89 suspends running of the CSED unless a TC 550, TC 552 or TC 522 is posted with a later transaction date. Refunds/offsets and credit elects are frozen except under certain conditions (See Section 11.08(6)).	TC 521/522 with the appropriate closing code. Also, reestablish CSED on Chapter XI cases, after plan confirmation by inputting confirmation date with appropriate TC.
—X	I/B/A/	(1)TC 150 coded '0' without a TC 840 already posted. (2)TC 840 (except B.S. 9XX with Julian date less than 400) if no TC 150 present. (3)TC 840 (except B.S. 9XX with Julian date less than 400) if TC 150 without CCC "O" provided module balance is debit. (4)Module contains overpayment but contains CCC "L' or "W' without second name line in the entity. (5)(IMF) A taxpayer claims an overpayment of estimates tax credit of $10.00 or more. (6)TC 840 posts to MFT 13 module creating a debit balance. Module freeze.	(1)(4)(5) TC 840. (1)(5) TC 29X with priority code 6. (2) TC 150 or 841 equal to TC 840. (3) TC 29X with priority code 6 (except B.S. 2XX IMF); TC 30X with priority code 8; status 22, 24, 26 or 60; module balance becomes zero or credit; 20 cycles (IMF) or 20 cycles (BMF) have elapsed. (6) a) module balance becomes zero or credit, or b) subsequent posting of TC 29X/30X (TC 241) with priority code 8
X—	A	The manual assessment freeze is set when a module is in credit status and a CCC "X" is present.	When net module balance becomes zero or debit.
X—	I	Million Dollar Refund Freeze. Restricts offset.	Module balance becomes zero or debit or with posting of a TC 840.
—Y	I/B/A	Offer in Compromise—TC 480/780/782.	TC 481, 482, 483, 781, 782, or 788.
Y—	A	The DP/Audit Adjustment freeze is set by TC 29X/30X that contains a hold code 1, 2 or 4.	TC29X/30X, 820, TC 300 (doc code 51), doc code 24 or net module balance becomes zero or debit.
—Z	I/B/A	Criminal Investigation Hold—case assigned to Criminal Investigation Division. TC 914. Module freeze.	TC 912. Refer case to Criminal Investigation Control.
Z—	I	Refund Schemes—TC 916 and 918. Module freeze.	TC 915, 917. NOTE: TC 915 or TC 919posting in current cycle will release freeze for refunding or credit electing.
None	I	Entity freeze initiated by generated TC 667, 666 with a Julian date of 999 (credit elect), spousal TC 706 or BMF 796 resequencing from this account. All input transactions are resequenced until the freeze is released.	TC 666, 667 with a Julian date of 999 (credit elect), spousal TC 826, or BMF within the account.
None	I	Memo freeze is set when an account is removed from IMF to resequence to another SSN or to merge with another account. Causes all input transactions to be resequenced.	TC 026(entity will be deleted) or TC 006 (successful or unsuccessful merge).

59

This section takes you through a BMF

If you pull your January IMF Dispatch and put the IMF transcript next to the BMF transcript you will see that many of the items are the same. We decode BMFs, but it is usually more time consuming and involves more experience than decoding an IMF. Usually the BMF will be divided into four quarters. We decode all four quarters and can provide all the necessary FOIA requests for you to send to the IRS. In some of the larger BMF's we have decoded, we have sent one hundred or more FOIA requests to be sent to the IRS.

As with the IMF, a lot of people who have been filing with the IRS and who have no problem, will send us their IMF or BMF to be decoded. They want to learn more about the decoding process, so they will know how this process works in case they ever need it.

If you have problems, this decoding will greatly help you to investigate the inner-workings of what the IRS is trying to do to your entity. After we decode someone's IMF or BMF many will set up a tutor time with us. They either come in to our office, or call us by phone, to discuss certain specific issues. There are also a number of other ways to use a decoded IMF or BMF to your benefit.

We have a 6209 (ADP) Manual for 1982, 1987, 1994, 1997, and 1998. We also use other IRS manuals, publications, and handbooks, which relate to the decoding process.

When we decode your IMF, BMF, or the NMF, we decode it exactly as it comes from their manuals. No hearsay, allegations, or personal comments are made. So, the decoding is a pure product right out of their books. A number of people call us saying

they can't understand what we did. Indeed, you will not understand a decoding that we do for you unless you have taken the time to do some study in this area. It is for documenting your record in such a way that IRS cannot rebut it. We only know of a couple of times when someone at the IRS tried to rebut our decoding. They were way off point. We rebut their rebuttal letter. Then they usually they give up. It is very, very rare to get a rebuttal to regarding a decoded IMF or BMF.

There are certain specific procedural ways to use this decoded file that has worked for a vast number of people. Don't believe for one minute that you can walk into a courtroom pull out your decoded IMF wave it at the judge and all your trouble will vanish away. There are actually people who hold themselves out as decoders who actually tell people these kind of fables and myths to get their money.

We mark the BMF up just like we do the IMF and if you studied January IMF dispatch you will notice that we use the same numbering system. You will also find out that there are a few items not found on that IMF that is found on the BMF. Please realize that we also send you a lot more information (including the DLN's) when we send this decoding package to you. We are always improving and updating our program as things change. When we receive a new IRS Manual with additional codes in it that we did not have before therefore we update our decoding program. In addition we are always developing new FOIA requests to ask for more documents they do not want to provide to you. The next section will show you what you have to do to get a BMF and other important documents.

FOIA Section

A. FOIA, your key to relief.

B. You will notice that some of these FOIA requests in this section are also in the January issue for a reason:

1. Both BMF and IMF have the same items that you want to obtain through FOIA request.

2. If you want to teach a class on the IMF or the BMF, you will have them in either book.

3. Some people will be buying a certain issue because someone they know has a problem in this area. Then, if that individual wants a year subscription they can order for themselves.

C. In the March VIP Dispatch on the NMF (Non-Master File) some of the FOIA requests will also be the same as those in the previous Dispatches.

D. Each "VIP Dispatch" is designed to be a self-contained unit based on one main topic.

E. We have introduced several new FOIA requests that can also be used with the IMF or NMF.

F. After years of teaching about the FOIA process we want people to say; "that was exactly the FOIA request that we were looking for," Or "look what I received back from that FOIA request. I had no idea they were keeping this type of information on me."

G. FOIA requests are a great tool to use to document actual IRS Procedural Due Process abuse against you.

1. These documented procedural due process violations are the only real issue that the federal system will sit up and take notice of in tax matters.

2. If you get good at this and with some divine providence you can trace these procedural due process violations to one or two specific agents. You can then file a complaint against them. First you must gather the documented facts.

H. When you do a BMF request make sure you use the Entity name and not your personal name.

1. Make sure you use the entities EIN and not your SSN.

I. We have hundreds of entities who obtain their BMF's. They do exist and can be acquired for its use as credible evidence to rebut the Prima Facia presumptions of the IRS.

J. If the IRS is coming after an entity, the BMF will show how far along they are in the process.

1.) The FOIA request for your BMF (Business Master File)

A. There are two important points to remember concerning a request for a BMF.

1. In order to have a BMF you must have an EIN (Employer Identification Number).

2. If you have an SSN you will not have a BMF. But the IRS will still input BMF codes into your IMF file to make you liable for some kind of an excise tax.

B. If you have a trust with an EIN then you can send off for the BMF of that trust.

C. We also offer a decoding process for your BMF which can get somewhat complicated and time consuming depending on how large your BMF is.

D. Remember: There must be an affidavit/declaration, notary statement filled out and signed attached to each FOIA request.

1. Sometimes the disclosure officer will send back your original request in the case of a trust asking to see a copy of the trust document making you the qualified individual to receive the information asked for.

2. If you do not have this document, contact whoever sold you your last trust packet. Ask for this page or create it yourself if you are the qualified trustee and make sure there is a notary statement with it or it will probably be returned again.

FREEDOM OF INFORMATION ACT REQUEST

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
addr1
addr2

Account (EIN) #

Dear Disclosure Officer:

1. This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2. If some of this request is exempt from release, please furnish me with those portions reasonable segregable. I am waiving personal inspection of the requested records.

3. This request pertains to the years:

4. Please send me a copy of all the documents maintained in the System of Records known as Returns and Information Processing D:R:R - Treasury / IRS Business Master File Specific (BMF): 24.046 which pertains to the above referenced EIN# and entity.

5. Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

Respectfully,

name, Qualified Requester

AFFIDAVIT / DECLARATION

COUNTY OF _____)
)   SS

STATE OF _____)

SUBSCRIBED AND AFFIRMED:
On this _____ day of _____, Name, personally appeared, personally known to me, OR proved to me on the basis of satisfactory evidence to be the one whose name is subscribed to the within instrument.

Witness my hand and official seal.

_____
Signature of Notary

I, Name, hereby swear and affirm that I have the authority to request information pertaining to Entity name.

_____
Name

2. FOIA request for adjustments and payment tracer files, collateral files, seized property records, tax collection waivers-forms 900-files.

A. If you have had the IRS doing very mean things to your entity and they have it listed as TDA (taxpayer delinquent account), then you want these files.

B. This request is not limited to BMF only, but equally applies to IMF and NMF's.

C. Basic procedural requirements require the IRS to maintain, and be able to produce for your inspection these documents.

D. There is no telling what you are going to get back if anything.

E. Another reason for doing this type of specific request is to let them know that you know that they are required to maintain these types of files.

F. If they refuse to give you these records, you can then do a Motion for Discovery for these items, if they ever file a civil or criminal case against you.

FREEDOM OF INFORMATION ACT REQUEST

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
      addr1
      addr2

<div align="center">Account (EIN) #</div>

Dear Disclosure Officer:

1.   This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2.   If some of this request is exempt from release, please furnish me with those portions reasonable segregable. I am waiving personal inspection of the requested records.

3.   This request pertains to the years:

4.   Please send a copy of all the documents maintained in the system of records known as Taxpayer Delinquent Accounts (TDA), including but not limited to: Adjustments and Payment Tracers files, Collateral files, Seized Property Records, Tax Collection Waivers - forms 900 - files, Treasury / IRS 26.019 which pertain to the above referenced EIN# and entity.

5.   Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

<div align="right">Respectfully,</div>

<div align="right">name, Qualified Requester</div>

3.FOIA request TDI files

A. If you have the IRS doing mean things to you and you find a TDI posting to your IMF, BMF, or NMF you want to do this FOIA request to find out if that file is being maintained as the systems of records mandates.

B. If the IRS lists you as TDI then they are under a requirement by the systems of records 26.020 to maintain this file.

C. Even though most people or businesses that have a TDI posted to their files will not receive information back, you are putting them on notice that you know that they are required to maintain this file.

D. If they should file any action against you, you can do a Motion for Discovery for this information.

FREEDOM OF INFORMATION ACT REQUEST

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
      addr1
      addr2

                   Account (EIN) #

Dear Disclosure Officer:

1.   This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2.   If some of this request is exempt from release, please furnish me with those portions reasonable segregable. I am waiving personal inspection of the requested records.

3.   This request pertains to the years:

4.   Please send a copy of all the documents maintained in the system of records known as Taxpayer Delinquency Investigation (TDI) files: Treasury / IRS 26.020 which pertain to the above referenced SS# and person.

5.   Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

                   Respectfully,

                   name, Qualified Requester

4. FOIA request for a "SFR" (Substitute for Return)

A. If your entity has not been sending in any one of the many BMF returns for several years and you received your BMF from the IRS, one of the first items you will want to look for is an "SFR" posting. It is located on the lower left hand side of the first page of your BMF.

B. You will want to send this FOIA request as soon as possible.

C. This is what the IRS calls a "dummy return", read the transcript in the TC-150 section, part 1 contained in the January 2002 Dispatch.

D. They are suppose to fill it out and a supervisor is required to sign it.

1. They will often come back and say that they used a different form.

FREEDOM OF INFORMATION ACT REQUEST

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
       addr1
       addr2

                Account (EIN) #

Dear Disclosure Officer:

1.   This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2.   If some of this request is exempt from release, please furnish me with those portions reasonable segregable. I am waiving personal inspection of the requested records.

3.   This request pertains to the years:

4.   Please send me a copy of the "Substitute for Return" prepared by the Internal Revenue Service that pertains to me.

5.   Please send me a copy of the document that identifies the person who prepared the substitute for return in my case.

6.   Please send me a copy of the documents upon which the audit function based the substitute return.

7.   Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

                              Respectfully,

                              _____
                                name, Qualified Requester

5. FOIA request concerning a TC-150

A. On all the BMF's there will be posted a 150 code.

B. You will find in this issue some of what we have collected on the TC 150 issue.

C. As we continue research on this information we find it goes deeper and deeper as we peal off the layers of deceit and lies.

D. Some of these FOIA requests, such as this one, include a background statement with exhibits included to narrow down the issue. So, this is a more deluxe request.

