IMF
OPERATIONS

Chapter 3000 General

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30(55)0 IMF Operations

30(55)1 (1-1-96)
Introduction

30(55)1.1 (1-1-96)
Purpose

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

30(55)1.2 (1-1-96)
Scope

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

(2) Returns processed to the IMF are limited to Estimated Tax Form 1040ES and Income Tax Forms 1040.

30(55)1.3 (1-1-96)
Related Text

(1) LEM 3(27)(68)0, ADP Systems Codes contains definitions, listings and descriptions of all codes used on Individual Master File source documents and outputs, including transaction and status codes.

(2) The definitions for all abbreviations used herein are also included in LEM 3(27)(68)0.

30(55)1.4 (1-1-96)
Related Projects

(1) 029 DATC/ASTA
(2) 404 Reconciliation of Withholding and Information Documents with IMF (IMF Delinquency Check)
(3) 405 Magnetic Tape Reporting
(4) 408 Processing Individual Income Tax Forms
(5) 418 Audit Selection System
(6) 438 Deceased Persons Accounting
(7) 439 IMF Account Numbers
(8) 444 Cleanup Operations
(9) 701 Accounting & Operating Reports
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30(55)2 (1-1-96)
Concept of the Individual Master File (IMF)

(1) The Individual Master File is a magnetic tape record of all individual income tax filers, in Social Security Number sequence, and is maintained at the Martinsburg Computing Center. All tax data and related information pertaining to individual income taxpayers are posted to the Individual Master File so that the file reflects a continuously updated and current record of each taxpayer's account. All settlements with taxpayers are effected through computer processing of the Individual Master File account and the data therein is used for accounting records, for issuance of refund checks. bills or notices, answering inquiries, classifying returns for audit, preparing reports and other matters concerned with the processing and enforcement activities of the Internal Revenue Service.

(a) Design—The Individual Master File is designed to accumulate in each taxpayer's account all data pertaining to the income taxes for which the taxpayer is liable. The Account is further sectionalized into separate tax periods (Tax Modules) each reflecting the balance, status, and transactions applicable to the specific tax period. This includes the returns filed, assessment, debit and credit transactions, and all changes made to the filed tax returns.

(b) Taxpayer Accounts—Each taxpayer account has an Entity Module and one or more Tax Modules. In addition to MFT 30 tax modules, an IMF account may have Civil Penalty modules (MFT 55) effective 1/1/85.

(c) Entity Module—The Entity Module contains data which describes the taxpayer as an entity and which applies to all records of the taxpayer. Detailed processes for establishing and maintaining the Entity Module are contained in Project 439 (IMF Account Numbers). This entity module contains groups of data which are maintained in separate sections as follows.

1 Entity Section—Contains Taxpayer's Name Control, Check Digit, SSN, and Spouse's SSN; name under which each income tax return was filed; current address and ZIP Code; District and Area Office handling the account (and District and Area Office holding TDA's if different); month in which taxpayer's tax year ends; type of tax return package to be mailed to taxpayer; indicators to show presence of open balance tax modules and/or TDA modules; account freezes and holds. Civil Penalty Name data may also be present.

2 Transaction Section—contains transactions which created or updated the entity module.

3 Deferred Action Section—Shows the cycle during which specified actions are to be taken, e.g., mailing 2nd notices, placing an account in TDA status, etc.

4 Audit History Section—contains information on the two most recent years which were under audit examination. The data retained includes the tax period, disposal code, audit results, and no change issue codes.

5 Offset Section—Used in communicating between different Programming Runs for the purpose of Offsetting between different Tax Modules of a taxpayer's account. When it has served its purpose, it is dropped from the file.

6 Vestigial Section—Shows data related to Tax Modules removed and recorded on the "Retention Register". Contains the tax class, cycle removed, control district office and tax period.

7 Energy Credit Tracking Section—Used by Examination Division for IMF Accounts containing residential energy credits.

8 IDRS Section—Shows modules under IDRS control indicating specific MFT, tax period and service center.

(d) Tax Module—A Tax Module contains records of tax liability and accounting information pertaining to the income tax and/or civil penalty for one tax period. Each Tax Module contains groups of data which are maintained in separate sections as follows.

1 Balance Section—This section contains the Module Balance (i.e., current debit or credit balance of tax and penalties); assessed and paid interest; Total Interest; Total Late Payment Penalty and Late Payment Penalty Assessed; Control DLN; and numerous indicators representing information pertaining to the module, some of which are: a duplicate or amended return was filed, taxpayer claimed more or less ES credits on the return than appear in the module, refund is being withheld, refund check was undelivered or redeposited, offsetting is being attempted, taxpayer claim is pending, IRS suit filed, closing code, Accounts Uncollectible, etc.

2 Status History Section—This section contains the current status of the module (i.e., current debit or credit balance of tax and penalties); if collection or refund action has been suspended, and if so why.

3 Settlement Section—Contains data necessary for return settlement such as AGI or total income, balance due or overpayment, tax liability per return, self-employment tax, ES credits claimed, overpayment credit elected to be applied to next year's estimated tax, penalties, etc. This section is deleted after settlement has been effected. The settlement section is not present for MFT 55.

4 Transaction Section—contains a transaction representing the filing of a return. This transaction contains only enough data to provide a historical record of the filing of the return and of the liability reported, late payment start date, and selected permanent audit data. In addition, the transaction section contains all transactions pertaining to the Tax Modules. They are derived from accounting input documents (i.e., tax liabilities, payments, assessments, abatements) and non-accounting transactions (i.e., Waivers, military deferment, etc.). Each tax transaction contains at least the Transaction Code, Cycle Posted, Document Locator Number, Transaction Date and Transaction Amount.

30(55)3 *(1-1-96)*
Functional Responsibilities—Martinsburg Computing Center

30(55)3.1 *(1-1-96)*
Initial Processing

Daily Transaction Input Files are received from Service Centers and controls are established per Project 709.

30(55)3.2 *(1-1-96)*
Regular Processing

(1) Validate SSN's on input transactions as specified in Project 439.

(2) Post input transactions and generated transactions to the Individual Master File consistent with established validity checks.

(3) Analyze account for offset of taxes found on F5329 for offset to IRA.

(4) Analyze accounts for offsetting debits and credits where permissable.

(5) Offset IMF overpaid modules to BMF balance due modules.

(6) Credit elect to subsequent tax periods—credit next year's estimated tax.

(7) Extract necessary data and controls for producing refund tapes for Financial Center.

(8) Extract necessary data and controls for Service Center output and message tapes.

(9) Maintain checks on all data and accounting controls.

(10) Ship output files and records to Service Center or elsewhere, as required, for preparation of final output products.

30(55)4 *(1-1-96)*
Administrative Rules

30(55)4.1 *(1-1-96)*
General

(1) Any transaction posting to the Individual Master File must contain an SSN. It must also contain a name control or check digit. The validation of the combination SSN and name control or check digit is covered in Project 439.

(2) Transactions can originate from input documents containing assigned transaction codes, amount fields input as part of another transaction or generated transactions.

(3) Each taxpayer is subject to the rules of validation. Refunds to be made are applied to outstanding liabilities if no offset restrictions. Under certain circumstances cross reference is made to a spouse's account, when the number is present, to effect settlement of the account.

(4) The criteria for TDA issuance is controlled by Project 721.

(5) All interest due taxpayer is computed on refunds to the 23C date less 12 days (13 days effective cycle 8435); offset interest to the due date of the liability. Credit interest is computed at 1% less than debit interest effective 1/1/87. Refer to 30(55)6.(12), Computation of Interest, for further details and applicable interest rate.

(6) All post-journalized transactions are assigned the 23C date of the cycle during which journalization takes place.

(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

(15) OIC (TC 480)
(16) NMFL (TC 480)
(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

(14) 18—Refund Discrepancy Unallowable
(15) 19, 20—Unallowable Partial Refund
(16) 21, 22—Audit/DP Tax Adjustment
(17) 23—ES Discrepancy—Bal due
(18) 24—ES Discrepancy—Overpayment
(19) 25—ES Discrepancy—Settlement
(20) 29—Amended Return Posted—No Original
(21) 30/30A—Estimate Tax Penalty
(22) 31—Undelivered Refund Check Notice
(23) 33—Error Delay Code—Settlement
(24) 34—Amended Return Acknowledgement Letter
(25) 35—Dup doc code 51 Return
(26) 36/36A—Duplicate Filing Condition
(27) 36C—Duplicate Filing—SFR
(28) 36D—Injured Spouse Duplicate Return
(29) 36S—Potential Scrambled SSN Duplicate
(30) 39—Spousal Offset In Notice
(31) 41—Unresolved Manual Refund Freeze
(32) 42—Spousal Offset Out Notice
(33) 44—Credit Avail Non-IMF Account (TC 130)
(34) 45/45S—Credit Elect/Subsequent Credit Elect
(35) 46—Manual Refund L or W coded return (TC840)
(36) 47—Offset to Support Obligations
(37) 49—Overpayment Adjustment—Offset
(38) 50—Form 1040EZI, Non-Compute Settlement
(39) 51—Form 1040, Non Compute Settlement
(40) 52—Adjustment in Self-Employment Income
(41) 53—Issued when EFT is not honored
(42) 55—Notice to Refile Return (See UPC 54)
(43) 57—Electronic Fund Transfer
(44) 60—Credit Reversal Adjustment Notice
(45) 62—Credit Transfer Notice
(46) 64—Tentative Carryback Notice
(47) 71/71A/71C—Annual Reminder Notice—Balance Due
(48) 83—Math Error Abatement Program Contact Letter
(49) 86—Potential Interest/Penalty Abatement
(50) 93—Duplicate Filing (Module w/TC 420 or 576)
(51) 96—Account Transfer-Out Transcript Notice
(52) 97—TC 841 Posting to module with TC 971 AC 11
(53) 98/98A—TC 930 Suspense Return
(54) 99—Missing Schedule Notice
(55) CP54—Invalid SSN
(56) CP59—Invalid S-SSN
(57) CP07—Estimated Payments Notice
(58) CP54 Q/F—Invalid SSN Notice
(59) CP32/32A—Recertified Refund Cancellation

30(55)5 *(1-1-96)*
Master File Input

30(55)5.1 *(1-1-96)*
Inputs From Service Centers and MCC

(1) Inputs to the Individual Master File include the following.
   (a) Service Center Daily Transaction Tape Files.