E. If you look at the bottom of the page you will see "1 of 2". The second page of this request is your notary statement.

FREEDOM OF INFORMATION ACT REQUEST
TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
       addr1
       addr2

<div align="center">Account (EIN) #</div>

Dear Disclosure Officer:

1.   This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2.   If some of this request is exempt from release, please furnish me with those portions reasonably segregable. I am waiving personal inspection of the requested records.

3.   This request pertains to the years:

4.   Please provide me with the following: Can a Transaction Code (TC 150) mean anything else BUT a Virgin Island Entity? If so please send me the document that substantiates that request.

5.   BACKGROUND: According to Manual 30(55)0 IMF OPERATIONS pages 30(55)0-7 and 30(55)0-8 which indicates types of Transcripts at 30(55)4.2 item number twentyeight (28) states VIRGIN IS (TC 150).

6.   Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

<div align="right">Respectfully,</div>

<div align="right">name, Qualified Requester</div>

(7) The Assessment "23C" date will ordinarily be the Monday of the 2nd week following the week in which these transactions are processed and posted to the IMF Accounts, unless otherwise designated by Accounts Division in appropriate publications.

(8) When notices are to be sent to taxpayers that are identified as Spanish speaking District Office (DO) 66 and mail filing requirement of "7" the Computer Paragraph Number is in the 700 series.

(9) Extracts of IMF Accounts are not permitted when the extracts may be used outside of IRS, unless the Privacy Act or the Freedom of Information Act is utilized.

(10) Do not generate Check Digit for Accounts posted to the Invalid Segment.

(11) The term "Module Balance" as used throughout this Section is the algebraic sum of posted and assessed transactions excluding interest transactions.

(12) The term "Net Module Balance" is the algebraic sum of Assessed Transactions and consists of Module Balance, Interest Assessed and Interest Paid.

(13) The term "Total Balance" is the algebraic sum of "Module Balance," Accrued Failure to Pay Penalty (Total Penalty less Assessed Penalty) and Total Interest (Assessed Interest plus Accrued) and Interest Paid.

(14) Service Center Codes supersede Region Code. Generate the Service Center Code from the governing District Offices Code.

(15) When prescribed transactions post to a tax module, or a tax module must be analyzed for a scheduled action, compute interest, Failure-to-Pay-Penalty and/or delinquency penalty as required. Assess interest, assess Failure-to-Pay-Penalty when applicable, and assess delinquency penalty as prescribed in subsequent sub-sections. When interest and Failure-to-Pay-Penalty computations are made and not assessed, accrue the amounts of each computation.

(16) Non-Compute 1040—the input return record sent to MCC will contain a "Non-Compute" code of "2". MCC will determine if the return was timely filed; if not timely the non-compute code will be changed to a "1". Code "2" indicates special processing.

(17) Bypass normal processing, opening of modules, UPC, etc. when encountering Political Checkoff and IRA input "dummy" returns.

30(55)4.2 (1-1-96)
Types of Transcripts

(1) SPECIFIC
(2) OPEN
(3) COMPLETE
(4) ENTITY
(5) STEX (B Freeze)
(6) RFND LIT (TC 520)
(7) REFUND (TC 846)
(8) REFUND-E (TC 846)
(9) $1,000,000 Refund Transcript
(10) TDI-REFUND
(11) Refund-S (TC 846)
(12) TRANS—844 (TC 844)
(13) LITIGATION (TC 520)
(14) EXES-TC 840

Exhibit A 1 of 2

(15) OIC (TC 480)
(16) NMFL (TC 490)
(17) KITA (TC 01X)
(18) COMBAT ZON
(19) UNREVTC 520 (TC 520)
(20) TDI RESRCH (See Project 720)
(21) INTEL (See Project 735)
(22) REACT NMF (TC 130)
(23) CSED
(24) MARRIED FILED SEPARATELY TC 424
(25) MULTIPLE FILER (TC 424)
(26) Cr El Decd (See Project 439)
(27) TRFPENACT
(28) VIRGIN IS (TC 150)
(29) STAT TRANSCRIPT
(30) QUEST W-4 (See Project 411)
(31) FOLLOW-UP W-4 (See Project 411)
(32) AMRH (See Project 712)
(33) AM–X (See Project 712)
(34) CV PN CRED
(35) SC ADDRESS
(36) Hostage
(37) NRPS
(38) DECDESCR
(39) STIM
(40) UNP 71 REL
(41) RSED
(42) A/R Clean-Up (see Project 713)
(43) LPCANCEL
(44) PMTOVERCAN
(45) OICDEFAULT
(46) DEFAULTFSC
(48) TDIFRZ–150
(49) TDI–EXAM
(50) HighRisk
(51) Deferral
(52) HighDollar

30(55)4.3 (1-1-96)
Computer Paragraph Notices

(1) 04—ES Penalty Waiver
(2) 01—Deferral Reminder
(3) 08—Refund Issued—SSA Records need correction
(4) 09—Earned Income Credit Refund
(5) 10—Combination CP 12 and CP 45
(6) 11—Math Error—Bal Due
(7) 12—Math Error—Overpayment
(8) 13—Math Error—Settlement
(9) 14/14E—Bal Due No Error
(10) 15—Civil Penalty Assessment
(11) 15B—100% Civil Penalty Assessment
(12) 16—Math Error—Overpayment to other taxes (CP 12/49 combination)
(13) 17—Refund unfrozen Excess ES Credits

Exhibit A 2 of 2

6. FOIA request for a 14 digit Document Locator Number (DLN)

A. On your IMF, BMF, NMF, and other documents that you obtain from the IRS using the FOIA procedure there will be a number of DLN's. We recommend that you do a FOIA request for these documents.

B. We recommend that you ask for only <u>one</u> of these items at a time as each one is a separate issue. There are some people that will put 20 or 30 plus requests into one FOIA request. Then when they receive no reply to their request, they go around telling people that they tried that FOIA stuff and it didn't work. We can only tell you that we have helped people send out thousands of FOIA request and they have received back thousands of responses. But each request was a request for only one item.

C. When we decode your IMF, BMF, or NMF we always do the DLN FOIA's as part of our services. We send them to you to, so you can send them to the IRS disclosure officer.

D. Many of these requests will come back with the statement "We have no documents responsive to your request."
    1. We suspect that many times they do have documents responsive to your request but it is a better approach for them to be non-responsive than to allow you to have that file.

E. You might get an answer back that they need a certain amount of money to full fill your request.
    1. We suggest you send a Money order or other form of payment and get those records ASAP.

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
        addr1
        addr2

                        Account (EIN) #

Dear Disclosure Officer:

1.   This is a request under the Freedom of Information Act, 5 USC 552, or
        regulations thereunder. This is my firm promise to pay fees and costs for locating
        and duplicating the records requested below, ultimately determined in accordance
        with 26 CFR 601.702 (f).

2.   If some of this request is exempt from release, please furnish me with those
        portions reasonable segregable. I am waiving personal inspection of the requested
        records.

3.   This request pertains to the years:

4.   Please send a copy front and back of the document identified by Document
        Locator Number (DLN)   (14 digit number) which pertains to the above
        referenced EIN# and entity.

5.   Please certify all documents with the Form 2866, certificate of official record. If
        there are no specific documents pertaining to this request, certify your response
        with Form 3050, certificate of lack of records.

DATED:

                                        Respectfully,

                                        name, Qualified Requester

7. FOIA request for Examination Selection files.

A. Under System of Records 42.016 the IRS is required to keep and maintain these files in this System of Records.

B. Even though they are required to maintain these records and make them available to you the IRS will either refuse to give them to, you or tell you that there are no records responsive to your request.

C. By sending in this request, you let them know that they are required to maintain these records and send them to you when requested in a FOIA request.

D. You then have the option of asking for this information in a Motion for Discovery.

1.If you do not ask for this information using a FOIA request first, then when you ask for them in a Motion for Discovery, it will probably be denied. Because you had an administrative way to ask for this information prior to doing the Motion for Discovery, and did not request it, the court will deny you motion.

2.I know a number of people who had used some super duper paperwork and told others not to use the FOIA process. Then when they got in deep trouble and the super duper paperwork they were relying upon crashed, they got a major wake up call. We know of three different ones who asked ask for their IMF in the courtroom and every time the Judge told them that they had plenty of time to ask for that information administratively prior to trial. Therefore their request was denied.

3. If you do not raise an objection in trial you cannot appeal that issue.

4. You cannot introduce new evidence in the appeals court.

5. You cannot raise new issues in the appeal process that were not raised at trial.

FREEDOM OF INFORMATION ACT REQUEST

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
       addr1
       addr2

<div align="center">Account (EIN) #</div>

Dear Disclosure Officer:

1.   This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2.   If some of this request is exempt from release, please furnish me with those portions reasonable segregable. I am waiving personal inspection of the requested records.

3.   This request pertains to the years:

4.   Please send a copy of all the documents maintained in the system of records identified as Examination Selection files, Treasury / IRS 42.016 which pertain to the above referenced EIN# and entity.

5.   Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

<div align="right">Respectfully,</div>

<div align="right">name, Qualified Requester</div>

8. Examination Administration File

A. The IRS is required to maintain these files under system of records 42.001.

B. When asked for through a FOIA request they are to send this information to you.

C. Do not hold your breath waiting to receive this information.

D. The FOIA request for this type of information must be done when the time is ripe.

E. Do not use this type of FOIA request if your personal situation does not warrant the use of this type of FOIA request.

F. If you are not sure, call us for a tutor session to review your file.

FREEDOM OF INFORMATION ACT REQUEST

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
addr1
addr2

Account (EIN) #

Dear Disclosure Officer:

1. This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2. If some of this request is exempt from release, please furnish me with those portions reasonable segregable. I am waiving personal inspection of the requested records.

3. This request pertains to the years:

4. Please send a copy of all the documents maintained in the system of records known as Examination Administration file, Treasury / IRS 42.001 which pertain to the above referenced EIN# and entity.

5. Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

Respectfully,

name, Qualified Requester

9. FOIA request for Transaction codes 910, 914,916,or 918.

A. In the enclosed sample BMF, you will find two 914 transaction codes.

B. These codes stand for a ongoing criminal Investigation. Most people will not even know about this, until they or their friends get a knock on their door by two CID agents.

C. If you get your BMF and it contains one of these codes, there are a number of detailed FOIA requests that you will want to send out, including this one.

D. If you do not have one of these transaction codes posted to your IMF or BMF then you would NOT send this request in.

FREEDOM OF INFORMATION ACT REQUEST

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
       addr1
       addr2

<div align="center">Account (EIN) #</div>

Dear Disclosure Officer:

1.   This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2.   If some of this request is exempt from release, please furnish me with those portions reasonably segregable. I am waiving personal inspection of the requested records.

3.   This request pertains to the years:

4.   Please send Requester a copy of all documents maintained in the system of records identified as Controlled Accounts (open and closed), Criminal Investigation Division TC 910, TC 914, TC 916, TC 918, - Treasury / IRS 46.004, which pertain to the above referenced EIN# and entity.

5.   Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

<div align="center">Respectfully,</div>

<div align="center">name, Qualified Requester</div>

10. FOIA Request for a Form 23C

A. In the January 2002 IMF issue of the "VIP Dispatch" we pointed out in the IMF operations manual a reference to the 23C several times.

B. In The February issue of the Dispatch we pointed out the 23C several times.

C. Here is a sample FOIA request for a form 23C that we have found again in the automated Non-Master file Manual.

D. The IRS stopped sending 23C's out in about 1988.

E. When asked for the form 23C they will try to pawn off on you a "006 RACS report" or a " Form 4340."

1. A "006 RACS report," according to the Government Accounting Office is totally unreliable. Read the GAO report in the beginning of our IRS level II course.

2. According to a number of court cases the Form 4340 is a hearsay document and when objected to, must be thrown out. We have seen in the last few years a very determined effort by the IRS and the courts to try to add some validity to the Form 4340 form and shun away form what the actual law says. Whenever the 4340 is used it must be accompanied by supporting documents. It never is.

3. The "006 RACS" and the Form 4340 form are the best the IRS has to offer. This means that it is very important to be ready to destroy these two items when the time comes. It's like shooting the horse out from under the bandit old black Bart. He is not going to walk very far and when he does get another horse he will most likely go look for someone else to plunder, as he doesn't want to have to take that walk again.

F. You would only send in this request if you have received some form of a bill from the IRS that you owed them money for back taxes (CP-504 or CP-518).

1. If you have been filing then you have been self-assessing yourself and there would not be any reason for the IRS to assess you unless they determine that you have not been paying your fair share and want more.

G. We will be covering more on the 23C in the Assessment issue of the "VIP DISPATCH" which is to be released in May.

FREEDOM OF INFORMATION ACT REQUEST

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
       addr1
       addr2

<div align="center">Account (EIN) #</div>

Dear Disclosure Officer:

1.   This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2.   If some of this request is exempt from release, please furnish me with those portions reasonable segregable. I am waiving personal inspection of the requested records.

3.   This request pertains to the years:

4.   Please send a certified copy of the Record of Assessment Form 23C which is specific to above referenced EIN# and entity and no other and which indicates the alleged liability.

5.   Please note: I am not asking for a 006 RACS report, or Form 4340.

6.   Assessment certificates or supporting documents are being requested per 26 USC 6203 and 26 CFR 301.6203-1.

7.   Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

<div align="right">Respectfully,</div>

<div align="right">name, Qualified Requester</div>

11. FOIA request for a NMF

A. Our next issue will be on the Non Master File, We are providing this request to you in case you need to request this record now.

B. If you have received a CP-504 notice, a CP-518 or have been sent a lien or levy, you would might want to send this on in.

C. The NMF is also called the "liability transcript" because if the IRS does not establish the liability, and cannot produce the NMF, there can be no liability.

D. For years the IRS denied that there was anything called an NMF, but there were references to it all throughout different IRS manuals.

E. We were able to find the NMF manual after years of research.

1. Discovery of the NMF manual blew the lid off the NMF process. We have had a number of people obtain their NMF. Yes Virginia, there is a Non Master File, believe it or not.

<div align="center">FREEDOM OF INFORMATION ACT REQUEST</div>

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
       addr1
       addr2

<div align="center">Account (EIN) #</div>

Dear Disclosure Officer:

1.   This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2.   If some of this request is exempt from release, please furnish me with those portions reasonable segregable. I am waiving personal inspection of the requested records.

3.   This request pertains to the years:

4.   Please send me a copy of the Non Master file and Comments Field maintained in a System of Records known as Integrated Data Retrieval System / IRS 34.018 which pertain to the above referenced EIN# and entity.

5.   Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

<div align="right">Respectfully,</div>

<div align="right">_____</div>

<div align="right">name, Qualified Requester</div>

12. FOIA request for Centralized Evaluation and Processing

A. Under the system of records IRS 46.009, you are the IRS to produce any files containing any Criminal Investigations information the IRS might be putting together about your BMF or IMF.

B. This request pertains to your BMF or IMF when there is a TC-910, TC-914, TC-916, or a TC-918.

C. The IRS's response will most likely be: "*We have no documents responsive to your request*". However, sometimes things do slip through.

FREEDOM OF INFORMATION ACT REQUEST

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
addr1
addr2

Account (EIN) #

Dear Disclosure Officer:

1. This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2. If some of this request is exempt from release, please furnish me with those portions reasonably segregable. I am waiving personal inspection of the requested records.

3. This request pertains to the years:

4. Please send Requester a copy of all documents maintained in Centralized Evaluation and Processing of Information Items (CEPIIs), Criminal Investigations Division-Treasury / IRS 46.009 which pertain to the above referenced EIN# and entity.

5. Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

Respectfully,

name, Qualified Requester

13. FOIA request for 6001 Notice

A. Internal Revenue code title 26 section 6001 (see exhibit A). The second sentence of this section states, "whenever in the judgement of the secretary it is necessary, he may require any person, by notice served upon such person or by regulations."

1.Where is that notice from the Secretary for me to keep books and records

2.What types of books and records am I supposed to keep?

3.How much is the Secretary going to pay me to keep all those books and records and who is going to pay the storage fees?

B. Procedure and Administration information and returns CFR 1. 6001-1 (regulation) (exhibit B).

1.Go to paragraph (d) Notice by district director requiring returns statements, or keeping of records. Again we find the term notice.

C. In exhibit (A) we find the secretary is the one who is to send out the Notice to keep books and records. In exhibit B we find the district director is the one who should send out this NOITCE to keep books and records. They do not tell us which secretary it is and they don't tell us which district director. They just want us to assume that we know whom they are talking about. Where are the Delegations of Authority for these people?

D. Notices from the IRM 676 number 23 on our literature list. (exhibit C)

1. The third notice listed is the Notice 555. Has anyone from the IRS sent you this Notice 555?

2.Has anyone sent you a notice 555?

E. These are just some basic questions you might want to raise concerning a BMF or IMF.

<div align="center">FREEDOM OF INFORMATION ACT REQUEST</div>

TO:
Disclosure Officer
Internal Revenue Service
iraddr1
iraddr2

FROM: Entity name
      addr1
      addr2

<div align="center">Account (EIN) #</div>

Dear Disclosure Officer:

1.   This is a request under the Freedom of Information Act, 5 USC 552, or regulations thereunder. This is my firm promise to pay fees and costs for locating and duplicating the records requested below, ultimately determined in accordance with 26 CFR 601.702 (f).

2.   If some of this request is exempt from release, please furnish me with those portions reasonably segregable. I am waiving personal inspection of the requested records.

3.   This request pertains to the years:

4.   Please send Requester a copy of the 6001 Notice served upon above referenced EIN# and entity, requiring the above referenced EIN# and entity to file a return.

5.   BACKGROUND: See US Code Title 26 Section 6001 (Ex. A), See Code of Federal Regulation Title 26 Section 1.6001-1 Procedure and Administration (Ex. B), See Catalog of Federal Tax Forms, Form Letters and Notices Publ. 676 (Ex. C)

6.   Please certify all documents with the Form 2866, certificate of official record. If there are no specific documents pertaining to this request, certify your response with Form 3050, certificate of lack of records.

DATED:

<div align="right">Respectfully,</div>

<div align="right">name, Qualified Requester</div>

- **TITLE 26 - INTERNAL REVENUE CODE**
  - **Subtitle F - Procedure and Administration**
    - **CHAPTER 61 - INFORMATION AND RETURNS**
      - **PART I - RECORDS, STATEMENTS, AND SPECIAL RETURNS**

Sec. 6001. - Notice or regulations requiring records, statements, and special returns

Every person liable for any tax imposed by this title, or for the collection thereof, shall keep such records, render such statements, make such returns, and comply with such rules and regulations as the Secretary may from time to time prescribe. Whenever in the judgment of the Secretary it is necessary, he may require any person, by notice served upon such person or by regulations, to make such returns, render such statements, or keep such records, as the Secretary deems sufficient to show whether or not such person is liable for tax under this title. The only records which an employer shall be required to keep under this section in connection with charged tips shall be charge receipts, records necessary to comply with section 6053(c), and copies of statements furnished by employees under section 6053(a)

SOURCE
Aug. 16, 1954, ch. 736, 68A Stat. 731
Pub. L. 94-455, title XIX, Sec. 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834
Pub. L. 95-600, title V, Sec. 501(a), Nov. 6, 1978, 92 Stat. 2878
Pub. L. 97-248, title III, Sec. 314(d), Sept. 3, 1982, 96 Stat. 605.

AMENDMENTS
1982 - Pub. L. 97-248 inserted ", records necessary to comply with section 6053(c)," after "charge receipts". 1978 - Pub. L. 95-600 inserted provision at end relating to only records which an employer shall be required to keep in connection with charged tips. 1976 - Pub. L. 94-455 struck out "or his delegate" after "Secretary" wherever appearing.

EFFECTIVE DATE OF 1982 AMENDMENT
Amendment by Pub. L. 97-248 applicable to calendar years beginning after Dec. 31, 1982, see section 314(e) of Pub. L. 97-248, set out as a note under section 6053 of this title

EFFECTIVE DATE OF 1978 AMENDMENT
Section 501(c) of Pub. L. 95-600 provided that: "The amendments made by this section (amending this section and section 6041 of this title) shall apply to payments made after December 31, 1978."

CROSS REFERENCES
Methods of accounting for taxable income, see section 446 et seq. of this title

SECTION REFERRED TO IN OTHER SECTIONS
This section is referred to in sections 874, 911, 922, 4403, 6033 of this title

Parallel authorities for 26 USC 6001 (from CFR)

- 26 CFR part 1
- 26 CFR part 31
- 26 CFR part 55
- 26 CFR part 156
- 27 CFR part 19

- 27 CFR part 53
- 27 CFR part 194
- 27 CFR part 250
- 27 CFR part 296

owned directly by one or more corporations which are component members of the group on such December 31.

[T.D. 7181, 37 FR 8071, Apr. 25, 1972]

Procedure and Administration

INFORMATION AND RETURNS

RETURNS AND RECORDS

SOURCE: Sections 1.6001–1 to 1.6091–4 contained in T.D. 6500, 25 FR 12108, Nov. 26, 1960, unless otherwise noted.

RECORDS, STATEMENTS, AND SPECIAL RETURNS

§ 1.6001–1 Records.

(a) *In general.* Except as provided in paragraph (b) of this section, any person subject to tax under subtitle A of the Code (including a qualified State individual income tax which is treated pursuant to section 6361(a) as if it were imposed by chapter 1 of subtitle A), or any person required to file a return of information with respect to income, shall keep such permanent books of account or records, including inventories, as are sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown by such person in any return of such tax or information.

(b) *Farmers and wage-earners.* Individuals deriving gross income from the business of farming, and individuals whose gross income includes salaries, wages, or similar compensation for personal services rendered, are required with respect to such income to keep such records as will enable the district director to determine the correct amount of income subject to the tax. It is not necessary, however, that with respect to such income individuals keep the books of account or records required by paragraph (a) of this section. For rules with respect to the records to be kept in substantiation of traveling and other business expenses of employees, see § 1.162–17.

(c) *Exempt organizations.* In addition to such permanent books and records as are required by paragraph (a) of this section with respect to the tax imposed by section 511 on unrelated business income of certain exempt organizations, every organization exempt from tax under section 501(a) shall keep such permanent books of account or records, including inventories, as are sufficient to show specifically the items of gross income, receipts and disbursements. Such organizations shall also keep such books and records as are required to substantiate the information required by section 6033. See section 6033 and §§ 1.6033–1 through 1.6033–3.

(d) *Notice by district director requiring returns statements, or the keeping of records.* The district director may require any person, by notice served upon him, to make such returns, render such statements, or keep such specific records as will enable the district director to determine whether or not such person is liable for tax under subtitle A of the Code, including qualified State individual income taxes, which are treated pursuant to section 6361(a) as if they were imposed by chapter 1 of subtitle A.

(e) *Retention of records.* The books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained so long as the contents thereof may become material in the administration of any internal revenue law.

[T.D. 6500, 25 FR 12108, Nov. 26, 1960, as amended by T.D. 7122, 36 FR 11025, June 8, 1971; T.D. 7577, 43 FR 59357, Dec. 20, 1978; T.D. 8308, 55 FR 35593, Aug. 31, 1990]

§ 1.6001–2 Returns.

For rules relating to returns required to be made by every individual, estate, or trust which is liable for one or more qualified State individual income taxes, as defined in section 6362, for a taxable year, see paragraph (b) of § 301.6361–1 of this chapter (Regulations on procedure and Administration).

[T.D. 7577, 43 FR 59357, Dec. 20, 1978]

TAX RETURNS OR STATEMENTS

§ 1.6011–1 General requirement of return, statement, or list.