(b) U.S. Treasury Transaction Tape containing Undelivered Refund Transactions and Cancelled Refund Transactions.

(c) MCC Weekly Processing Input File containing Resequence, Offset, Cross-Reference transactions.

30(55)5.2 *(1-1-96)*
Merging Segmented Posting Files

The above files, after being divided into segments and merged into posting files, are subsequently posted to the Individual Master File.

30(55)6 *(1-1-96)*
Weekly Processing of the Individual Master File by MCC

30(55)6.1 *(1-1-96)*
General

Generally, transactions input to the Master File must match an established account on both SSN and Name Control or Check Digit before the transaction can post to the account. Within prescribed limits, an account is established when no account already exists for the SSN of the input transaction. Establishment and updating of the Entity (transactions coded 000 thru 082), validation of the primary and spouse SSN, and merging of accounts is controlled in Project 439. Opening of tax modules and their related posted transactions, total account analysis, balancing, controls, and subsequent output is controlled by Project 445.

30(55)6.2 *(1-1-96)*
Transactions Posted, Generated and Related Projects

(1) All system projects are intertwined in the master file posting and analysis. For ease of reference, the related projects, their primary transaction codes can generally be equated as follows.

(a) 439 IMF Account Numbers—Transaction Codes 000–082.

(b) 408 Returns—Transaction Codes 150 and penalties 17X, 20X, 35X, 43X, 540, 57X, 610.

(c) 710 Revenue Receipts—Transaction Codes 66X, 67X, 46X, and penalties, i.e., 27X, 280, 360, 47X, 61X, 64X, 68X, 69X, 70X, 71X, 72X, 73X, 74X, 82X, 84X, and 89X.

(d) 711 Credit and Account Transfer—Transaction Code 370.

(e) 714 Refund Transaction—Transaction Codes 41X, 76X, 77X, 80X, 83X, 84X.

(f) 715 Audit Adjustments—Transaction Codes 30X, 420, 421, 81X, and penalties 16X, 20X, 24X, 27X, 28X, 31X, 32X, 33X, 34X, 35X, 37X, 77X.

(g) 716 DP Adjustments—Transaction Code 29X plus penalties in (1)(f) above with a few changes.

(h) 721 Delinquent Accounts—Transaction Codes 13X, 147, 148, 149, 422, 423, 424, 425, 460, 462, 47X, 48X, 50X, 51X, 52X, 53X, 540, 542, 550, 560, 564, 57X, 59X, 78X, 81X, 91X, 93X, 971.

30(55)6.3 (1-1-96)
Return Processing

(1) When the input transaction is a return (TC 150) it designates the assessable liability. Other transactions are generated when amounts are present in the return. The generated transactions are posted to the Transaction Section and the Module Balance is updated.

(a) TC 150—Assessment Amount—This field designates the tax liability.

(b) TC 610—Remittance with Return.

(c) TC 806—Withholding.

(d) TC 636—Separate Appropriation Credits.

(e) TC 766—Other Cash Credits.

(f) TC 200—Pre-determined TIN Penalty.

(g) TC 170—Pre-determined Estimate Tax Penalty.

(h) TC 160—Pre-determined Delinquency Penalty—When the return contains a penalty code of "1", penalty is computed at 5% regardless of dates, unless FTP has been computed for that same period. Refer to 30(55)6.7.

(i) TC 270, 340 and 770—Restricted Penalty & Interest for a return containing condition code Y, R and either A or F.

(j) TC 540—for a return containing condition code "A" or "F" (deceased taxpayer).

(k) Generate TC 570 if return has condition code 3 for additional liability. Also generate TC 570 if the return is blocked 920–929 or is an SFR. Also generate TC 570 with Julian Date 999 when posting a current year return with an overpayment of $300 or more if the account contains a module in status 03 or a module with an unreversed TC 42X.

(l) Earned Income Credit—For full years (decedent with short years allowed) beginning with tax period ending date of 12/31/75, a TC 768 (CR) will be generated with return due date and TC 150 DLN if the Earned Income Credit Computer field is present. TC 764 (CR) and TC 765 (DR) will be generated from manually input line item reference number 764, 765 respectively. It is, however, available for offset or refund whether or not the input return has tax or other credits present, but freeze conditions prevail.

(m) TC 160, 170, 270 and 340—Restricted Penalty and Interest for a return containing condition code "Z".

30(55)6.4 (1-1-96)
Subsequent Processing

(1) TC 148—causes an alert for Immediate Issuance of TDA when certain non-compliance conditions are present in any of the Tax Modules in an account. For details regarding TDA's see Project 721.

(2) TC 130—indicates a Non-Master File Liability Outstanding and posts to the Entity Section as it affects all modules.

(a) This transaction does not supersede any of the automatic offsetting routines but becomes effective at the time that refundable credits are available. The account is frozen for refunding and a CP 44 (Credit Available to Non-Master File Account) is output to the appropriate Service Center advising of the amount of credit available. CP44 will not generate, and a refund will be issued if the credit per module (before refund interest is computed) is under $25. Service Center will input TC 824 (Credit Transfer) for amount used when the credit available was sufficient to offset the Non-Master File liability. The credit module is

adjusted and the remaining refundable credit is released for refund. TC 820 (Credit Transfer) is input with amount used when the credit available was not sufficient. The Credit Module is adjusted and the freeze is retained to preclude refunding of future refundable credits. An account frozen by TC 130 is released with a TC 131 or 824.

(b) Reactivation of NON—IMF Liabilities—Additional analysis will be performed when TC 130 contains a closing code 03, 12, or 24–32. The closing code should correspond to an account written-off via TC 530 with similar closing codes on either BMF or IMF.

1 Change any previously posted TC 130 to 132 (except DMF TC 130).

2 Generate a TC 996 to BMF when the TC 130 contains a TIN and BMF name control in addition to the closing code and conditions outlined in Project 721 for COA, TPI, or UTCON type TDA's are met. For TC 996 generation, TC 130 and closing code will be treated the same as TC 530 and its related closing code. The TC 996 will contain IMF and BMF TIN and Name Control, closing code, and current IMF address data including current location code.

(3) Transactions Identified by Document Code 17, 18, 24, 45, 48, and 58—The input may contain both a Primary and Secondary transaction. These records, when identified, will be separated into two input transactions if transaction codes appear in both the Primary and Secondary transaction fields. These transactions will use the common record data from the input record such as Name Control, Check Digit, SSN, MFT, Period and DLN. The primary transaction field (which will be acceptable without a transaction date or amount) will always be used on every input record. The secondary transaction field, when used, will be for non-prejournalized transaction only. For secondary transactions, the transaction date will be generated by the computer in the normal manner for assessments. The majority of these input records will use only the primary transaction field. Other fields when not used will be blank. The Net Balance of the module is updated as each transaction is posted to the Tax Transaction Section. Exception: Transaction Codes 19X, 33X, and 34X update "Interest Assessed". Transaction Code 680, 670, and 640 may update "Interest Paid", Tax Balance Section.

(4) IDRS document code 24/48 transactions will post with cross reference tax period, SSN information, (beginning 1981 PY), and MFT (beginning 1985 PY).

(5) Combination debit/credit transactions are input with document code 34 and are processed as follows.

(a) These transactions contain cross-reference name control, SSN, MFT, 570 indicator, Correspondence Received Date and the period ending date. The debit amount is in the secondary amount field and the primary amount field contains zeros. The primary transaction code may be any of the following and must meet the posting validity checks. Otherwise, the entire transaction is unposted—612, 642, 662, 672, 682, 692 and 695. Where the (secondary) amount is greater than the amount of the transaction to be reversed, the entire transaction is sent unpostable (Code 189). Otherwise,

(b) the primary input transaction is posted using the secondary amount; and

(c) a resequence transaction is generated and contains all primary data substituted for secondary data (and vice versa) including the amounts with their signs reversed.

(d) Generate a CP 62 if the correspondence received date is significant.

(6) TC 930—indicates return required suspense. May contain Form 3520 indicator which provides a fact of filing. Opens a tax module for tax period requested and generates CP 98 Transcript Notice when the return posts.

(7) TC 534/535 Expired Balance Write-off and Reversal.

(a) TC 534 can be input with a zero or significant amount. If input with a significant amount, credit the net module balance and restrict interest and FTP penalty computations.

(b) TC 535 reverses TC 534 in whole or in part by debiting the Net Module Balance. If the amount completely reverses TC 534, remove the interest and FTP penalty computation restrictions.

(c) Unpost TC 534 with UPC 193 if the earliest CSED as extended has not expired or is not within 6 months of expiring, or the input amount is greater than the Net Module Balance.

(8) TC 604/605

(a) TC 604 will be generated to credit the module for the entire credit module balance when posting TC 971 AC 31 or 32.

(b) A TC 605 will be generated when posting a TC 972 AC 31 or 32. The TC 605 will be the same amount of money as the TC 604.

30(55)6.5 (1-1-96)
Unpostable Conditions

(1) For the master file, IMF unpostable codes are 3 digits with a 1 digit reason code.

(2) UPC 100 thru 299 are validated at MCC as prescribed in Projects 445, 439 and 723. In posting transactions to the IMF, many validity checks are performed to insure that correct data is posted and that erroneous conditions are not created in the account. Those transactions not meeting the validity checks are rendered unpostable and assigned an appropriate code. The types of validity checks can be grouped as follows.