(a) *General rule.* Every person subject to any tax, or required to collect any tax, under Subtitle A of the Code, shall make such returns or statements as are required by the regulations in this chapter. The return or statement shall

Notice 487   Information Guide—Credit for the Elderly or the Disabled.   Notice to accompany letter advising taxpayer of examination of return. It tells what records are required to substantiate the credit for the elderly or the disabled.   EX:E:D

Notice 500   Information Concerning Your Order for IRS Form W-4.   Notice advising taxpayer that they received fewer Forms W-4 than ordered because legislation may be enacted that will affect withholding rates and will require IRS to issue a new Form W-4. HR:F:P

Notice 555   Filing Requirements.   Notice advising taxpayer of legal requirements for filing Federal income tax returns, and that failure to file a required return, supply information, or pay tax may subject him or her to prosecution under the Internal Revenue Code.   EX:D

Notice 557   Who Must File a Federal Income Tax Return.   Notice sent to taxpayer explaining who must file an income tax return.   CO:O:CPS

Notice 587   Preparing Form W-2 for Your Household Employee.   Notice explaining to employer how to complete Form W-2 for household employees. R:R:T

Notice 589   Notice of Currency Transaction Report Requirement.   Notice advising financial institutions that they are required to identify all persons conducting transactions of more than $10,000 in currency.   CI:O

Notice 606   Notice About Your Order for Federal Tax Forms.   Notice issued to banks and post offices advising that IRS received Form 2333-B request for additional forms not offered under the bank and post office program. Explains that IRS cannot furnish these other items because only those forms listed on Form 2333-B are available for bulk redistribution to the public.   HR:F

Notice 609   Privacy Act Notice.   Notice is distributed with public use forms, letters, and publications when required to explain the Privacy Act.   T:FP:F:M

Notice 632   Privacy Act and Paperwork Reduction Act Notice.   Notice advising taxpayers of IRS's legal right to ask for requested information; stating why IRS is collecting it and whether taxpayers are required to furnish it.   I:IA:P

Notice 633   Confirmation Letter for Record of Returns Not Filed.   Stuffer notice requesting information when taxpayer receives a verification request of tax returns not filed.   I:IA:P

Notice 634   Confirmation Letter for Balance Due on Account.   Stuffer notice requesting information when taxpayer disagrees with a verification request of an unpaid tax balance.   I:IA:P

Notice 674   Should Your Partnership Obtain Prior Approval for Its Tax Year?   Notice explaining the provisions regarding tax year adoptions by partnerships.   CC:C

Notice 675   Notice of Charge for Copy of Tax Return or Tax Account Information.   Notice returning taxpayer's request for copies of tax returns. which did not include payment.   R:R:T

Notice 688   Important Notice to Users of IRS Tape.   Notice explaining control and follow-up procedure used by IRS for reels of magnetic tape data that are shipped to other government agencies.   R:R:M

Notice 695   Request for Missing Signature To Complete Return.   Notice requesting signature on employment tax return.   R:R:R

Notice 706   Information About Estimated Tax Penalty Refund.   Notice explaining to taxpayer that estimated tax penalty was incorrectly computed and being refunded.   R:R:I

Notice 720   Important Notice—Bankruptcy.   Stuffer notice explaining to taxpayer that if the balance due on income tax on the enclosed notice is for a period prior to the date of bankruptcy petition, it should not be paid at this time. a proof of claim will be filed in the proceeding for this amount. If the notice refers to a period that ended after the date of bankruptcy petition, payment should be sent as requested by the notice. CO:O:SP

Notice 735   Guide to Individual Payers Required To Deduct Backup Withholding.   Notice advising individual payers of requirements for reporting backup withholding.   CO:O

Notice 746   Information About Your Notice, Penalty and Interest.   Notice advising taxpayer of change in interest rate on underpayments and overpayments of taxes, and change in penalty rate for underpayment of estimated tax. Also, an explanation of the penalty codes.   R:R:T

Notice 776   Deposit Reminder.   Notice transmitting an unacceptable payment because it was not intended for IRS or an endorsement is required.   R:R:D

Notice 782   Information on Tax Examination.   Notice mailed with all initial interview contact letters. Advises taxpayers of the general examination procedures, repetitive examinations, authorized representation, and appeal rights.   EX:E:D

Notice 788   Special Phone Number for TIN Penalty Case.   Stuffer advising information return filers of phone number to call for information on proposed TIN penalty assessments.   R:R:T

Notice 836   Form W-4 Reminder Notice to Employers.   Stuffer reminds employers that Forms W-4 claiming exempt status expire annually on February 15 and instructs them to withhold at "single with zero withholding allowance" until a new Form W-4 is submitted. Also, employers reminded of regulations to send certain Forms W-4 to IRS.   CO:O

74 Functional Description

BMFOLT and IMFOLT

We have had people contact us, who have a major problem, who have never heard

of a BMF or IMF and they can't wait three to five weeks to wait for one to come in.

What should they do then? We send them to any IRS office, anywhere, to request the

following:

BMFOLT-Business master file online transcript.

IMFOLT-Individual Master File online transcript

TAX MOD- Tax module

AMDISA file- the activity code will tell you what excise tax activity the IRS has put

you under.

We have had hundreds of people across the country walk in and get these files.

But be prepared, because there are always small problems that arise. Most of these

problems are due to IRS employees who do not want to fulfill your request due to their

own reasons. If you have problems, ask to see their supervisor, and explain to them it is

your right to have these records. That is the reason the IDRS system is setup the way it is.

The IRS employees can retrieve these files using your EIN or TIN, press the print button,

tear it off and hand you a copy of that file in less than a minute. Short, sweet, and simple.

But some IRS employees will sure give you a hard time over doing their job.

IMPORTANT: when you go into the IRS office and ask for a BMFOLT do not give

them your SSN, give them the EIN of your entity.

Lets look at a couple of examples in this section of an IMFOLT and a Tax Mod.

1. Item 1 shows you that such a document exists.

2. Item 2 shows the 150-transaction code; next to is the effective date 12/15/1997. Next, under "Amount" it shows no amount owing or paid. Next is the cycle date. That is the week it was posted 1997/49 (49th week). Next you find the first two digits of the DLN (document locator number) 18. This identifies the service center or district office. The third digit of the DLN "2" is the true tax class. The fourth and fifth digits identify "10" as the document code. "319" is the Julian date. "008" is the blocking number. "98" is the series number and "7" is the year (1997). Then the next area is the variable data section.

3. Item 3 shows the transaction code 425, which reverses a 424. And in the DLN you have true tax class "2" which is not taxable, and is verified by the blocking code "200" which is a non-taxable 1040.

4. Item 4 is TC-300 indicating the IRS did the assessment against you.

5. Item 5 shows TC-971 and 972, which would indicate CID involvement.

6. At item 6 you find an AIMS file (Audit Information Management Systems) you want to request this file ASAP. You might receive a response of 1 to 100 pages, depending on how far along you are in the audit process.

IMFOLT ① . . .   IMF TAX MODULE   NM CTRL: PAGE 01
'18247-425-00013-9   SP-SSN   UP-CYC:50
                                                          STATUS DATE:03202000 AIMS :0

STATUS:24 FMS LEVY: FSC: 3 TOT EXEMPTIONS: 01 TDA COPYS   :4363   CAF :
INDICATORS: ARDI :1
EFT-IND: 0   DDRC :00

TC	DATE	AMOUNT	CYCLE	DLN	VARIABLE DATA
② 150	12151997 ②	.00	199749	18210-319-00898-7	RECEIVED-DATE: 11191997
140	08231995	.00	199535	74249-235-00000-5	
570	12151997	.00	199749	18210-319-00898-7	
425	12091997 ③	.00	199751	18277-343-20000-7	AIMS-SRC-CD:24 PROJ:021
					AIMS-ORG-CD:5000
595	12291997	.00	199751	18249-343-20000-7	⑥
420	12191997	.00	199753	18277-353-00000-7	AIMS-CTL-NUM:24500074
170	02151999	1,151.97	199905	18247-425-00013-9	
160	02151999	6,873.50	199905	18247-425-00013-9	

PAGE 001 OF 002   IMFPG 002

IMFOLT   . .   . ...   IMF TAX MODULE   NM CTRL:MUEL PAGE 02
                                                                  UP-CYC:50

TC	DATE	AMOUNT	CYCLE	DLN	VARIABLE DATA
300	02151999 ④	27,494.00	199905	18247-425-00013-9	DISPOSAL-CD:10
					ASED:02082002
421	02151999	.00	199905	18247-425-00013-9	
336	02151999	17,868.96	199905	18247-425-00013-9	
706	04151999	1,985.00-	199919	18247-425-00013-9	XREF:30199812
971	01172000 ⑤	.00	200001	74277-999-99999-0	ACT-CD: 061
972	06262000	.00	200024	74277-999-99999-0	ACT-CD: 061

PAGE 002 OF 002   IMFPG 001

97

TXMODP

This is another document that you can obtain by visiting any IRS office in person.

They print it out upon your request you can take it with you.

1. TXMODP, yes this document does exist and hundreds of people have obtained it.

2. Master file tax code, which in this case is a 30.

3. Here assessment date of 02/08/2002 with the "freeze" code of T which we have already covered.

4. The 150 transaction code again

5. The effective date 12/15/1997

6. Cycle date 1997/49

7. DLN

8. SFR (Substitute for return) and when you see that SFR posted you want to do a FOIA request for that document.

9. Here it actually shows that they reversed the 424, and switched you from non-taxable to taxable. If you have our level II course go to videotape 2 and refresh yourself with we taught about the TC-424 and TC-425.

10. This is the AIMS number. You want to get a copy of this audit file, (see the FOIA section).

11. TC-300 is the assessment they have placed against you.

12. TC-971 and TC-972 shows CID involvement.

TXMODP (1)   (2) MFT>30 TX-PRD>199312   NM-CTRL>.
18247-425-00013-9<DLN   BOD-CD>WI
                                    MF-XTRCT-CYC>200038 SC-REASON-CD>6T
SC-STS>24 MOD-BAL>   51,403.43   CYC>200010
MF-STS>24 MOD-BAL>   51,403.43   CYC>200010   TODAYS-DT>12/11/2000
               LAST-NOTICE>DAS   ARDI-CD>1   PRIMARY-LOC>7401
                                    FIDO-CD>74

ASED>02082002 FRZ>T   -(3) :   COLLECTION-ASGMT>74017000
CSED>02152009 INTL>   :   MOD-YLD-SCOR>34315
RSED>04151997   :

CS-CTRL-INFO>NO CASE CONTROLS
--------------------------POSTED RETURN INFORMATION--------------------------
RET-RCVD-DT>11191997   MO-DELQ>5
 FS>3   NUM-EXEMPT>01
- AGI>   76,078.00 .
 TXI>   70,628.00   PRIM-SE-INCM>74,555 .
 SET> 9,305 ·
 PMEI> 74,555

--------------------------RETURN TRANSACTION--------------------------
         T/C POSTED   TRANS-AMOUNT   CYC   T   DLN
Tax   150 12151997   0.00   199749 D 18210-319-00898-7   SFR (8)
         (4) (5)   (6)   (7)
Employee #7420218033 Page 001 of 002 PAGE 002

TXMODP   -   MFT>30 TX-PRD>199312   NM-CTRL>
--------------------------POSTED TRANSACTIONS SECTION--------------------------
        T/C POSTED   TRANS-AMOUNT   CYC   T   DLN
        140 08231995   0.00   199535   74249-235-00000-5
        570 12151997   0.00   199749   18210-319-00898-7
   (9) 424R 12091997   0.00   199751   18277-343-20000-7   SOURCE-CD>24
                                    SPCL-PROJ>021   ORG-CD>5000
        595 12291997   0.00   199751   18249-343-20000-7
        420 12191997   0.00   199753   18277-353-00000-7   (10)
                                                              AIMS-NUM>2405000074
        170 02151999   1,151.97   199905   18247-425-00013-9
        160 02151999   6,873.50   199905   18247-425-00013-9
  (11)
Tax - 300 02151999   27,494.00   199905   18247-425-00013-9
                         DISP-CD>10 ASED>02082002
        421 02151999   0.00   199905   X 18247-425-00013-9
        336 02151999   17,868.96   199905   18247-425-00013-9
        706 04151999   1,985.00- 199919   18247-425-00013-9
                                           XREF-MFT>30 XREF-TX-PRD>199812
   (12) 971 01172000   0.00   200001   74277-999-99999-0   971-CD>061
        972 06262000   0.00   200024   74277-999-99999-0   971-CD>061

Employee #7420218033 Page 002 of 002 PAGE 001

Exhibit A 1 of 1

Sample of a BMF MCC Transcript specific.

We have included a sample BMF for your review. You can locate some of the more important items for yourself on your own BMF. You will find all BMF's are formatted the same.

The sample included in this example is only three pages long, but twenty-two pages were used for decoding. These twenty-two pages do not include all the FOIA requests and other items that would be included in the decoding process.

Decoding divides the BMF into three main sections:

1   The first section decodes the first page of the BMF. Item numbers 01 to 14 are assigned to items on that first page and those numbers are written on the BMF first page. The decoding of that first page lists each item so numbered and states the appropriate interpretation or description of each item.

2   The second section deals with the transactions listed on the BMF along with the associated "document locator number", valid document number, effective date, and cycle date. Each transaction is assigned a "line number" which is marked on the BMF itself and is duplicated in the chart on page 3 and 4 of the of the sample decoding (pg. 108). Beyond the chart in the decoding document, the line number is used to identify the decoded meaning for that line and associated transaction.

3   The third section reveals the "status codes". The BMF is marked with a line number for each status code. The decoding shows a chart for the status codes with the appropriate line numbers. The chart is followed with a listing of the line numbers and the appropriate meaning for the referenced status codes.

You will be able to place this sample next to your BMF and get an idea of what decoding does and means, and what kind of record and information the BMF maintains on you.

Decoding a BMF is very similar to the process that is used to decode IMF(s). The Transaction codes Blocking numbers and Document numbers are taken from the same list of codes in the ADP manual. The entity name will be that of a trust or business, the EIN number will be formatted different than a SSN number with only one dash between the second and third digit. The address will be that of the business or trust.

Normally you will notice a TC 150 posting, this is the transaction code for an assessment. On the sample it is marked as item 11 of the first page and also

line number 102 with a line drawn to the associated DLN number. On the chart for the BMF transaction (see page 108) and the explanation of line 102 (same page below the chart) with information taken directly from IRS manuals with no conjuncture or explanation on the decoders part. This then represents substantive factual information that complies with the Federal Rules of Evidence (credible evidence) as opposed to hearsay evidence, which will never hold any weight in federal court.

Under the administrative Equity system, when one gets certain types of correspondence from the IRS, the court case has just started whether one knows it or not. What one does at that point can ultimately determine victory or defeat.

The ultimate goal here is to stay out of the actual courtroom by countering or rebutting whatever the IRS tries to do using factual, substantive paperwork based on the information contained in the administrative record (credible evidence).

In the level 2 seminar we teach how to prepare a basic chart. This chart displays the information taken from the DLN's posted to the IMF (same goes for a BMF) for that specific tax period (period may be one year or one quarter depending on the type of tax) along with the transaction code. For each tax period there will be a separate decoding and separate chart. If the IRS is trying to do mean and nasty things, this decoding will lay out in detail how they have falsified your record. We have developed a system to get this information into your record at the IRS, this will be covered in other issues.

On the sample BMF chart (page 108) you will note line number 120, 122 and next page 146 have 914 transaction codes. Looking at the decoding for those line numbers (page 115 , 116 and 117) you will see these codes represent an "Active Criminal Investigation". All three show a blocking number 300. The blocking number is a part of the DLN and represents that you are under the US-UK tax treaty. This is an executive treaty not approved by congress. This blocking series says that your are guilty of some kind of tax violation under the US-UK tax treaty and are to be treated in that manner unless you can prove otherwise.

We are trying to show you some basics concerning your BMF without overloading you with the many complex details that are part of this process.

What to look for in examining a decoding document.

1. On the first line note _I/B_ The _I_ is for IMF, the _B_ is for BMF. Without an "I" the transaction is not valid for an IMF. Without a "B" the transaction is not valid for a BMF.

2. The ADP 8-12 at the end of the first line represents the ADP 6209 manual chapter 8 page 12.

3. Just before the ADP reference there are numbers listed. These numbers represent valid document numbers for that transaction.

4. The line that starts "Document number" list the actual document number applied to the transaction and is taken from the DLN number recorded for that transaction. To be correct this number must be included in the above listed valid document numbers.

5. The blocking number determines the nature of the transaction and must be read with the transaction. In the example above "832" there is no IMF or BMF application. In the example "018" there is an IMF application, an IRA application and a BMF application.

Transaction   170 Debit I/B   Estimated Tax   IMF: 11, 12, 21, ADP 8-12
                (NPJ)   Penalty   22,
                                                  BMF: 10-14
                                                  Both: 17, 18,
                                                  24, 47, 51, 54

(1)   (3)   (2)

Computer generated self-assessment from TC 150 or manually assessed. ES penalty for failure to make adequate ES payments. Applicable to Form 990C, 1040, 1041, 990T, 990PF and 1120, except on Adjustment or Revenue Receipt input.

Document number 11   1040,1120,CT-1 ,5329,W-2(Guam),
                      1120L,1120M,1040X

(4)

(5)

Blocking number 832
IRA 800-899 Offers in Compromise

Blocking number 018
IMF 000-000 Adjustments with original return unless specified otherwise below.
IRA 000-099 All adjustments except those specified below. Non-refile DLN.
BMF 000-049 Adjustments with the original return attached, except those with math/clerical error adjustments, SC Technical adjustments, Offers in Compromise. Not valid for Forms 11C, 706, 709, 730.

001084

•SMF MCC TRANSCRIPT-SPECIFIC•   EMP NO 59-990-
                                              STOP 4030
ACCOUNT NO   05-21-2001   ①
NAME CONT-   CYCLE-2001 20
••
FOR-5999020769 BY-5999020769 ON-05 21 2001 TYP-S-02-1994 12   ②
TIME-13:58 SRC-I (STOP 4030   PROCESSED ON-141
                    IRS emp.   REQUESTED TAX MODULE FOUND ON MF
••••••••••••••••••••••••••
• TAX PERIOD 02   1994 12 •   REASON CD- ②   MOD EXT CYC-200119
••••••••••••••••••••••••
        CRINV-Z ⑦   LIEN- 493 47-665-70 05-0   CAF-1 FZ>N -ZI
TDA COPYS-   TDI COPYS-2002462   ⑨
        INT TOLERANCE- MATH INCREASE- HISTORICAL DO-59 BWNC-   BWI-
MF MOD BAL-   431,801.45   C CORP-1   2% INT DT-
                                                           GATT-1
ACRUED INTEREST-   0.00   05282001   CSED-08 24 2009   ⑩
ACCRUED PENALTY-   15,520.26   20010528   RSED-09 15 1998
FMS- IA CD-0   ARDI-2   ASED-08 24 2009

    150 06 10 1996   ⑪   0.00   1996 22
                                         07 310-125-05 26-6   CD-04181996 SRC-
            RCC-   TAX PER T/P-   ⑬   0.00
RET RCVD DT-04181996   line 102

                                                  INSTALL-0 NAICS-005600
                                         FOREIGN- EXTRETDT-
                                                   NET TAX INC-   ⑭   30,906.00-
                                                   EST TAX BASE-   0.00
                                                    PR YR BASE-   0.00
                                         UNAPPLIED CREDIT ELECT-   0.00
                                             NET CREDITS CLAIMED-   0.00
                                         CREDIT ELECT CLAIMED-   0.00
                                                  MINIMUM TAX-   0.00
                                                 PERS HOLD TAX-   0.00
                                         LARGE-0   ENV TAX-   0.00
                                                 NET RECEIPTS-   956,243.00
                                                 TOTAL INCOME-   451,820.00
                                                 TOTAL DEDUCT-   482,726.00

104 960 R 02 27 1995--------------   1995 10 07 977-459-00 627-5
                                        MF CAF CODE-

106 620 03 20 1995   0.00   1995 16 07 304-085-25 551-5

                                        TENT TAX-   2,550.00

108 460 05 01 1995--------------   1995 16 07 304-085-25 551-5
                                        EXT DATE-09151995

110 599 04 22 1996--------------   1996 18 07 949-513-60 46-6
                                        COLCLOS-71   XREF-

112 424 R 06 19 1996--------------   1996 26 59 77-171-20 00-6
••••••••••••••••••CONTINUED ON NEXT PAGE•••••••••••••••••

•BMF MCC TRANSCRIPT-SPECIFIC•   EMP NO 59-990-??7??
                                                        STOF 4030

ACCOUNT NO   05-21-2001
NAME CONT-   CYCLE-2001 20
• •
                                    SOURCE-40   ORG-1310   PROJ-   RET REQ-
                                    PTR DO-

114 420 R06 27 1996 ------------   1996 28 59 77-179-00000-6
                                    AIMS #4001310072   FOIA

116 961 01 13 1997 ------------   1997 01 07 77-459-00627-S
                                    MF CAF CODE-

118 960 R01 13 1997 -----------   1997 01 07 77-459-00627-S
                                    MF CAF CODE-

120 914 R03 12 1997 -----------   1997 12 59 77-471-30003-7

122 914 R06 13 1997 -----------   1997 26 59 77-564-30869-7

124 912 08 08 1997 -----------   1997 34 59 77-620-30005-7

126 300 10 27 1997   0.00   1997 42 07 47-679-10003-7
                                    HC2 DC11 870D   ASED

                                                            PC   A0213
                                    CLAIM REJECT DT-

128 520 R10 09 1997 -----------   1997 42 59 77-282-00000-7
                                    COLCLOS-72 PROC-   CLAIM-   PYMT-   AO
                                    CSED EXTENSION-   BLLC-

130 914 R08 28 1998 -----------   1998 36 59 77-640-30011-8

132 290 08 24 1999   0.00   1999 42 72351-236-13503-9
                                    HC   ARC   INTD   PC
                                    CORRESPONDDT-   CREDIT DT-
                                    REFUND STATUTE CONTROL DT-
                                    AMD CLMS DT-

134 300 08 24 1999   147,812.00   1999 42 72351-236-13503-9
                                    HC   DC   870D   ASED
                                                           PC AO
                                    CLAIM REJECT DT-

136 160 08 24 1999   36,953.00   1999 42 72351-236-13503-9
                                    PRC-

138 320 08 24 1999   108,409.00   1999 42 72351-236-13503-9
                                    PRC-

140 340 08 24 1999   137,974.45   1999 42 72351-236-13503-9
• CONTINUED ON NEXT PAGE •

001086

[•BMF] MCC TRANSCRIPT-SPECIFIC•   EMP NO 59-990-:
                                                          STOP 4030

ACCOUNT NO   05-21-2001
NAME CONT-   CYCLE-2001 20
••
                                    TAX MOTIVATED AMT-   0.00
                                    TAX MOTIVATED INT-   0.00
                                        INTEREST TO DT-   MSR-
                                    COMPUTE INT AMT-   0.00

142 [240] 08 24 1999   653.00   1999 42 72 51-236-[13 03-9
                                          PEN CODE-680   PRC-

144 [370] 08 24 1999   0.00   1999 42 72 51-236-[13 03-9

146 [914] 03 23 2000--------------   2000 13 59 77-483-[30 31-0

148 [961] 06 20 2000--------------   2000 26 07 77-573-[01 71-0
                                          MF CAF CODE-

150 [560] 09 14 2000--------------   2000 38 72 77-258-[77 00-0
                                          ASED-08242009   CYCLES-

152 [521] 09 19 2000--------------   2000 39 72 77-263-[00 00-0
                                          COLCLOS-   PROC-   CLAIM-   PYMT-   AO

154 [960] 09 19 2000--------------   2000 39 07 77-664-[00 88-0
                                          MF CAF CODE-

156 [160] 10 23 2000   0.00   2000 41 49 47-665-[70 05-0
                                          PRC-

158 [300] 10 23 2000   0.00   2000 41 49 47-665-[70 05-0 X
                                          HC   DC01 870D   ASED
                                                                          PC   A0253
                                    CLAIM REJECT DT-

160 [421] 10 23 2000--------------   2000 41 49 47-665-[70 05-0 X
                                          DISP CD-   SOURCE-

MF STAT-[04] 05 01 1995 EXT DT-09151995   1995 16 *Line 202*
MF STAT-[02] 01 29 1996 L NOTICE DO-   1996 04 204
MF STAT-[02] 02 05 1996 1 NOTICE DO-59   1996 06 206
MF STAT-[02] 02 26 1996 4 NOTICE DO-59   1996 09 208
MF STAT-[03] 03 11 1996 S NOTICE DO-59   1996 11 210
MF STAT-[06] 05 13 1996   0.00 1996 18 212
MF STAT-[10] 06 10 1996   0.00 1996 22 214
MF STAT-[21] 08 24 1999   147,812.00 1999 42 216

BMF DECODING
Interpretation of the first page of the Business Master File (BMF)
IRS empl <u>59-990-20769</u>   date <u>05/21/2001</u>   cycle <u>01/20</u> Account <u>35-xxxxxx</u>
Name **Business Inc.**   BMF Period **02 1994/12**

The consecutive line numbers below are matched by number marked on the BMF.

01   Not a tax protester

02   Tax year 1994 Type S-02 (Specific Business Master File)

===
Areas not Shown on this BMF
03   MFR
04   VAL
05   Crinv
06   FZ>   No module freeze code indicated
===

07   Crinv -Z   Criminal investigation indicated.
                        Freeze code -Z (unreversed TC914 posting)

08   Lien   Lien indicated with DLN # 49347-665-70005-0

09   FZ   N-ZI   Freeze codes
                        N- Notice status
                        -Z (unreversed TC914 posting)
                        -I (restricts computer computation of debit interest)

10   CSED   Collection statute expiration date   <u>08/24/2009</u>
        RSED   Refund statute expiration date   <u>03/15/1998</u>
        ASED   Assessment statute expiration date <u>08/24/2009</u>

11   Assessment <u>06/10/1996</u> DLN# <u>07310-125-05826-6</u>

12   SFR   None shown

13   tax per T/P   0.00

14   AGI   Net Taxable Inc-   30,906.00

Transaction codes consist of three digits and are used to identify a transaction being processed and to maintain a history of actions posted to a taxpayers account on the master file. Every transaction processed by ADP must have a Transaction code to maintain Accounting Controls of debits and credits, to cause the computer at the MCC to post the transaction on the Master File, to permit compilation of reports, and identify the transaction when a transcript is extracted from the Master File. IRAF; Many BMF and IMF Transaction Codes will not be used for the IRAF. Also, the definitions of several Transaction Codes are necessarily changed since there will be no offsetting or computer generated credit interest. In addition all refunds will be scheduled manually with the refunds posted to the IRAF using transaction code 840.

In this decoding document there will often appear the words debit or credit. This is determinate for that particular code.
There will often appear the initials "I", "B", "A", "E". These initials indicate to what kind of filer does the particular code apply.

Next there will often appear short title wording describing the code action.

Where you see "gen" in place of numbers indicates no forms or documents are generated for that transaction code, but the code will act as a possible key for other actions in the computer. The manual simply states "Computer Generated".

The final item in the line is ADP 8-#. This is the page number of the source of the information in the "ADP and IRS Information" (Internal Revenue Service Document 6209).