(a) If no module exists for the period, a module will be created only by those transactions permitted to perform this function.

(b) Generally, reversal and correction type transactions may not post unless the original has posted. For example—a TC 171 (Abatement of Estimated Tax Penalty).

(c) When attempting to post reversal and correction transactions, further validity checks are made to insure that the amount does not exceed the amount of the original transaction.

(d) In addition to the above validity checks, the transaction date of some reversal and correction transactions must match the date on the original transactions. When all transactions for a taxpayer's account have been posted, an analysis is made of those modules to which any transaction has posted or which is coded for activity this cycle.

30(55)6.6 (1-1-96)
Return Analysis

(1) Analysis of the posted return as set forth below is performed only once, i.e., during the cycle in which the return posts.

(a) Selection of returns for Audit Discriminant Function—Returns are coded for various automatic, formula, or special selection. Details concerning techniques of classification are in Project 418. Various audit projects result in a refund freeze and special handling of notices, i.e., Joint Committee Cases, International Non-Resident Alien, TCMP, Abusive Tax Shelters and Unallowables Project.

(b) Form 1040C—Credits with return are input as Estimated Tax Payment TC430 Doc Code 61.

(c) Unallowable Partial Refund—Generate TC 576 whenever Audit Codes E, F or G are present and the module is in Credit Balance unless any TC(s) 918, 916, 914, 420, 424, or, Audit Codes L, N or V (allow TC 576 generation despite Audit Code V when the TC 150 contains Unallowable Code 81 or 83) are present. The amount to be the Unallowable tax amount is not to exceed the Total Credit Module Balance unless the Excess ES Credit Freeze is on, then the TC 576 amount will be specially limited.

1 Set the Unallowable 57 Hold and resequence all other "debit" transactions until this hold is released. Exceptions are: UPC 160 or 170 applies; TC 667, 896; TC 290 with priority code 6; TC 291 with priority code 7; TC 840 amount equals the latest TC 740; or TC 30X.

2 Release TC 576 Partial Refund Hold when posting a TC 30X, 571, 572 or TC 421 (doc. code 47) with disposal codes 20–25, 27, 29, 31–33, 35 or 36 and generate identical reversal TC 577.

30(55)6.7 (1–1–96)
Delinquent Return

(1) The due date for returns are as follows.

(a) Forms 1040, 1040A and 1040EZ is the 15th day of the fourth month after the close of the taxpayer's tax year.

(b) International return with DO 66 or 98 except Doc Code 72 and 73, a two month extension for filing is automatic. For Tax period 7612 only, an automatic extension of 3 months is applicable. For Tax Period 7712 only, an automatic extension of 10 months is applicable if the Form 2555 has also been filed.

(c) 1040NR with Doc Code 72, is the 15th day of the 6th month after the close of the taxpayer's tax year. 1040NR with Doc code 73 is the 15th day of the fourth month after the close of the taxpayer's tax year.

(2) Any return having a transaction date later than the due date plus grace period, and the tax liability exceeds the sum of all payments and credits as of due date, is subject to a delinquency penalty unless:

(a) an extension of time for filing has been posted and the return has been filed on or before the Extended Due Date;

(b) there is reasonable cause;

(c) TC 160 (Predetermined Delinquency Penalty) is present.

(d) TC 150 contains doc code 51 or 52.

(3) Computation of Delinquency Penalty—if extensions have been granted but the return is not filed within the extension date, penalty is computed from Extended Due Date. If there are no extensions, normal due date is used.

(4) Delinquency penalty is computed at 5% on those returns so coded, unless FTP has been computed for that same period. Effective 8601 or subsequent, if FTP has been computed for that period, compute delinquency Penalty at 4 ½. For all other, the penalty is 5% for each month (or fractional month) of delinquency but not to exceed 25%. This penalty rate

is applied to the balance due and a TC 166 for the penalty so computed is generated and posted to the module. A minimum delinquency penalty will be assessed if the return due date (including extensions) is after 12/31/82 and the received date is greater by 61 days. Minimum penalty shall not be less than the lesser of $100 or 100% of the amount shown as "Tax Due" on the return.

(5) Recomputation of Delinquency Penalty will be computer generated (TC 166) or (TC 167) if:

(a) Delinquent Return Switch is "I", Reasonable Cause Switch is off, and

(b) TC 460 posts a later extended due date then previous return due date or extended due date, or TC 462 posts restoring the original return due date; or

(c) Transactions Post which change the balance of tax due as of return due date.

(d) TC 162 posts.

(6) No recomputation of delinquency penalty is made if:

(a) TC 160 or 161 is present; unless reversed by TC 162;

(b) a transfer on Doc Code 51 or 52 is input;

(c) TC 150 is posted prior to 1/1/72;

(d) Return contains "Reasonable Cause"

(e) The Entity Combat Zone (ECZ) Indicator is set.

(7) If Adjustment Notices are not being issued this cycle as a result of TC 29X or 30X posted, and account is in non-TDA status, issue Adjustment Notice CP 21 or CP 22 per Project 715/716, if the current balance is $1 or more.

(8) Send Unpostable 179,

(a) TC 290/291 with significant amount and without TC 160/161/162 and the delinquent return switch is set, and significant TC 160/161 present in the module.

(b) TC 300/301 for significant amount without TC 160/161/162 and the delinquent return switch is set.

30(55)6.8 (1–1–96)
Estimated Tax

Posting Form 1040ES—Form 1040ES is posted to the Transaction Section of a tax module as a TC 66X, or a TC 430 (long entity) with an amount paid. Form 1040ES without remittances are not input.

30(55)6.9 (1–1–96)
Estimated Tax Penalty

(1) At return settlement time the posted transactions are analyzed to determine if an ES Penalty is applicable. An ES Penalty may also be computed after return settlement when posting and/or reversing timely credits. NOTE: Return posting to the Invalid Segment of the IMF will not stop assessment of penalty if applicable.

(2) Penalty rates are determined by the interest rate in effect for that period.

(3) ES Tax Base is the lesser of Acceptable Total Tax or Total Tax per Taxpayer (or Taxable Social Security RCMPT-CMPTR for returns posting in any cycle of 85) minus Minimum Tax, ALT Min Tax, (TY 8511 and prior), Social Security (URT/FICA) Tax on Tip Income not reported to employer, Uncollected Employee FICA and RRTA Tax on Tips (UPT/FICA), EIC, credit for Federal Tax on Special Fuels and Oils, WPT credit and Regulated Investment credit.

(4) When any of the following conditions are present the return is excluded from further analysis.

(a) Return contains computer generated condition code "P" indicating that ES Penalty is not applicable because income is below legal accepted tolerance.

(b) The return contains self-assessed ES Penalty (TC 170), there are zero estimate credits shown in module and no ES credits are claimed on the return. However, if a return contains a pre-determined ES Penalty (TC 170) and more ES credits are claimed on the return than are present in Taxpayer's account override exclusion and compute penalty. Retain an indicator of this "override" condition when a new ES penalty is generated overriding manual condition code "P" or TC 170 and print as an "E" on settlement notices.

(c) Transferred in return.

(d) Return is for tax period ending 6804 thru 6811.

(e) If ES Tax Base minus withholding is less than: $100 for TY 81 and prior; $200 for TY 82; $300 for TY 83; $400 for TY 84; $500 for TY 85 and subsequent.

(f) Return is for a Farmer or Fisherman and it was received and paid in full on or before the 75th day after the tax period. If preceding taxable year taxpayer was a Farmer/Fisherman then process as a Farmer/Fisherman even if the current year is not eligible.

(g) Non-Farmer/Fisherman return is full-paid and filed on or before the 46th day following the end of the tax period.

(h) Short year returns ("Y" coded with a change in Tax Period).

(i) Return is 1040NR Doc Code 72.

(j) The Entity Combat Zone (ECZ) Indicator is significant.

(5) If penalty is not precluded by (4)(a) above, the following analysis is made for possible penalty assessment. NOTE: When analyzing a return for possible penalty and the return is for a period prior to 8812 all references to 90% are to be 80%, 70% for a period prior to 6712.

(a) Settling returns prepayment credits to be used for selecting returns for ES Penalty computation is the sum of TC 71X (except TC 716 in the cycle the TC 716 posts), 80X (including withholding tax from income return) TC 666, 667, 76X excluding Doc Code 08, TC 43X, unreversed 660, unreversed 610, unreversed 670, and remittance with return (including TC 97X) with a DLN control date on or before the 30th day following the tax period.

(b) If taxpayer has a settled return for the immediate preceding year, compare prepayment credit (per a. above) to Acceptable Total Tax Liability (including S.E. Tax, less Minimum Tax, Social Security Tax on Tip Income and Uncollected Employee Social Security Tax on Tips) less prior year liability limit. If prepayments are less, make analysis as per c. below, otherwise exclude current return from penalty.

(c) Compare prepayment credits per (5)(a) above to 90% (66 ⅔% if Farmer or Fisherman) of settling returns Total Tax per Taxpayer (including self-employment tax, less minimum tax, Social Security Tax on Tip Income and Uncollected Employee Social Security Tax on Tip Income). If prepayments are equal or greater—exclude from penalty computation. If prepayments are less, the penalty is to be computed.

(6) If credits are insufficient to preclude computation of penalty, the available credits are analyzed by dates and amounts and penalty applicable to each installment is computed. (For International returns due date, see Delinquent Returns.) When the total penalty exceeds tolerance, a TC 176 (generated ES Penalty) is generated and posted. This amount is added to the module balance and will be included in return settlement 1st Notice.

(7) A percentage of forgiveness is computed by dividing the sum of wages plus pensions by the AGI. The estimated tax penalty will be multiplied by the percentage to determine the amount of penalty to be waived. This processing is effective for tax periods 8712–8811.