On the chart, the column third from last will appear a two digit number, this number is the document code. The document code indicates what IRS forms are triggered by the code and/or are generated. The document code on the decoding report (doc) is shown as the document number, and will also list the forms (by form number) connected to that particular number. This list is taken from "IRS Law Enforcement Manual III 3(27)(68)4.3. Attached to the decode report is an excerpted list of the forms in order (part of the above manual) showing title and area of each form. In the next to last column is a three digit number (blocking number) that is also found in the "IRS Law Enforcement Manual 3(27)(68)4.4". This number further defines the action of the particular transaction.

The Chart for the BMF transaction codes and Blocking numbers.
Line numbers have been added to your BMF to correlate to this chart.

line	code	debit	credit	eff-date	cycle-dt	julian-dt	doc	block	series
102	150	0.00		06/10/1996	96/22	125	10	058	26
104	960			02/27/1995	95/10	459/ 59	77	006	27
106	620	0.00		03/20/1995	95/16	085	04	255	51
108	460			05/01/1995	95/16	085	04	255	51
110	599			04/22/1996	96/18	513/113	49	600	46
112	424			06/19/1996	96/26	171	77	200	00
114	420			06/27/1996	96/28	179	77	000	00
116	961			01/13/1997	97/01	459/ 59	77	006	27
118	960			01/13/1997	97/01	459/ 59	77	006	27
120	914			03/12/1997	97/12	471/ 71	77	300	03
122	914			06/13/1997	97/26	564/164	77	308	69
124	912			08/08/1997	97/34	620/220	77	300	05
126	300	0.00		10/27/1997	97/42	679/279	47	100	03
128	520			10/09/1997	97/42	282	77	000	00
130	914	8.00		08/28/1998	98/36	640/240	77	300	11
132	290	0.00		08/24/1999	99/42	236	51	135	03
134	300	147812.00		08/24/1999	99/42	236	51	135	03
136	160	36953.00		08/24/1999	99/42	236	51	135	03
138	320	108409.00		08/24/1999	99/42	236	51	135	03
140	340	137974.45		08/24/1999	99/42	236	51	135	03
142	240	653.00		08/24/1999	99/42	236	51	135	03
144	370	0.00		08/24/1999	99/42	236	51	135	03
146	914			03/23/2000	00/13	483/ 83	77	300	31
148	961			06/20/2000	00/26	573/173	77	011	71

The Chart for the BMF transaction codes and Blocking numbers.
Line numbers have been added to your BMF to correlate to this chart.

line	code	debit	credit	eff-date	cycle-dt	julian-dt	doc	block	series
150	560			09/14/2000	00/38	258	77	775	00
152	521			09/19/2000	00/39	263	77	000	00
154	960			09/19/2000	00/39	664/264	77	004	88
156	160	0.00		10/23/2000	00/41	665/265	47	700	05
158	300	0.00		10/23/2000	00/41	665/265	47	700	05
160	421			10/23/2000	00/41	665/265	47	700	05

Line 102
Transaction Code 150   debit   I/B   return filed and   ADP 8-11
                                      Tax liability assessed.

                                     IMF: 05,06,07,08,10
                                     11,12,22,26,27,51,72,73,
                                     BMF: 05,06,08,09,10,11,
                                     13,35,3616,20,23,29,35,36,
                                     40-44,46,51,59,60,65,66
                                     (PSC only) 67, 71,81,83,
                                     90-93,95
                                     (EPMF) 30,31,37,38
                                     (IRAF) 11,12,21,21,22,51,
                                     73 (PMF) 69

A tax liability assessed from the original return establishes a tax
module. *BMF: Assessment may be Credit for Form CT-1. 720 and 941. See
TC 976-977 for amended return.

Transaction Code 150   I/A   Entity created by   gen   ADP 8-11
                              TC 150
This TC 150 when posted to the Entity Transaction Section indicates the
Master File Entity was created from the posting of the return.

         Document number 10   1040A,1120,1120X,4625,5310

         Blocking number 058
             IRA 000-099 All adjustments except those
             specified below. Non-refile DLN.
             IMF 050-070 Form 1040 Virgin Island (PSC)
             cover over process
             BMF 050-059 Same as BMF 000-049 above,
             except for Forms 2290 and 4638* only.

Line 104

Transaction Code 960 I/B/E   add centralized   77   ADP 8-54
                                     authorization file
                                     indicator reporting
                                     agents file

Adds CAF Indicator to the module. Causes notices and/or refunds to be
sent to authorized representative. Also can be generated when a TC 150
or 620 (BMF) with a significant CAF code posts and an unreversed TC 960
is not already posted. Also posts to the entity and sets the Magnetic
Tape Indicator.

Document number 77   3870,4356A,4356SP,2688,843,
                      2758,2350,900,4868,I127,3177,
                      3177A,3177B,2749,4907,
                      5147,4768,5558,5768,5308,
                      5466B

Blocking number 006
        IRA 000-099 All adjustments except those
        specified below. Non-refile DLN.
        MF 000-049   Adjustments with original
        return unless specified otherwise below.
        BMF 000-049 Adjustments with the original
        return attached, except those with math/
        clerical error adjustments, SC Technical
        adjustments, Offers in Compromise, Not
        valid for Forms 11C,706,709,730.

Line 106

Transaction code 620	credit	B	initial inst- allment payment form 7004,MFT 02+33; form 2758,MFT 05; form 6736,MFT 05	04,17,19 ADP 8-36

Credits the module with the remittance received with the Form 7004/2758/ 6736, and posts a tentative liability, which Is the tax amount that Is allowed installment payment privilege. TC 620 received on Doc. Code 04 extends the due date (if Condition Code "L" not present) for filing return and generates Status Code 04 for 1120, 990C and 990T or Status Code 14 for 1041 if timely, adequate payment is made.

                                            B   7004 received

If form 7004 received without remittance generates .00.

    Document number 04   2758,7004,SS4,8736

    Blocking number 255
            IMF 200-289 Forms I040X processed by
            Document Perfection. BMF 200-289 Forms
            1120X processed in Returns Analysis.

Line 108

Transaction code 460 IB   Extension of   all:77   ADP 8-25
                           time for filing   IB:gen
                                                     P:64,B/19

Doc. Code 77: IMF-Forms 2688/4868 BMF-Forms 7004/2758/8736. Establishes
a Tax Module, updates Status to 04, and updates related filing
requirements except Forms 706 and 709. Applies to 1120, 1120L, 1120S,
940, 1065, 1041, 2290, 706 and 709. For installment privileges on Form
1120 and 1041 taxes, see TC 620. Blocking series 170-199 (Form 2688).
indicates extension for time disapproved. Doc. Code 77,17 AUTOMATIC
EXTENSION FORM 4868 IMF ONLY Blocking series 500-699 indicates
Automatic Extension using doc code 19 without remittance disapproved.
Blocking series 700-999 indicates, Automatic Extension with remittance
disapproved. TC 460 can be used as secondary transaction with TC 670
requesting Automatic Extension. BMF: Generated when TC 670 with
Secondary TC 460 is input to MFT 51 module. Extended due dale on
generated TC 460 is August 15 of the following year (i.e. RDD plus
four months). Also generated when qualifying TC 620 posts to MFT
02/33/34 module with tax period 8212 or subsequent. EPMF: invalid
TC/DOC CODE

      Document number 04   2758,7004,SS4,8736

      Blocking number 255
          IMF 200-289 Forms I040X processed by
          Document Perfection. BMF 200-289 Forms
          1120X processed in Returns Analysis.

Line 110

Transaction code 599 BIE   satisfying   14,49   ADP 8-34
                                 Trans.

Return secured. Satisfies this module only. Requires a two digit
closing code for IDRS input. See Section 11 for appropriate closing
codes.

      Document number 49   3177,3177A,3249

      Blocking number 600
          IMF 600-619 URP (Timely, full paid)
          adjustments (Statutory Notices)
          BMF 600-619 Overstated Deposit Claimed.
          Non-refile DLN after cycle 8335.

Line 112

Transaction Code 424 I/B/E   examination   77   ADP 8-24
                                   request indicator

Return referred to Examination or Appeals Division. Generates
Examination opening Inventory information. Deletes record, if present,
from DIF file. This transaction can also be generated for IMF when an
IRP underreported Case is referred to Exam. Generated as a result of
input through PCS.

Document number 77   3870,4356A,4356SP,2688,843,
                      2758,2350,900,4868,I127,3177,
                      3177A,3177B,2749,4907,
                      5147,4768,5558,5768,5308,
                      5466B

Blocking number 200
       IMF 200-289 Forms I040X processed by
       Document Perfection. BMF 200-289 Forms
       1120X processed in Returns Analysis.

Line 114

Transaction Code 420 I/B/A   examination   29,77   ADP 8-23
                                   indicator

Computer generated at SC when opening record Is posted. Can be Input on
Form 3177. Indicates that return has been referred to the Examination
or Appeals Division. Generally, if TC 420 is unreversed, TC 290,291,
298 and 299 will unpost unless Priority Codes 1, 5, 6, 7, or 8 present.
(See UPO 160.330) Module will not be removed from MF TC 290 with zero
amount, 294 or 295 will post. (TC 294, 295,298, 299-BMF/IMF only.) The
return has been assigned in the Examination or Appeals Division.

Document number 77   3870,4356A,4356SP,2688,843,
                      2758,2350,900,4868,I127,3177,
                      3177A,3177B,2749,4907,
                      5147,4768,5558,5768,5308,
                      5466B

Blocking number 000
       IRA 000-099 All adjustments except those
       specified below. Non-refile DLN.
       MF 000-049   Adjustments with original
       return unless specified otherwise below.
       BMF 000-049 Adjustments with the original
       return attached, except those with math/
       clerical error adjustments, SC Technical
       adjustments, Offers in Compromise, Not
       valid for Forms 11C,706,709,730.

Line 116
Transaction Code 961 I/B/E   reverse centralized   77   ADP 8-54
                                     authorization file
                                     indicator
Reverses TC 960 and zeros module CAF Indicator. BMF: For Reporting
Agents File, posts to the entity, and zeros the Magnetic Tape
Indicator.

Document number 77   3870,4356A,4356SP,2688,843,
                      2758,2350,900,4868,I127,3177,
                      3177A,3177B,2749,4907,
                      5147,4768,5558,5768,5308,
                      5466B

Blocking number 006
        IRA 000-099 All adjustments except those
        specified below. Non-refile DLN.
        MF 000-049   Adjustments with original
        return unless specified otherwise below.
        BMF 000-049 Adjustments with the original
        return attached, except those with math/
        clerical error adjustments, SC Technical
        adjustments, Offers in Compromise, Not
        valid for Forms 11C,706,709,730.

Line 118

Transaction Code 960 I/B/E   add centralized   77   ADP 8-54
                                  authorization file
                                  indicator reporting
                                  agents file

Adds CAF Indicator to the module. Causes notices and/or refunds to be
sent to authorized representative. Also can be generated when a TC 150
or 620 (BMF) with a significant CAF code posts and an unreversed TC 960
is not already posted. Also posts to the entity and sets the Magnetic
Tape Indicator.

Document number 77   3870,4356A,4356SP,2688,843,
                      2758,2350,900,4868,I127,3177,
                      3177A,3177B,2749,4907,
                      5147,4768,5558,5768,5308,
                      5466B

Blocking number 006
     IRA 000-099 All adjustments except those
     specified below. Non-refile DLN.
     MF 000-049   Adjustments with original
     return unless specified otherwise below.
     BMF 000-049 Adjustments with the original
     return attached, except those with math/
     clerical error adjustments, SC Technical
     adjustments, Offers in Compromise, Not
     valid for Forms 11C,706,709,730.

Line 120

Transaction Code 914 IBA   Active Criminal   77   ADP 8-52
                                 Investigation

Identifies a tax module assigned to the Criminal Investigation Division.
Establishes modular freeze which causes all transactions except the
following to be unpostable: IMF only Corr. UPC 183; IMF/BMF TC 428, 910,
912, 920 and 99X; BMF only Corr. UPC 333. TC 019, 424 (SPC 049), IRAF
Corrected Unpostable Code 733. BMF/IMF: Prevents entity or tax modules
from being removed from the MF as an expired account.

Document number 77   3870,4356A,4356SP,2688,843,
                      2758,2350,900,4868,I127,3177,
                      3177A,3177B,2749,4907,
                      5147,4768,5558,5768,5308,
                      5466B

Blocking number 300
     IMF 300-309 Barred assessment. CP 55
     generated. Valid for MFT 30 and 29.
     BMF 300-309 Barred assessment. CP 155 generated.

Line 122

Transaction Code 914 IBA   Active Criminal   77 ADP 8-52
                                                   Investigation

Identifies a tax module assigned to the Criminal Investigation Division. Establishes modular freeze which causes all transactions except the following to be unpostable: IMF only Corr. UPC 183; IMF/BMF TC 428, 910, 912, 920 and 99X; BMF only Corr. UPC 333. TC 019, 424 (SPC 049), IRAF Corrected Unpostable Code 733. BMF/IMF: Prevents entity or tax modules from being removed from the MF as an expired account.

   Document number 77 3870,4356A,4356SP,2688,843,
             2758,2350,900,4868,I127,3177,
             3177A,3177B,2749,4907,
             5147,4768,5558,5768,5308,
             5466B

  Blocking number 308
    IMF 300-309 Barred assessment. CP 55
    generated. Valid for MFT 30 and 29.
    BMF 300-309 Barred assessment. CP 155
    generated.

Line 124

Transaction code 912 IBA   Criminal Investigation   77   ADP 8-52
Reverses TC 914 freeze.

   Document number 77 3870,4356A,4356SP,2688,843,
             2758,2350,900,4868,I127,3177,
             3177A,3177B,2749,4907,
             5147,4768,5558,5768,5308,
             5466B

  Blocking number 300
    IMF 300-309 Barred assessment. CP 55
    generated. Valid for MFT 30 and 29.
    BMF 300-309 Barred assessment. CP 155
    generated.

Line 126
Transaction Code 300 debit   I/B A   additional tax or   47 ADP 8-18
                                                            Delinquency assessment
                                                            By examination Division or
                                                            Collection division.
Assesses additional tax as a result of an Examination or Collection
Adjustment to a tax module which contains a TC 150 transaction.
Generates TC421 to release 42 Hold if Disposal Code 1-5,8-10, 12,13,34
and TC 420 or 424 present. If TC 420 or 424 is present, TC 421 is
generated when disposal code of 1-4, 8-10, 12 (only If Appellate Code
is 000 or if TC 300 blocked 700-799) 13, or 34. Releases freezes for
640,720, 840 or 841. IMF: Additionally releases TC 680 hold and freezes
for invalid SSN or Account Reactivation. Blocking Series 790-799 or
900-999 will generate a CP 55, BMF: Releases freezes for Joint
Committee or TC 842.

> Document number 47   2710,5351,5344,5403,5599,
>   5650,5881,5479
> Blocking number 100
>   IMF 100-129 Reserved.
>   BMF 100-129 Non-tax adjustments without
>   the original return. Non-refile DLN.

Line 128
Transaction Code 520 I/B/A   IRS litigation   77   ADP 8-28
                                                  instituted
Freeze is released by TC 521 or 522. Some CCs suspend CSED. See Section
11.06(6). For IMF only an optional CSED TIN indicator (P) Primary, (S)
Secondary or (B) Both can be used to identify which taxpayer the
extension applies to. (See Section 11 for appropriate closing codes)

> Document number 77   3870,4356A,4356SP,2688,843,
>   2758,2350,900,4868,I127,3177,
>   3177A,3177B,2749,4907,
>   5147,4768,5558,5768,5308,
>   5466B
> Blocking number 000
>   IRA 000-099 All adjustments except those
>   specified below. Non-refile DLN.
>   MF 000-049   Adjustments with original
>   return unless specified otherwise below.
>   BMF 000-049 Adjustments with the original
>   return attached, except those with math/
>   clerical error adjustments, SC Technical
>   adjustments, Offers in Compromise, Not
>   valid for Forms 11C,706,709,730.

Line 130
Transaction Code 914 IBA   Active Criminal   77   ADP 8-52
                                 Investigation
Identifies a tax module assigned to the Criminal Investigation Division.
Establishes modular freeze which causes all transactions except the
following to be unpostable: IMF only Corr. UPC 183; IMF/BMF TC 428, 910,
912, 920 and 99X; BMF only Corr. UPC 333. TC 019, 424 (SPC 049), IRAF
Corrected Unpostable Code 733. BMF/IMF: Prevents entity or tax modules
from being removed from the MF as an expired account.

      Document number 77   3870,4356A,4356SP,2688,843,
                                       2758,2350,900,4868,I127,3177,
                                       3177A,3177B,2749,4907,
                                       5147,4768,5558,5768,5308,
                                       5466B
    Blocking number 300
        IMF 300-309 Barred assessment. CP 55
        generated. Valid for MFT 30 and 29.
        BMF 300-309 Barred assessment. CP 155
        generated.

Line 132

Transaction Code 290 IB Additional Tax 54 ADP 8-16
Assessment

Additional tax as a result of an adjustment to a module which contains
a TC150 transaction. TC 290 with zero amount or TC 29X with a Priority
Code 1 will post to a L freeze module. Generates assessment of
interest if applicable (TC 196). Releases the following freezes: 0
Reactivated Account, A Duplicate Return, K Refund Hold, W 470 hold,
R 570 hold, F Advanced Payment, X Manual Refund, P 641/720, G Math
Error, J Math Error/TDA, A RPS. B Subsequent Payment, Q WPT, 680
Hold (See Freeze Code Section for specific conditions). TC 290 with
zero amount blocked 96X indicates a taxpayer penalty abatement request
was considered and rejected. Reversal is TC 290 blocked 97X. Can be
used for Civil Penalty assessments on MFT 30, 55, and 13. IMP:
Additionally releases 680 hold and freezes for Invalid SSN or Account
Reactivation. Needs reason and source codes. May need priority and/or
hold codes. BMF: Releases freezes for 842. TC 290*s, MFT 10, Blocking
Series 500-519, have been designated for FUTA use only. A Reference
Code of 998 or 999 is generated by BMF files respectively from Alpha
Code "I" or "W "along with a valid state code on FUTA Adjustments. May
need priority and/or hold codes. IMF: If a TC 888 is Input without a
TC 886, and the Taxable Income (TXI) on the tax module is greater than
.00, then the TXI is automatically adjusted by the TC 888 amount. The
TXI on the module will not be adjusted below zero.

TC 290 blocked 180-198, 780-789, 960-969 or 980-989 (MFT 55: Blocking
Series 530-539, 960-969, and 980-989. Exception: prior control is doc
code 54 blocked 59X), will generate a CP55 Notice to Refile Return.Re:
Form 1042, 290-to increase tax liability no reference # is used,
291-to decrease lax liability no reference # is used, 150-reference #
"011" to update the gross income paid See section 8 for credit
reference adj. codes.

Document number 51 514B,3413,3552

Blocking number 135
BMF 130-139 FTD penalty adjustment with
CP 194 or CP 207. Refile DLN.

Line 134
Transaction Code 300 debit   I/B A   additional tax or   47 ADP 8-18
                                           Delinquency assessment
                                           By examination Division or
                                           Collection division.
Assesses additional tax as a result of an Examination or Collection
Adjustment to a tax module which contains a TC 150 transaction.
Generates TC421 to release 42 Hold if Disposal Code 1-5,8-10, 12,13,34
and TC 420 or 424 present. If TC 420 or 424 is present, TC 421 is
generated when disposal code of 1-4, 8-10, 12 (only If Appellate Code
is 000 or if TC 300 blocked 700-799) 13, or 34. Releases freezes for
640,720, 840 or 841. IMF: Additionally releases TC 680 hold and freezes
for invalid SSN or Account Reactivation. Blocking Series 790-799 or
900-999 will generate a CP 55, BMF: Releases freezes for Joint
Committee or TC 842.

      Document number 51   514B,3413,3552

      Blocking number 135
         BMF 130-139 FTD penalty adjustment with
         CP 194 or CP 207. Refile DLN.

Line 136
Transaction Code   160 I/B/A debit   manually   47,54 ADP 8-12
                                           Computed delinquency
                                           Penalty,
A Delinquency Penalty Assessment manually computed by Audit or
Collection. Penalty is not recomputed by computer.

      Document number 51   514B,3413,3552

      Blocking number 135
         BMF 130-139 FTD penalty adjustment with
         CP 194 or CP 207. Refile DLN.

Line 138
Transaction code 320 debit IBA   Fraud penalty   47,54   ADP 8-20
Assesses Fraud Penalty. BMF/IMF: Restricts FTP Penalty on Fraud Penalty
assessed under IRC 6853(b) for returns due before 1/1/89.

      Document number 51   514B,3413,3552

      Blocking number 135
         BMF 130-139 FTD penalty adjustment with
         CP 194 or CP 207. Refile DLN.

Line 140
Transaction Code 340 debit I/B/A   restricted   IMF 11,12,21 ADP 8-21
                                          Interest   22,47,51,54,
                                          Assessment   IRAF/BMF 47,54
Restricted Interest which must be manually computed. IMF/BMF/IRAF.
CAUTION: After posting, Interest is not computed or abated by computer
for the applicable Tax Module and assessed Interest thereafter must be
computed manually and Input with a TC 340 or 341. TC34X Inputs posting
after 01/01/95 will allow the accruals of Interest to be non-restricted
from the "interest To Date" of the AMCLS or ADJ54 action unless a
reference number 221 or 222 is included with the action. IMF: TC 150
with Condition Code Z generates TC 340 for zero amount, turns on debit
restricted interest Indicator and restricted FTP penalty Indicator.
TC 500 generates TC 340,

>   Document number 51   514B,3413,3552

>   Blocking number 135
>   BMF 130-139 FTD penalty adjustment with
>   CP 194 or CP 207. Refile DLN.

Line 142
Transaction code 240 debit IBA Miscellaneous 47,54,51   ADP 8-14
Assesses miscellaneous type penalty (ie., other than those penalties
which are identified with their own TC). Assess miscellaneous type
penalty when a reference no. of zero is present (ie.. other than those
penalties which are identified with their own TC or reference no.).
In addition, a TC 240 with a significant reference no. (500-699)
indicates an assessment of a specific penalty. See Section 11.10(6)
for appropriate Reference Codes.

>   Document number 51   514B,3413,3552

>   Blocking number 135
>   BMF 130-139 FTD penalty adjustment with
>   CP 194 or CP 207. Refile DLN.

Line 144

Transaction Code 370 debit I/B/A   account   I/B:52,all 51 ADP 8-22
                                          transfer in

Transfers a tax module from Retention Register to M.F. Posts all accompanying transactions Input as a part of the transaction. This transaction inputs assessments, abatements, credits and debits which are being transferred to an account on the MF The list of valid transactions are listed in IRM 3(17)(21)0. Doc. Code 51 includes all prompt (quick and jeopardy assessment transactions if transaction goes unpostable with UPC 171, Master File will not show TC 370.

    Document number 51   514B,3413,3552

    Blocking number 135
        BMF 130-139 FTD penalty adjustment with
        CP 194 or CP 207. Refile DLN.

Line 146

Transaction Code 914 IBA   Active Criminal   77 ADP 8-52
                                 Investigation

Identifies a tax module assigned to the Criminal Investigation Division. Establishes modular freeze which causes all transactions except the following to be unpostable: IMF only Corr. UPC 183; IMF/BMF TC 428, 910, 912, 920 and 99X; BMF only Corr. UPC 333. TC 019, 424 (SPC 049), IRAF Corrected Unpostable Code 733. BMF/IMF: Prevents entity or tax modules from being removed from the MF as an expired account.

    Document number 77   3870,4356A,4356SP,2688,843,
                     2758,2350,900,4868,I127,3177,
                     3177A,3177B,2749,4907,
                     5147,4768,5558,5768,5308,
                     5466B

    Blocking number 300
        IMF 300-309 Barred assessment. CP 55
        generated. Valid for MFT 30 and 29.
        BMF 300-309 Barred assessment. CP 155
        generated.

Line 148

Transaction Code 961 I/B/E   reverse centralized   77   ADP 8-54
                                     authorization file
                                     indicator

Reverses TC 960 and zeros module CAF Indicator. BMF: For Reporting Agents File, posts to the entity, and zeros the Magnetic Tape Indicator.

Document number 77   3870,4356A,4356SP,2688,843,
                      2758,2350,900,4868,I127,3177,
                      3177A,3177B,2749,4907,
                      5147,4768,5558,5768,5308,
                      5466B

Blocking number 011
        IRA 000-099 All adjustments except those
        specified below. Non-refile DLN.
        MF 000-049   Adjustments with original
        return unless specified otherwise below.
        BMF 000-049 Adjustments with the original
        return attached, except those with math/
        clerical error adjustments, SC Technical
        adjustments, Offers in Compromise, Not
        valid for Forms 11C,706,709,730.

Line 150

Transaction code 560 IBA   waiver ext-   77B: gen   ADP 8-30
                                   ension of date
                                   assessment statute
                                   expires

Extends the Assessment Statute Expiration Date to the date input. BMF: Generated when TC 300/301 posts with a Statute Extended Date that is equal to ASED on latest dated unreversed TC 560/564 already posted to the module.

Document number 77   3870,4356A,4356SP,2688,843,
                      2758,2350,900,4868,I127,3177,
                      3177A,3177B,2749,4907,
                      5147,4768,5558,5768,5308,
                      5466B

Blocking number 775
        IMF 770-779 Adjustment to set math error
        deferred action on a module.
        BMF 770-779 Adjustment to set math error
        deferred action on module. Refile DLN.