(8) If the taxpayer is considered "High Income", compute ES Tax Penalty using the prior year tax base for the first installment only. The difference between the first installment prior year base and current year base must be added to the second installment due amount. "High Income" taxpayers are taxpayers with an ES Penalty or ES Payment within the 3 prior years and an AGI over $37,500 and be greater than $20,000 over the prior year amount for FSC 3. For FSC other than 3, the AGI must be over $75,000 and be greater than $40,000 over the prior year amount.

(9) For tax periods 9412 and later, for high income computations, compute using the lesser of 90% of the current year ES Tax Base on 110% of the Prior Year ES Tax Base.

30(55)6.(10) (1–1–96)
Analysis and Application of ES Prepayments Claimed and Posted

(1) In effecting settlement of a return, Prepayment Credits Posted are compared to the ES Credits Claimed on the return. For 1040SS and 1040PR returns, no cross-reference to spouse's account is made for determining the issuance of an Estimate Tax Discrepancy Notice. If an ES Credit Transferred—In (TC 666) is present the module is settled using credits posted because this indicates that credit from a spouse's module has been transferred in.

(2) The Prepayments Posted are allowed in settlement and an Estimate Tax Discrepancy Notice is issued if the ES Credits Claimed are equal to or within the given tolerance of the Prepayments Posted.

(3) If ES Credits Claimed are less than Prepayment Credits Posted by given tolerance or more, the ES Credits Claimed are allowed in settlement; however, if this results in a balance due, additional prepayments are allowed (up to the excess amount posted) to bring balance to zero. If any remaining unapplied excess prepayments posted are less than the given tolerance they are allowed in settlement and an Estimated Tax

Discrepancy Notice is issued. However, if the remaining excess prepayments posted are equal to the tolerance or more, they are frozen to make credits available for transfer when claimed by a spouse. The freeze is not imposed if there is an indication that a claim on these excess credits cánnot be made or will not be made by a spouse. The claimed overpayment is refunded manually.

(4) If ES Credits Claimed exceed ES Credits Posted by the tolerance amount or more and either Return or ES Declaration contains a spouse's SSN search the DMF for the spouse's SSN and if found, generate a resequence record under TC 667. The module is frozen from settlement, refund, offset-in and offset-out until a transaction (TC 666) credits the module for the excess ES Credit Claimed or a TC 666 with a zero amount. A non-joint return is coded to take credits from the spouse's module ONLY if joint credits are available. If no secondary SSN is on the return or ES Declaration, the return is settled with credits posted and an estimate tax discrepancy notice is issued.

(5) An ES Credit Transferred-In (TC 666) is always sent back to the original account whether or not the spouse's account is found and whether or not credits were transferred.

30(55)6.(11) *(1-1-96)*
Debtor Master File (DMF)

(1) The DMF will be initialized for the valid segment:

(a) At conversion when there is an ES credit present in a module and there is either a return present with the Excess ES Credits freeze or no return present;

(b) Weekly by issuance of an update record whenever an ES credit posts to a module (excluding current year plus one)' with no return present. Do not issue an update record if the DMF has already been initialized for that account or if the module balance is not credit.

(2) Issue a weekly delete record to DMF when all modules within the account that meet the conditions in (1) above have:

(a) TC 150 posted without the Excess ES Credit freeze and/or,

(b) TC 667 posted or attempting to post.

(c) TC 026 posts.

30(55)6.(12) *(1-1-96)*
Failure to Pay Penalty

(1) These requirements are criteria for computing or recomputing of a failure to pay penalty. This penalty is applied where there is an unpaid tax liability as the result of a return posting or a deficiency adjustment posting, and there is no exclusion for failure to pay. NOTE: Effective 8601 and subsequent, FTP and Delinquency will be assessed concurrently. Prior to this change FTP was not computed for any month during which Delinquency Penalty had been charged unless Minimum Delinquency had been assessed.

(a) START DATE—This date indicates the penalty month and its beginning date. It normally will be return due date or extended return due date. However it may under certain circumstances be the notice date. Delinquent returns, timely filed returns, extended returns, transferred returns and deficiency adjustments are analyzed in detail for this determination.

(b) SUBSTITUTE DATE—When the penalty is not applicable to a prior amount or tax period and a tax adjustment posts, the adjustment date establishes the 1st penalty month and its beginning date.

(c) MONTH—is the period that begins with the day in the START or SUBSTITUTE DATE and terminates with a day numerically corresponding in the following calendar month. When the start day is the last day of a calendar month, the month period is the calendar month. If it is in the month of February and there is no corresponding date, consider the last day in February as the ending date.

(2) Without an automatic extension for filing, returns with a period ending date of 12/31/69 or later and tax adjustments posting 1/1/70 or later are considered for penalty. If an automatic extension is present, those returns with a period ending date of 12/31/71 or later are used.

(3) Exclusions from penalty are listed below.

(a) Reasonable Cause

1 Condition Code "M" input with TC 150

2 TC 270 (Manual Assessment) or TC 271 (Manual Abatement) Exclude TC 271 RC 62.

(b) Military Deferment (including those accounts with a significant Entity Combat Zone (ECZ) Indicator).

(c) Transfer-in transactions.

(d) Net of TC 150, 290, 291, 300, 301 equals zero.

(e) Unreversed TC 534 with significant amount.

(4) Determine the number of months and fraction of a month (a fraction will constitute a month) not to exceed 50 months, commencing with the START or SUBSTITUTE DATE to the interest computation date that the tax is unpaid. NOTE: Prior to cy 8601 when a delinquency penalty had been assessed and was used to determine START DATE, no FTP may have been computed during this same period of time and the maximum of 50 months was reduced by the number of months used to determine delinquency penalty. This did not apply when Minimum Delinquency Penalty had been assessed.

(5) Determine the amount on which to compute penalty by establishing the net amount of unpaid tax at the beginning of each month, starting with the applicable START DATE. Unpaid tax at the beginning of any month is the algebraic sum of tax assessments and abatements as of that date and all unreversed credits with transaction dates or effective dates on or before that date. (Penalty does not apply to assessed interest or penalty amount.)

(6) To compute or recompute the FTP penalty, arrange the transactions into effective date sequence. Determine the net unpaid tax as of the beginning of each month and multiply the unpaid tax for each month by .5% to get the monthly penalty. If status 58 or TC 370 with document codes 100–119 or 140–149 is present, FTP will be computed at 1% per month. FTP will also be computed at 1% for TC 971 AC35. Accumulate monthly penalty amounts to determine total penalty. When tax adjustments are present, dates for the adjustments and penalty computations must be compared. In addition all credits must be adjusted so that they are not considered in penalty computation.

(7) The FTP penalty is assessed with issuance of 1st Notice at return settlement time and at issuance of Adjustment Notice CP 21 or 22 when module is in non-TDA status. When the penalty is paid, apply the credits to assessed tax, penalty and interest in that order. If the module balance is still credit assess any unpaid FTP penalty (not to exceed amount of available credit). Should a credit balance remain, satisfy the unpaid interest and/or offset or refund as applicable.

(8) Accrue the penalty whenever the total penalty due is greater than assessed penalty.

(9) When the total penalty as determined by recomputation is less than net assessed penalty, abate an amount equal to the differences. Never abate penalty in excess of amount of net penalty. Generate the FTP Penalty Abatement but determine whether the transaction should be unposted or abated.

(10) When a manual FTP penalty posts the penalty assessed will be updated to equal the amount of the manual FTP penalty, a restriction against computer generation of the penalty will be set, and the module balance will be updated for the manual FTP penalty amount. When a manual abatement is encountered, it must be equal to or less than the assessed FTP penalty otherwise it will unpost. If it does post update the module balance and penalty assessed amount and restrict computer generation of the penalty. When posting a FTP penalty restriction deletion it will unpost if a manual FTP penalty or a manual FTP penalty abatement isn't present; otherwise release the restricted computer generation freeze and recompute penalty.

(11) Establish an FTP free period for TC 520 CC 81, 83, and 85–89.

30(55)6.(13) (1–1–96)
Computation of Interest

(1) General—Interest is computed from the due date, at the rates and for the periods listed in IRM 31(59)0.

(2) Tax Motivated Assessments—TC29X/30X containing credit reference number 221 will cause interest to be computed at 120% and 100% of the effective interest rate on the CRN amount. Normal interest computations will be done on the tax adjustment amount. This processing is obsolete 1/90.

(3) Definitions of Interest Terms and Codes

    (a) Assessed Interest—is the interest recorded on the Tax Module.

    (b) Accrued Interest—is the term for expressing the difference between interest assessed and total interest due at any given date.

    (c) Interest Due—is the total interest due and includes both interest assessed and interest accrued.

    (d) Interest Recomputation—is the method of arriving at interest due by recomputing interest on balance from transaction to transaction.

    (e) Abate Interest—this constitutes a reduction of interest assessed by a partial or full reversal.

    (f) Interest Paid—is the term given to credits which are applied against assessed interest.

    (g) Credit Interest—defines interest due the taxpayer which has not been refunded.

    (h) Interest Tolerance—describes certain allowances made for underpayment or overpayment governed by administrative policy.

(4) Recomputation of Interest—consists of resorting all money amount transactions to be in effective date sequence and computing interest on balance from transaction to transaction. When all transactions are sorted, a liability as of due date (due date of penalties is assessment date) is established and interest is computed on that liability to the date of the next transaction. The new transaction amount will be algebraically added to the unpaid liability, and interest on this new balance is computed to the next transaction. The new transaction amount is algebraically added to the unpaid liability, and interest on this new balance is computed to the next transaction date and so on thru all transactions posted. If for any period balance becomes credit, no interest is computed.

(5) Effective Dates—In addition to transaction dates and 23C dates, effective dates must be used for certain transactions under the recompute method.

(a) An effective date is, in fact, a substitute date which is used when the actual transaction date, if used, creates erroneous interest. When a transaction using an effective date is reversed, the reversal will have to bear the same effective date as the original transaction.

(b) Generally payments (within tolerances) assume an effective date of 23C date of notice. Non-computes and FOD have different tolerances.

(c) Any credits dated prior to return due date assume effective date of return due date.

(d) Certain transactions use an Interest Computation Date as the effective date.

(e) Effective Cycle 8326, TC 71X effective date will be the later of the TC 71X transaction date or RDD. Effective Cycle 8429, TC 71X effective date will be RDD of the gaining tax period. Effective cycle 9027, TC710 and TC712 use an effective date of the later of RDD or transaction date.

(f) TC 240 with reference numbers 510-518, 601—603, 606 or 611 will use an effective date of April 1, following the year of assessment.

(g) TC 240 with reference numbers 680 and 681 will use an effective date of the later of RDD, extended RDD, or July 18, 1984.

(h) TC 16X on returns posting cy8501 and subsequent will use an effective date of the later of RDD, extended RDD, or July 18, 1984 for interest computation. EXCEPTION: If minimum delinquency does not apply and TC 166 was assessed as the result of a non-math error TC 150, interest will be computed at 90% of the TC 166 amount using an effective date of the later of RDD, extended RDD, or July 18, 1984. Interest on the remaining 10% of the TC 166 will be computed from the transaction date of the TC 166.

(i) TC 83X uses an effective date of the later of RDD or transaction date.

(6) Interest assessments are made only at the following times.

(a) On First Notice (including Adjustment Notices when non-TDA).

(b) When paid—to the extent of Interest Total.

(c) When interest is to be assessed as above, generate a TC 196 for the amount to be assessed, use the current 23C date and control DLN. If abatement is required—generate a TC 197 with same requirements as the TC 196.

(d) TC 29X/30X containing CRN 221 will cause the generation of a unique TC 196/336. This unique TC 196/336 will be in addition to normal TC 196/336 generation, Obsolete 1/90.

(7) Recomputation and Abatement of Interest and FTP Penalty. To avoid erroneous refunds, modules activated after refund statute has expired are not computed for credit interest.

(8) Computation of Interest due U.S. No interest is computed prior to original due date of return. Extensions of time for filing do not relieve the liability of interest. At return settlement interest is computed on the outstanding liability of $1 or more from due date to the 23C date of the first notice. Interest for second notices is recomputed to the 23C of the first notice. Interest is recomputed for TDA's to the 23C date plus 14 days. Interest for transcript purposes is recomputed to the 23C date of transcript or, if already computed beyond that date, to the date computed, in order to show the accrued interest on the transcript. Audit and DP Tax Adjustments require a complete recomputation of interest and a separate computation for the interest application to the adjustment. When TC 640 amount equals/exceeds the additional assessment with the TC 300, compute interest to the 640 transaction date, or the 870 date, plus 30 days, whichever is earlier. Debit interest for MFT 55 will be computed from the 23C date of the assessment, unless a substitute date per (4)(f) or (4)(g) above applies.

(9) Associate Credit Reversals with the Original Credit—They are defined as reversal of erroneous posting recognizable by the reversal code of 2 in the Transaction Code (except 843 is reversal of 841), dishonored checks are identified by the payment transaction with a reversal code of 1, and when the reversal transaction posts that portion of the original transaction reversed is indicated by a reversal code of 3.

(10) Interest on Overpayments—No interest is payable on refunds when the 23C date less 3 days is within 45 days of the return due date, date the return was filed, or return processable date, whichever is later. Interest on MFT 55 is computed from the date the credit is available. (Interest is not allowed on any refund made within 60 days for tax year beginning in 1974 only—excluding Doc Code 33, 72 and 73.) Interest on refunds is computed from the later of RDD or return processable date to the 23C date less 12 days (13 days effective cy8435). Overpayment interest on offsets is computed in the gaining module or when the application is made to a non-master file account by the individual preparing the adjustment. On delinquent filed returns that are dated 10/4/82 or later and not processed within 45 davs, use the later of received date or return processable date, in lieu of RDD for all computations of credit interest.

(11) If an adjustment contains an IRS Received Date. If the 23C date is w.thin 45 days of this date, compute credit interest to this date. If an adjustment contains priority code 3, compute credit interest to the 23C date less 58 days.

(12) When a Designated Payment of Interest posts, apply and pay interest to extent interest is due (after recomputation) without tolerance consideration. When this posting would cause interest paid to exceed total interest, the excess is applied to module balance.

(13) Restricted Interest—when the restricted interest indicator is turned on, it stops any further computation of interest due the government but does not stop computation of interest due the taxpayer.

(14) Necessary Computer Steps in Interest Recompute

(a) Table TC 840 or TC 846 matching the transaction date of a TC 844 at the Date of Demand on the posted unreversed TC 844 up to the memo amount in the TC 844. If the TC 840 or TC 846 exceeds the memo amount or if the TC 844 does not contain a memo amount continue with 2. below.

(b) Assign the transaction date as the effective date for TC 840 that does not contain credit interest and TC 846.

(c) When actually recomputing, if any transactions coded 820, 824, 826, 830, 836, 840, with credit interest 843, 890, or 896 (except IRA (MFT 29) TC 896) are present, the debit is distributed in reverse chronological sequence. This matching of the debit with the individual credits is necessary in order to have a continuous liability. When a credit has been reversed, which was part of one of the transactions mentioned above, it is necessary to use the debit transaction date in the amount of the reversal in the Recompute. The effective date of refunds and/or offsets resulting from tax abatements (TC's 295, 299, 305 & 309) are made equal to the tax abatement interest computation date to prevent erroneous assessment of interest when all or part of a tax abatement is reversed. TC 840 or TC846 will use the Date of Demand of any TC 844 as its effective date up to the memo amount of the TC 844. If the TC 840 or TC 846 exceeds the memo amount, continue backoff procedures. TC 840 or TC 846 that do not contain interest are not subject to backoff procedures if TC 290/291/300/301 for a significant amount has posted cycle 8909 and subsequent.

(d) When TC 271 and/or 277 are present in a module, determine amount of FTP abatements and total amount of FTP assessments (TC 270 and/or TC 276) then compare amounts.

1 If abatement and assessment amounts are equal exclude all TC 27X transaction from interest recompute.

2 Otherwise reduce penalty assessment(s) commencing with the earliest posted assessment to the extent of the available credit (abatement(s)).

(e) When the module contains TC 161 and/or 167, determine the total of the posted delinquency abatements and compare this total amount to delinquency assessments (sum of TC 160 and/or TC 166 posted).

1 If equal: exclude all TC 16X from interest recompute.

2 If unequal: reduce amount of penalty assessments, commencing with the earliest posted assessments to the extent of the available credit (ABATEMENT). Exclude from recompute the affected penalty assessment TC's and their amounts.

(15) Refund Reversals—Whenever a refund reversal posts, a debit transaction must be generated for the amount of interest included in the refund (however, it is not generated if the amount of interest is greater than the refund amount). Whenever the check cancellation is reversed and no money transactions have posted since the undelivered refund freeze was initiated, a credit transaction must be generated for the same amount as the above debit transaction. If any money transaction (other than the above debit transaction posts) interest due the taxpayer is computed to the current 23C date less 12 days. (13 days effective cy8435).

30(55)6.(14) (1-1-96)
Amended & Duplicate Return Processing

(1) The following procedures are observed for processing returns.

(a) Duplicate Return—during the cycle that a duplicate return is posted.

1 The remittance (if any) is posted and the module is frozen from offsetting and refunding;

2 Service Center is provided with CP 36 or CP 93 Notice of Duplicate Filing.

3 If, after posting any remittance, the module is in a debit condition (the sum of Net Balance, Interest Paid, Interest Assessed) and the module is in 1st or 2nd Notice Status, the TDA issuance date is changed to 26 weeks from the 23C date of the current cycle.

4 Freeze is released by posting of TC 29X or TC 30X with priority code "1" except when posted in same cycle as a TC 976 posts, or transaction with a "51" Doc Code.

(b) Amended Returns

1 If input is amended return (G coded) and a return is already posted—The remittance (if any) is posted to the transaction section and the module is frozen from refunding and offset action. If the module is in Notice Status, the Duplicate Return procedure is followed (see (1)(a) above); otherwise, the Service Center is provided with CP 36 or CP 93 Notice of Duplicate Filing for follow-up action, and the taxpayer receives CP 34 Taxpayer Acknowledgement Letter. The module is unfrozen when a subsequent Audit or DP Tax Adjustment Transaction posts.

2 If input is amended return (G coded) and no return previously posted—The amended return is posted and a CP 29 Taxpayer Inquiry Letter is scheduled for issuance 19 cycles after the due date of return for each amended return in the module as of the 36th cycle. In subsequent cycles, a CP 29 is issued for each additional amended return which posts. If the original return posts during these 19 cycles, the CP 29's are not issued.

3 If input is an original return and an amended return previously posted (DLN's are different)—the module is settled and the Service Center is provided with CP 36 or CP 93 Notice of Duplicate Filing and the module is frozen from offset and refund action, if the CP 29 has not been issued. The posting of a subsequent Audit or DP Tax Adjustment Transaction will unfreeze the module.

4 If input is an original return and an amended return has previously posted (DLN's are identical)—Module is settled, CP 29, CP 36 or CP 93 are not issued, and module is not frozen.

5 When the input transaction (TC 290 with DLN block number 200-299) represents form 1040X and the amended return freeze is already on, the transaction is posted as a duplicate return (TC 977 generated). If unreversed TC 300, 420 or 424 is already posted, send UPC 160. If the original return (TC 150) attempts to post in the same cycle, or if the IMF to BMF offset freeze is on, the transaction (TC 290) is resequenced to post in subsequent cycle.