Line 152
Transaction Code 521 I/B/A   reversal of 520   77   ADP 8-28
Records reversal of a previously posted TC 520. If TC 520 posted prior
to cycle 8624, TC 550 must be input to extend the CSED. Refer to
section 11 for specific CC reversal activity.

          Document number 77   3870,4356A,4356SP,2688,843,
                                2758,2350,900,4868,I127,3177,
                                3177A,3177B,2749,4907,
                                5147,4768,5558,5768,5308,
                                5466B
          Blocking number 000
              IRA 000-099 All adjustments except those
              specified below. Non-refile DLN.
              MF 000-049   Adjustments with original
              return unless specified otherwise below.
              BMF 000-049 Adjustments with the original
              return attached, except those with math/
              clerical error adjustments, SC Technical
              adjustments, Offers in Compromise, Not
              valid for Forms 11C,706,709,730.

Line 154

Transaction Code 960 I/B/E   add centralized   77   ADP 8-54
                                   authorization file
                                   indicator reporting
                                   agents file

Adds CAF Indicator to the module. Causes notices and/or refunds to be sent to authorized representative. Also can be generated when a TC 150 or 620 (BMF) with a significant CAF code posts and an unreversed TC 960 is not already posted. Also posts to the entity and sets the Magnetic Tape Indicator.

        Document number 77   3870,4356A,4356SP,2688,843,
                        2758,2350,900,4868,I127,3177,
                        3177A,3177B,2749,4907,
                        5147,4768,5558,5768,5308,
                        5466B

     Blocking number 004
        IRA 000-099 All adjustments except those
        specified below. Non-refile DLN.
        MF 000-049   Adjustments with original
        return unless specified otherwise below.
        BMF 000-049 Adjustments with the original
        return attached, except those with math/
        clerical error adjustments, SC Technical
        adjustments, Offers in Compromise, Not
        valid for Forms 11C,706,709,730.

Line 156

Transaction Code   160 I/B/A debit   manually   47,54 ADP 8-12
                                       Computed delinquency
                                       Penalty,

A Delinquency Penalty Assessment manually computed by Audit or Collection. Penalty is not recomputed by computer.

        Document number 47   2710,5351,5344,5403,5599,
                        5650,5881,5479

     Blocking number 700
        IRA 700-759 Mathematical / Clerical Errors
        IMF 700-739 Substantiated Math Error
        Protest with a TC 576 on the module.
        BMF 700-739 Substantiated Math Error with
        TC 420 in the module. Refile DLN.

Line 158

Transaction Code 300 debit   I/B A   additional tax or   47 ADP 8-18
                                             Delinquency assessment
                                             By examination Division or
                                             Collection division.

Assesses additional tax as a result of an Examination or Collection
Adjustment to a tax module which contains a TC 150 transaction.
Generates TC421 to release 42 Hold if Disposal Code 1-5,8-10, 12,13,34
and TC 420 or 424 present. If TC 420 or 424 is present, TC 421 is
generated when disposal code of 1-4, 8-10, 12 (only If Appellate Code
is 000 or if TC 300 blocked 700-799) 13, or 34. Releases freezes for
640,720, 840 or 841. IMF: Additionally releases TC 680 hold and freezes
for invalid SSN or Account Reactivation. Blocking Series 790-799 or
900-999 will generate a CP 55, BMF: Releases freezes for Joint
Committee or TC 842.

      Document number 47   2710,5351,5344,5403,5599,
                              5650,5881,5479

      Blocking number 700
          IRA 700-759 Mathematical / Clerical Errors
          IMF 700-739 Substantiated Math Error
          Protest with a TC 576 on the module.
          BMF 700-739 Substantiated Math Error with
          TC 420 in the module. Refile DLN.

Line 160

Transaction Code 421 I/B reverse examination   47,77,gen ADP 8-23
                                indicator

Generated at MCC when TC 300 posts with a Disposal Code of 1-5,8-10,
12, or 34 to module and an unreversed TC 420, or 424 Is present. Can
be input directly with Doc. 47 or on Form 3177. Reverses TO 420 or 424.
IRAF: Can be received only from the IMF and Is treated by IRA as a
control DLN update (TC 999). Generated as a result of Input through
PCS.

      Document number 47   2710,5351,5344,5403,5599,
                              5650,5881,5479

      Blocking number 700
          IRA 700-759 Mathematical / Clerical Errors
          IMF 700-739 Substantiated Math Error
          Protest with a TC 576 on the module.
          BMF 700-739 Substantiated Math Error with
          TC 420 in the module. Refile DLN.

MF and IDRS Collection Status Codes   **ADP 8-57**

The Master File codes are MCC computer generated as a result of the computer analysis after a transaction has posted to the Master File. The Status Code designates the current collection status at the module and will appear on the MCC transcripts and on IDRS. The ten-digit abbreviations appear on the MCC transcripts only. IDRS Status Codes which are unique to IDRS or vary in meaning from similar MF status codes are identified by *. (Reference LEM Internal Revenue Manual 3(27){68}O)

line	code	debit	credit	eff-date	cycle-dt	notice
202	04			05/01/1995	95/16	
204	02			01/29/1996	96/04	do-
206	02			02/05/1996	96/06	-59
208	02			02/26/1996	96/09	-59
210	03			03/11/1996	96/11	-59
212	06	0.00		05/13/1996	96/18	
214	10	0.00		06/10/1996	96/22	
216	21	147812.00		08/24/1999	99/42	

Line 202
04   IBA   EXT FILING   ADP 8-57
Extension of time tar filing granted. (Date of
status Is extension application filing date.)
Installment basis, when applicable, to Forms 990Ct,
990Tt and 1120t.

Line 204
02**   IBE   DEL STATUS   ADP 8-57
Return not posted: letter of inquiry mailed.

Line 206
02**   IBE   DEL STATUS   ADP 8-57
Return not posted: letter of inquiry mailed.

Line 208
02**   IBE   DEL STATUS   ADP 8-57
Return not posted: letter of inquiry mailed.

Line 210

03**   IBE   TDI STATUS   ADP 8-57
IDRS in delinquency status. **NOTE: 02 and 03 Status
Code are modified and further explained by Status
Indicators following the Status Codes. (See Sec. 11
for a definition of these Indicators)

Line 212

06   IBE   NO DEL RET   ADP 8-57
Delinquent return not filed. Collection activity
suspended while examination or criminal
investigation review, or until another tax period
posts to the Master File.

Line 214

10   IBA   RT NT EVEN   ADP 8-57
          E
Return is filed or assessed or, If MFT 13, TC 240
posted, no tax liability or even balance on filing.

Line 216

21   IBA   IMF SETTLEMENT NOTICE   ADP 8-58
Return is filed and assessed or, If MFT 13, TC 240
posted First Notice Issued. Also update to Status 21
in the cycle the duplicate freeze is present and
TC 606 criteria are met.

IRS News Release

A. Please read the next three pages of commissioner Rossotti's oral statement to the Senate Finance Committee and you will see that trusts are one of the main targets of the IRS.

B. We have found that a lot of these Trust promoters are simply selling a package they bought or stole from someone else and when it comes to defending it they don't have a clue.

C. When the IRS goes after and takes down one of these promoters the IRS then prosecutes all of his or her clients.

D. Most of these promoters have no knowledge of the FOIA request process or how it works.

E. We have also found a lot of these promoters are very knowledgeable about all those IDIOT LEGAL ARGUMENTS and they wind up helping the IRS more than their clients.

F. We have found some very good trust promoters who after seeing our FOIA program incorporate it into their program because they see the value of using it.

G. Like the last page says IRS CI has already obtained 117 convictions and has 135 open investigations including 65 promoters.

H. If you are reading this then you are moving forward in your learning process to protect yourself.

I. Any trust is only as good as the people who use it are able to defend it.

1. Like our congressman Rob Portman said, the IRS can go after anyone any time it wants.

J. FOIA, FOIA, FOIA!

IRS COMMISSIONER CHARLES O. ROSSOTTI'S ORAL STATEMENT
BEFORE THE SENATE FINANCE COMMITTEE
APRIL 5, 2001

Mr. Chairman and Distinguished Members of the Committee, I am pleased to discuss the IRS's efforts to combat an important threat to our tax administration system: namely organized tax evasion. I particularly want to commend you, Mr. Chairman, for focusing today on this threat. It is essential that the vast majority of honest taxpayers who pay what they owe under the law have confidence that their neighbors and competitors are playing by the same rules.

Today, in a wide range of guises, there are individuals and organized groups attempting to mislead or entice taxpayers into believing that there is way out of paying taxes. Some of these groups use the Internet to promote or advertise their schemes, which range from complex prepared documentation packages involving trusts and offshore bank accounts to false arguments that businesses do not need to pay employment and withholding taxes.

In 2001, the IRS issued two nationwide alert warning taxpayers not to fall victim to a number of tax scams. They included tax credits or refunds related to reparations for slavery to illegal ways to "untax" yourself. One of the schemes that has recently received considerable publicity tells employers that they do not have to withhold federal income tax or employment taxes from the wages paid to their employees. Taxpayers can get more information on this bogus scheme by going to our web site at www.irs.gov

In terms of practical impact, the most important of the various tax schemes are those that actually sell packages to upper income taxpayers that claim to permit income taxes to be reduced or eliminated. Basically, these packages use a flurry of paperwork involving domestic and offshore trusts and foreign bank accounts to appear to move income into tax-free countries or legal vehicles, while taxpayers still maintain effective control over their funds. The chart in front of you is a simplified depiction of one such scheme.

Most of those who buy into these schemes are upper-income taxpayers, professionals and business persons with at least six-figure incomes. The promoters run the gamut from bankers to convicted con men to crooked return preparers to Americans living abroad who make a living selling services in connection with these schemes.

(more)

The IRS first became aware of the emerging magnitude of this problem in mid 1996 when John Mathewson, the owner of a bank in the Grant Cayman Islands, began cooperating with Federal authorities and provided financial information on hundreds of individuals who appeared to be engaging in on-going tax fraud. In April 1997, the IRS issued an official notice publicly cautioning taxpayers to be wary of trust arrangements promising benefits that are not allowable under the tax laws.

Although we have no really accurate measures of the size of this problem, we do have enough information to know it is a major problem. One respected expert on offshore tax havens and money laundering, Mr. Jack Blum, estimates that there are $3 trillion in assets in tax haven banks and that the annual revenue loss to the Treasury is $70 billion. On October 27, 2000, the U.S. District Court in the Southern district of Florida authorized the IRS to examine the banking records of tens of thousand of U.S. persons with offshore accounts in the Caribbean.

With our new IRS organization and strategic plan in place, we are able to be much more effective in combating this threat with a coordinated strategy involving a full range of tools, from public education to civil and criminal enforcement against both promoters and participants in these schemes.

In terms of public education, we issued press releases and alerts to the public and publications for use by legitimate practitioners in educating their clients, such as our "Too Good to be True Trusts" brochure. We constantly post educational material on our web site, which is receiving over 2 billion hits this year. Recently we opened up a specialized part of our web site for small business and self employed taxpayers which provides one-stop tax information, including warnings and examples of what to beware of. A blow up of some of our web pages is shown on the chart in front of you.

One of our most important new initiatives to identify and combat these schemes is K-1 Matching. In 2002, the IRS will change its processing procedures and begin processing and matching K-1s reporting almost $700 million of income and also, importantly, reported losses on trusts and passthroughs. This will help us to find potential problem cases and to follow up with audits when necessary.

We have developed specialized training programs for our agents on these trust related topics, and on the civil side, our agents are currently auditing 17 promoters and evaluating 161 abusive schemes for possible examination or injunctive action. Earlier this year, one permanent injunction against some promoters was granted and a $1.25 million penalty assessed. Another injunction request is currently pending before a district court.

(more)

On the Criminal side, IRS Criminal Investigation has already obtained 117 convictions of individuals for illegal trust schemes and has 135 open investigations, including 65 of promoters. On February 28, 2001, CI conducted its largest and most extensive enforcement action in the history of the IRS, conducing three dozen search warrants simultaneously in a series of related investigations of suspected promoters of fraudulent trust schemes.

I should note that the civil and criminal penalties are stiff for the investors and promoters convicted of these illegal schemes. Civil fraud can include a penalty of up to 75 percent of the underpayment of the tax that's attributed to the fraud in addition to the taxes owed. Judges have recently imposed lengthy prison sentences, including one of 11 years, and steep fines against promoters.

Mr. Chairman, in conclusion, the IRS is working hard to combat the organized tax evasion that is proliferating today. I promise you that diligence and fairness will be our twin beacons. They will guide us as we seek to uncover these schemes and pursue those who promote and use them to avoid paying their taxes and put an extra burden those who do pay honestly.

X X X