6 Where the original return posted in a prior cycle, the posting Form 1040X (TC 290) is treated generally as an adjustment—

a If the original return bears any math error codes (UPC 170 if blocking series is 290–299).

b Where current transaction consistency checks are not met; i.e., an abatement exceeding original return liability, it is sent UPC 189.

c Any resultant credit is refunded or offset as appropriate, refund only if blocked 290–299.

d TC 977 (with 1040X DLN) is generated and posted without invoking the amended return freeze or the 47 hold.

e The 1040X transaction (290) is posted and TC's 76X (substantiated credit) and 80X (withholding tax credit) are generated and posted as appropriate.

f An adjustment notice (CP 21 or 22) is issued.

g The module status is updated.

h Where there is a debit balance, the appropriate action for TDA issuance is set up.

i Credit interest is computed as appropriate.

j The refund date is the posting cycle 23C date.

k Changes to net ES tax payments are allowed only to the extent of the ES tax payments available.

l Duplicate Filing Notices (CP-36/36A or CP 93) and an adjustment control card are issued, unless 1040X blocking series is 200–289 and the document code is 54.

7 Where the original return has not posted, and the account is not in TDA Status, any refund freeze is disregarded, except Invalid SSN Freeze. Refund (TC 846) is generated in accordance with amount requested plus credit interest if applicable. Amended return transaction (977) with zero amount is generated and the amended return freeze is established to prevent offsetting into the module. Generated transactions 846 and 977 bear the input DLN and bear the 23C date of the posting cycle as transaction date. Net changes in ES payments are allowed regardless of ES payments posted. Credit interest will not be computed unless 23C date is not within 45 days of normal return due date. The module is not settled and, therefore, offsetting out is not possible. The input transaction 290 is deleted. The module balance is updated and the module status remains (unchanged). 19 cycles after the due date CP 29 (regarding the original return) is issued to the taxpayer.

8 Where the original return has not posted and the account is in TDA Status, post the return as a 977 with zero amount and establish amended return freeze for refund and offset. Delete the input 290. Don't change the module status. Issue the inquiry notice (CP 29) where there is no original return posted 19 cycles after Due Date.

9 Where the original return posts after the 1040X has posted, and the module balance is debit, no settlement notice is issued and the module status is updated to status 21 (first notice issued on additional assessment). Offsetting in is permitted. If the new module balance is credit, refunding and offsetting is prohibited. The module status is updated even if module balance is zero. A CP 36/36A or CP 93 is issued.

10 Amending the Political Indicator is provided by input of a special "G" coded return (DLN XX21XXX99XXXX). Unpostable 129 or UPC 294 will occur if original return not posted, input return not a short entity, Condition Code other than 5 or 6, or tax year is 7212 or prior. If the posted return is a transferred-in return, the input record is dropped with no attempt made to update indicator. Change Political Indicator as follows:

Condition Code	Previous Indicator	New Indicator Code	Indicates Amended
5	0	3	1
6	0	4	2
6	1 or 3	5	2

a If Condition Code is 6, then Marital Status Code must be 2; otherwise processing is as Condition Code 5.

b A one digit indicator will be found on the return to indicate election of Presidential Election Campaign Fund Contribution. The election indicator values are: 0—no election made, 1—election by individual, 2—election by both husband and wife.

30(55)7 *(1-1-96)*
Subsequent Transaction Processing

30(55)7.1 *(1-1-96)*
General

30(55)7.11 *(1-1-96)*
TC's 290 and 300

TC's 290 and 300 (including TC 640 advance payment and its interest implications) are used to input Audit and DP Tax Adjustments and can carry assessment or abatement transactions in their secondary fields. Certain freeze conditions are released. Further processing of Audit and DP Tax Adjustments is covered in Projects 715 and 716.

30(55)7.12 *(1-1-96)*
Civil Penalties

TC 290/300 will also be used to establish a civil penalty module. TC 290/300 input with reference numbers 500–699 will generate TC 24X. The valid blocking series is 150–198, 520–539, 590–599, 800–899, 960–999, for MFT 55 and only one civil penalty reference number may be input per record. Only TC 290 can carry reference numbers 500–679 or 697–699. These reference numbers will post to MFT 55 only. The remaining reference numbers will post to MFT 30 and can be input with TC 300 or TC 290. Any valid reference numbers input to MFT 55 blocked 150–198, 520–529, 590–599, 960–969 or 980–999 will establish a module unless the FSC of the MFT 30 module is 2 and there is no civil penalty nameline (UPC 169). An MFT 55 module can also be established, providing the nameline requirement is met, by TC 520 with cc81 or 85 thru 89, TC 640, TC 670, TC 971 AC 97, TC 914 and TC 960. Unpost any other transactions attempting to create an MFT 55 module.

30(55)7.2 *(1-1-96)*
Dishonored Check

Payments are identified as to type and will generate a Dishonored Check Penalty to be posted to the Transaction Section of the tax module unless a Bad Check Penalty is already present.

30(55)7.3 *(1-1-96)*
Restricted Interest

Discussed under Computation of Interest, 30(55)6.(13).

30(55)7.4 *(1-1-96)*
Account Transfers In and Out

See Project 711 for processing details.

30(55)7.5 *(1-1-96)*
SC Transcript Requests

See Project 717 for details.

30(55)7.6 (1-1-96)
Deferred Actions

Deferred Actions require unique processing of the module or account. These actions include TDA Information record generation, extensions, taxpayer claim pending, Offer-in-Compromise, military deferment, refund release, account in suit, account considered uncollectible, deceased taxpayer, collection statute expiration date extended, assessment statute expiration date extended, additional liability pending, intelligence investigation, intelligence cases, and assessment verification.

30(55)7.7 (1-1-96)
Refund Reversal Type Transactions

Subject to various posting validity checks, the reversal of posted Refund of Overpayment transactions is accomplished by Refund Repayment, Undelivered Refund Check or Refund Cancellation. Interest implication of these reversals and reissuance of refunds are discussed under Computation of Interest.

30(55)7.8 (1-1-96)
Emergency and Manual Refunds

Should serious difficulties arise in a given production cycle which might delay the issuance of refunds in the normal manner, an emergency refund procedure is employed. However, this procedure is put into operation only when authorized by the Assistant Commissioner, Returns and Information Processing.

30(55)7.9 (1-1-96)
IDRS Control Transactions

(1) TC 901—Service Center request to delete a Specific Entity or Tax Module from IDRS control for a designated Service Center.

(2) TC 902—Service Center request to put a specific Entity of Tax Module under IDRS Control.

(3) TC 903—MCC computer generated to indicate to IDRS that an Entity Module was deleted due to input of the TC 020.

(4) TC 920—(IDRS Notice Status) records in the Status History Section of the tax module the date and amount of additional taxpayer balance due notices generated by IDRS.

(5) The above transactions (excluding TC 920) will not be subject to unpostable checks. Process the TC's when a match is made on SSN. If no SSN match, drop the input record.

30(55)7.(10) (1-1-96)
Miscellaneous Transactions

See ADP System Codes, LEM 3(27)(68)0, for explanation of Transaction Codes.

30(55)7.(11) (1-1-96)
Condition Codes

These may be either input with return or generated during processing. See LEM 3(27)(68)0.

30(55)8 *(1-1-96)*
Module Analysis

After all transactions have been posted, interest has been computed as specified under Computation of Interest and Delinquency Penalty and Failure to Pay Penalty computed, the module is analyzed and updated.

30(55)9 *(1-1-96)*
Refund of Overpayments/Refund Preparation

30(55)9.1 *(1-1-96)*
General

When all posting and analysis has been performed and it has been determined that a refund is due the taxpayer, the following procedures are performed.

30(55)9.2 *(1-1-96)*
IMF Offset and Cross-Reference Processing (MFT 30)

(1) This provides an explanation of the offset and cross-reference routines performed at MCC before refunds are issued from the Individual Master File.

(2) Prior to refunding overpayments, various analysis determine whether overpayments are to be offset against balance due amounts, or held for possible application to a spouse's account. The order of settlement offset is: IRA, normal, Civil Penalty, Spousal, BMF, NMF, DMF, and Credit Elect. When Credit Elect is requested, do not attempt BMF offset if there is a math error, ES discrepancy or overpaid Unallowables (Audit Codes E, F, G) are present.

(a) OFFSET TO IRA—When a return is filed with Form(s) 5329 attached and has a liability for taxes reported on IRA, available credit will be offset to IRA. Offset occurs only once (at settlement time) and only to the extent of credits available; not to exceed the liability on IRA.

(b) OFFSET WITHIN AN ACCOUNT—Credit modules are offset against debit modules within the account (earliest tax period first) when the credit module contains a settled return and is not frozen from offset-out. The overpayment credits are applied against the debit balance modules (including unassessed failure to pay penalty and/or interest) unless the debit module is frozen for offset-in for any of the following.

    1 Erroneous Refund Freeze—erroneous refund issued and TC 844 posted.

    2 ES Validation freeze

    3 40 Hold—Account transferred out

    4 52 Hold—IRS litigation instituted

    5 Good return has not posted and current cycle is not at least 26 cycles after normal due date (this debit balance may be due to a Manual Refund or to a bad check penalty)

    6 47 Hold—(except when Deferred Action is set to issue a TDA this cycle)—claim pending. Note: If the Balance Section Closing Code is 93 or 95 offset it will be allowed. (Effective 8204.)

    7 78 Hold—Offer-in-Compromise

    8 Zero net balance with Accrual Balance under tolerance levels.

    9 Total Module Balance under tolerance

    10 Unreversed TC 916, 918

    11 Bankruptcy Freeze (TC 520 CC 85 or CC 88)

12 Entity Combat Zone (ECZ)

13 Collection Statute Expiration—If the LATEST CSED is expired, with or without an unreversed TC 534 present, do NOT offset. If the EARLIEST CSED is expired but the LATEST is not expired, and there is an unreversed TC 534 present, offset to remaining balance. If the EARLIEST CSED is expired, and there is no unreversed TC 534 present, examine further for module whose only expired CSED is associated with a return. The return must be overpaid or even as of settlement cycle using remittance with return, withholding, estimated tax payments, Earned Income Credit and credit elect amounts with dates not later than RDD, excluding returns with subsequent reversals of the credits listed. If return CSED qualifies above, substitute latest unexpired CSED for the return CSED and offset to unexpired amount. If the return was not full paid at settlement, freeze the account from refund/offset for 8 cycles. Issue CSED Transcript. Freeze will be released by the posting of TC 534 or computer release at end of 8 cycles.

(c) OFFSET TO CIVIL PENALTY MODULE—If there is a remaining credit in the module, offset to the MFT 55 Civil Penalty Module, providing there are no freezes preventing offset out.

(d) OFFSET TO SPOUSE—Effective 8/1/87, offsets of credits will be done against the Secondary SSN. This will be accomplished by cross-referencing all qualified debit modules placed on the DMF against qualifying credit modules on the IMF. Annual and weekly analysis will be done to all debit MFT 30 modules for addition to the DMF, and to MFT 30 modules for deletion from the DMF.

(e) OFFSET TO BMF—If the remaining credit in the module is above accepted tolerance, it is made available to BMF when there is a Schedule C or F with an EI Number, EIN is also included on the DMF, Business Name Control present and matches IMF name control. EXCEPTIONS: offset to BMF will not be made if module is frozen by Excess ES Credit Freeze (i.e., credits are being held pending possible claim by spouse) or a previous offset to BMF did not use all of the overpayment credit or 914 freeze is in effect. Effective cy 8529, do not attempt a BMF Offset in the cycle a TC 896 has posted. When credits are made available to the BMF, the credit module is frozen from refund, offset in and offset out.

(f) OFFSET TO NMF—TC 130 is input by the service center controlling the non-master file account. CP44 or NMFL transcript will be issued to the controlling service center when there are credits of $25 or more available for offset. The credits must be manually transferred to the NMF account (TC 820, 824).

(g) OFFSET TO DMF—TC 130 input with block and serial number of 99999 indicates a debtor master file liability. Credits will automatically be offset to the DMF providing there are no freezes preventing offset out. The Entity Combat Zone (ECZ) Indicator will cause all offsetting to be suspended, with the exception of offsets to the DMF for Agency 01 and 02 (Child Support).

(h) CREDIT ELECT—If, in the cycle of return settlement, the module is in credit balance excluding Earned Income Credit (TC 764, 768) and 1974 Tax Rebate Credit (Doc. Code 08 TC 766) and the taxpayer elected to apply his overpayment (in whole or in part) against next year's liability, we apply the amount elected, or the credit available, whichever is lesser. If Taxpayer's request for credit elect is not satisfied at return settlement time, credit elect will be attempted whenever additional credit becomes available. However, this will not be done if the refund hold, 48, 52, 40, 64, or 570 holds, offset overflow, duplicate return Freeze, 130 or 780 Freeze

are in effect. Do not perform subsequent Credit Elect beyond the end of the gaining Tax Period. e.g. 8412 return should not perform credit elect after 12/31/85. NOTE: Beginning in 1983 PY we will allow one prior year credit elect per account per cycle provided that the gaining year is immediately subsequent and/or does not contain a TC 150, and tax period and fiscal year month match. Effective 1/1/86, credit elect monies will be resequenced to the spouse's account for "F" coded returns provided that the account has been created via a generated TC 000 per Project 439. Only during Settlement cycle will this attempt be made. The transfer of TC 716 credits will be performed the cycle after settlement by utilizing TC 666/667 processing and uniquely identified as a credit elect by changing the Julian Date to 999. TC 666 with Julian Date of 999 can create a tax module.

30(55)9.3 (1-1-96)
Civil Penalty Offset

The order of settlement is tax module, civil penalties module and NMF liability.

30(55)9.4 (1-1-96)
Interest On Refund

When the module still contains refundable credits after any required offset and cross-reference actions have been taken and the module is not frozen, refund interest due is computed, if necessary. Any interest on Refunds is generated and posted to credit the module for this interest. Refund of Overpayment is then generated for the entire module balance.

30(55)9.5 (1-1-96)
Refund Files

Standard, FOD and Reissued Refunds—see Project 445 for details. See Project 709 for refund controls.

30(55)(10) (1-1-96)
Service Center and Recap

(1) A recap of settlement transactions is produced for each IMF cycle. This recap summarizes:
    (a) all pre and post-journalized transactions in connection with the settlement of returns;
    (b) computer generated transactions which change the accountability of module; and
    (c) outstanding module balances (debit and credit) of active and inactive modules. See Project 713 for further discussion of this subject

30(55)(11) (1-1-96)
Output Routine Processing

Consists of the analysis of modules to determine if issuance of notices are required. If so, data is extracted for the preparation of Taxpayer Notices or Service Center Notices. When the notice is to be sent to a taxpayer who filed a 1040PR, the notice will be printed in Spanish. Details of notice formats and requirements are prescribed in Project 705.

30(55)(12) *(1-1-96)*
Tax Base Data Processing

30(55)(12).1 *(1-1-96)*
Tax Base Data

(1) That data of a non-accounting, non-debit/credit nature that is used:

(a) to compute the taxpayer's tax liability or to compute changes in the tax liability;

(b) to compute Audit/Intelligence selection criteria;

(c) at the time of return settlement for outputs indicating a comparison of the taxpayer's figures with IRS computed figures.

(2) Once tax base data is used for the purposes stated above, it has no further use in effecting settlement with the taxpayer, and its retention on the IMF, which is processed weekly, is redundant.

30(55)(12).2 *(1-1-96)*
Permanently Held Data

Certain elements of data are retained in the appropriate Tax Module of the account on the IMF, the more important of which are DLN, Remittance, Acceptable Total Tax, Withholding and Excess FICA, Self-Employment Tax, Accounting Method, Non-Compute Code, Audit Codes, PIA Code, Taxpayer Notice Codes, Business Name Control and EI Number, and Permanent Audit Data.

30(55)(13) *(1-1-96)*
Module Control

30(55)(13).1 *(1-1-96)*
Prior to TDA Status

(1) The established priority of which district controls a module prior to TDA Status is as follows.

(a) Prior to filing of ES Declaration (TC 430), the File Location Code (FLC) in the DLN of the latest posted input transaction controls the module.

(b) Upon filing of an ES Declaration (TC 430), the File Location Code (FLC) in the DLN of the ES Declaration controls the module. Amended Declarations (TC 430) update the control DLN.

(c) When a return is filed, other than an amended or duplicate return, the File Location Code (FLC) in the DLN of the return governs the module. This includes all subsequent action except TC 400's and Renumbered/Refile documents.

1 Update Control DLN

a Document identified by a 30X transaction code with a DLN that contains other than a 100 to 199 or 780 to 789 block number.

b Document identified by a 29X transaction code with a DLN that contains other than a 100 to 289 or, 300 to 499, or, 910–919 or, 930–949 block number.

c Document Code "47" with block series other than 100-199.

2 Do not update Control DLN

a Document identified by a 30X transaction code with a DLN that contains a 100 to 199 block 250 to 259, or 780 to 789 number.

b Document identified by a 29X transaction code with a DLN that contains a 100 to 179, 199-289, 300 to 499 or, 910–919 or, 930–949 block number.

c TC 421 input with Document Code "77". Document code "47" with block series of 100–199 or 250–299.

(d) Renumbered/refile documents change the control FLC to the FLC in the DLN of the Audit or DP adjustment.

(e) A TC 400 posted to the tax module will update control DLN whether prior or subsequent to ES Declaration and/or Return Posting.

(f) A TC 896 with a DLN containing a "47" or "54" document code *will not* update the control DLN.

(g) TC 534/535 does not update control DLN.

30(55)(13).2 *(1–1–96)*
TDA Status

(1) The established priority of which district controls a module when in TDA Status is as follows.

(a) Once in TDA status, the DO in the TDA Location Code controls the module.

(b) If there are no TDA Location Codes, the DO in the Current Entity Location Code controls the module.

30(55)(13).3 *(1–1–96)*
TDI Status

Control DLN will be from TC 140, 141, 142, 59X, 474, or 475 only if there are no other transactions posted in the module.

30(55)(13).4 *(1–1–96)*
Historical D.O.

When a tax module is established prior to the posting of a return, insert the Primary Entity Location D.O. Code into the "Historical D.O." field of the tax module; update this field for any subsequent transactions posting *prior* to the return, as well as for the return transaction itself.

30(55)(13).5 *(1–1–96)*
MFT 55 Modules

(1) Prior to assessment the control DLN will be the transaction creating the module.

(2) The control DLN will be updated or established by TC 290, blocking series 520–529, if the prior control DLN is either non doc. code 54, or, doc. code 54 blocking series 59X.

(3) The control DLN will be updated by TC 290, blocking series 530–539, 960–969, 800–899, or 980–999.

(4) TC 290 blocked 590–599 (PMF generated) will be the control DLN if it is the only transaction in the module. The control DLN will be updated by any other transaction posting to a module that contains this type of control DLN.

30(55)(14) (1-1-96)
Reports

(1)   Weekly

(a) IMF Report of Net Tax Refunds & Refund Reversals

(b) Report of IMF Refunds (Report Symbol NO–DR:R–79)

(c) Presidential Campaign Fund Report (weekly)

(d) Report of Verification of IMF Returns (Report Symbol NO–6100–125)

(e) National Compliance Survey Individual Selection Summary P/R/F:480–43–35

(2) Refer to IRM 3(30)(123), Exhibit 3(30)(123)(30)–1 for a complete list of Monthly, Quarterly, and Annual Reports.

30(55)(15) (1-1-96)
The Transcript Research System (TRS)

(1) TRS is an automated research system which replaces most microfilm. It may be accessed through IDRS terminals.

(2) TRS has two parts:

(a) Account and Entity research may be done when the Taxpayer's Identification Number (TIN) is known by using Command Code MFTRA; and

(b) Research to find TIN's when only name and address information is known may be done using command codes

1 SSNAD to locate social security numbers (SSN); and

2 EINAD to locate employer identification numbers (EIN).

(3) Instructions for using TRS command codes can be found in LEM 3(25)(77)0, IDRS Terminal Inquires.

(4) Three types of microfilm information are available.

(a) Current Microfilm—These microfilms contain data which cannot be found by using TRS. They are updated periodically and include the following:

1 Partnership Name Directory;

2 Exempt Organization National Alpha Directory;

3 EPMF National Alpha Directory;

4 Federal Tax Deposit Registers;

5 CAWR Microfilm Index and Module Register;

6 1042 Microfilm Name and Index Registers (PSC only);

7 1042S Index Register; and

8 CAWR W–2/W–2P Microfilms and Register (ANSC only).

(b) Retention Register—These microfilms contain modules which are no longer carried on the Individual and Business Master Files.

(c) Archival Microfilm—These microfilms contain information which predate MRS. These include but are not limited to the following:

1 IMF and BMF Alpha Name Directories (1981 and prior);

2 Residual Master File Archive Register;

3 EOMF Microfilms;

4 Obsolete Microfilms.

(5) Microfilm information can be found in IRM 36(66)0, Research Operations.

30(55)(16) (1-1-96)
IMF Module Freezes and Holds

30(55)(16).1 (1-1-96)
Freezes and Holds

Each account or module on the IMF can be initialized with indicators so that specific types of freeze and hold conditions will prevail. The possible conditions are: (1) freezes refund, (2) freezes offset in, and/or (3) freezes offset out. (Following each indicator and brief comments listed below, the conditions applicable to each will be listed in parenthesis along with the Accounts Register Codes.)

30(55)(16).2 (1-1-96)
Entity Freeze

(1) Entity Freeze—specific transactions are resequenced (1, 2, 3).
(2) Erroneous Refund TC 844—D.O. in entity (1, 2, 3, U).
(3) Invalid SSN (1).
(4) Offset Overflow—Account activated next cycle (1, 2, 3, C).
(5) OIC District—OIC Transcript (1).
(6) 52 Hold—IRS Litigation TC 520 with other than closing code 71–74, 82, or 85–88. (1, 2, 3, W)
(7) Memo Freeze—TC 011—Only TC 006 or 026 will post (1, 2, 3).
(8) 910 Hold—Intelligence—Prevents tax module removal (T).
(9) 130 Freeze—NMF Liability—CP 44 (1, V).
(10) Refund Scheme Freeze—Set by TC 918 (1, 2, 3, Y)
(11) Bankruptcy Freeze—Set by TC 520 CC 85 (1, 2, 3, V)
(12) CSED Freeze—Earliest CSED expired (1, 2, 3, A)
(13) DMF Freeze—TC 130 blocked 999 (1)
(14) CC 86–89—Set by TC 520 with CC86–89 (1, 2, 3, V)
(15) Spousal Offset—Set when offsetting to Spouse's liability (1, 2, 3, D)
(16) Entity Combat Zone (ECZ)—Set by TC 150 with Condition Code Z or TC 500 with Closing Code 52 (2, 3, C)
(17) CC 83—Set by TC 520 with Closing Code 83 (2, 3, V)

30(55)(16).3 (1-1-96)
Module Freeze

(1) BMF/IMF Offset—Specified transactions are resequenced (1, 2, 3, H).
(2) ES Validation—TC 667 to spouse account (1, 2, 3, D).
(3) Account Reactivated—Prevents TDA issuance, (1, 3, 0).
(4) Interest Tolerance Hold—Tolerance when accrual paid (2).
(5) Amended Return—CP 29 (1, 3, E).
(6) Assessment Expiration Date—STEX—Issue transcript STEX and stops Credit Elect (1, 3, B).
(7) Delinquent Penalty Restriction—Allows manual computation only.
(8) Duplicate Return—CP 34, 36, 55 or CP 93 (1, 3, A).
(9) Erroneous Credits (1, 3, K).
(10) Excess ES Credits—(1, 3, J).
(11) Refund Hold—290/300 Hold Codes (1, 3, K).
(12) Restricted FTP Penalty—TC 270—Limits Failure to Pay Penalty computation (G).

(13) 34 Hold Interest Computation Restrict DR—prevents interest computation (I).

(14) 40 Hold Transfer Out (1, 2, 3, M).

(15) 42 Hold—Subject to Audit Action—TC 420, TC 424 (L).

(16) 47 Hold Claim Pending—Delays TDA (cc 95 indicates Civil Penalty) (2, W).

(17) 48 Hold MF Account Compromise (1, 3, Y).

(18) 50 Hold Military Deferment—Suspends collection statute.

(19) 52 Hold IRS Litigation—Module freeze. (cc 82 indicates Civil Penalty)

(20) 53 Hold Uncollectible Account—status only

(21) 54 Hold Deceased Taxpayer—status only.

(22) 57 Hold Additional Liability Pending—Freezes refund and offset out after settlement cycle except when BMF Offset attempted—(1, 3, R, Q).

(23) 640 Freeze Advance Payment (1, 3, F)

(24) 680 Hold Interest Compute—Limits interest computation for postings prior to April 1971.

(25) 740 Freeze Undelivered Refund Checks Redeposited (1, S).

(26) 77 Hold Interest Computation Restriction—prevents refund interest (I).

(27) 78 Hold MF Account Compromise (1, 2, 3, Y).

(28) 840 Freeze—Manual Refund (1, 3, X).

(29) 841/720 Freeze Refund Check Cancellation or Repayment (1, 3, P).

(30) 930 Indicator—Issues CP 98 and CP 98 Strike Force.

(31) CSED Expired—Freezes module for 8 cycles.

(32) CC 96 Indicator—causes UPC 71(F)

(33) 914 Hold—Intelligence—Prevents module removal, prevents TDA (Z)

(34) Math Error Freeze—Prevents Module from going to IDRS; 12 week deferred action at return posting (G); Setup by TC 470 CC 94(J)

(35) RPS freeze—freezes credit balance (1, 2, 3, R)

(36) Refund Scheme Freeze—Set by TC 916 (1, 2, 3, Z)

(37) Closing Code 81 freeze—Set by TC 520 CC 81 (1, 2, 3, W)

(38) Million Dollar Refund Freeze—Set when refund available is $1,000,000 or more. (1, 3)

(39) CC 86–89—Set by TC 520 CC86–89 (1, 2, 3, V). Also sets CC86–89 freeze in the entity.

(40) Abusive Tax Shelter (TC 810). (1, 2, 3, E)

(41) Subsequent Payment Freeze. (1, 3, B)

(42) CC 83—Set by TC 520 CC 83 (2, 3, V). Also sets CC 83 freeze in the Entity.

(43) RSED Freeze

(44) CC84—Set by TC 520 CC84.

30(55)(17) (1–1–96)
Periodic Processing of the IMF by MCC

(1) ZIP CODES AND LOCATION CODES—Project 439 provides for maintaining the currency of IMF ZIP and Location Codes.

(2) FORM 1099—U.S. Interest and Refunds—After the last IMF posting cycle for the calendar year, taxpayers are furnished a Form 1099, U.S. Information Return indicating the net amount of interest paid on refunds and/or the amount of interest on refunds applied as offsets during the calendar year. Reference Project 707.

(3) ACCOUNTS RECEIVABLE DOLLAR INVENTORY (ARDI) REPORTS—Provides information to National Office, Service Centers and District Offices on Accounts Receivable inventory by various breakouts. Refer to Project 713.

(4) RETURNS ADDRESSING—Data is extracted for the production of mailing labels for use in addressing Form 1040 and 1040ES. Processing details are prescribed in Project 707.

(5) DELINQUENT ACCOUNTS AND RETURNS—Project 721 provides for periodic preparation of Reconciliation Proofs consisting of condensed transcripts of TDA status modules for matching with TDA's in Area Offices.

(6) UNDELIVERED REFUND CHECKS—In August, October and January or soon thereafter, listings of undelivered refund checks are issued to Service Centers. See Project 714.

(7) REPORT OF IMF DELINQUENT RETURNS SECURED—Consists of counts and amounts (by District, Region and Total U.S.) of delinquent returns secured by collection. The report is issued monthly.

(8) TDA REGISTER DATA (AND TDI RECAP)—Monthly recaps are prepared to aid the collection activity at all levels for balance look-up, payment tracing and internal control. Issued every four weeks.

(9) REPORT ON FROZEN CREDITS—Monthly the entire IMF is processed and a report (by SC) is prepared showing the frozen credits on the file. The report categorizes the types of frozen credits and gives the amount and number in each category. Reference Project 701.

(10) DATA CONTROLS—Project 739 specified the controls under which all processing takes place.

(11) UNASSESSED SELF-EMPLOYMENT TAX—Provides a list to Service Centers of taxpayers who appear to have been liable for Self-Employment Tax but had never been assessed.

(12) IMF DATA FURNISHED TO STATES—Provides to States, on an annual basis, information from the previous year's tax return.

(13) INTELLIGENCE MULTIPLE REFUND LIST—Provides Intelligence with a list of potential refund accounts on the Invalid Segment of the IMF.

(14) IMF DELINQUENCY CHECK—Provides identities of delinquent filing individuals to the Collection Division. See Project 404.

(15) UNALLOWABLE PROGRAM FROZEN RETURN—provides SC Examination listing of all modules with remaining frozen refunds as result of Unallowable Program.

(16) DATC/ASTA PROJECTS—Provides the service centers with information on areas of non-compliance on filed tax returns.