IRM PROCEDURAL UPDATE

DATE: 10/03/2024

NUMBER: ts-03-1024-0997

SUBJECT: Use Letter 3024c for Form 1066 Math Errors

AFFECTED IRM(s)/SUBSECTION(s): 3.12.213

CHANGE(s):

IRM 3.12.213.8.18 - Added "Caution" with non-pending correspondence instructions in the event of a math error.

(1) **Fields Displayed:**

Field Designator	Field Name
NC	Notice Codes
0705A	Total Tax
0706	Tax Paid with Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax Information and other Returns.
07TTE	Telephone Excise Tax Return Refund Amount (previously Line 2b; now dotted portion to the left of Line 4.)
07TC>	Telephone Excise Tax Return (Computer Generated)
07TRV	Telephone Excise Tax Return (Verified Field)
07B/R	Balance Due/Overpayment **("Error Resolutions input only" Field)**

(2) **Invalid Condition:** The difference between Balance Due/Overpayment Computer and Balance Due/Overpayment is $50.00 or more.

(3) **Correction Procedures:**

1. Check for transcription or taxpayer errors. Compare Field 0705A (Total Tax) against the taxpayer's entry on the return, Line 1, Section II (Tax and Payments), Page one, Form 1066, U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return.
2. The computer will compute Balance Due/Overpayment Computer field by subtracting Field 0706 (Tax Paid with Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax Information and other Returns) and Field 07TTE (Telephone Excise Tax Credit) from Field 0705A (Total Tax).

3. If the return is blank, verify the "Total Tax" amount against the amount on Line 12, Part IV (Total Tax) Schedule J.
4. If Schedule J, Part IV, Line 12 is blank, but there are items on Schedule J under Part I (Tax on Net Income From Prohibited Transactions), Part II (Tax on Net Income From Foreclosure Property), and/or Part III (Tax on Contributions After the Startup Day), math verify each of the following items as described below:

If	Then
Tax on Net Income From Prohibited Transactions (Schedule J, Part I, Line 4) is being verified,	1. Line 2 (Total Income) must equal the sum of Lines 1a, 1b, 1c, and 1d. 2. Line 4 must equal Line 2 minus Line 3.
Tax on Net Income From Foreclosure Property (Schedule J, Part II, Line 10) is being verified,	Math verify the following: 1. Line 7 (Total Income from Foreclosure of Property) must equal the sum of Line 5 plus Line 6. 2. Line 9 must equal Line 7 minus Line 8. 3. Line 10 must equal 21 percent of Line 9.
Total Tax (Schedule J Part IV, Line 12) is being verified,	1. Add Lines 4, 10 and 11, Schedule J. 2. Enter the sum on Schedule J, Part IV, Line 12, and on Page one, Section II, Line 1 (Form 1066). 3. If correct as transcribed, attach an adding machine tape verifying Schedule J. 4. Enter the total in Field 0705A. 5. Correct Schedule J, Part IV, Line 12, and Page 1, Section II, Line 1 (Form 1066) on the return, if different. 6. Compare Field 0706 (Tax Paid with Form 8736/8800) against the taxpayer's entry on the return (Line 2, Section II) (Tax and Payments), Page one, Form 1066 7. Correct the screen display if different.
All corrections are made and there is a difference of $50.00 or more.	Send the correct TPNC. **Caution:** Due to a programming issue, send a non-pending Letter 3024C to advise the taxpayer of the math error.
CCC "4" is present,	1. Enter the amount from the verified total (Balance

	Due/Overpayment Computer) in Field 07B/R **(the "Error Resolution input only" field).**
	2. This will clear Error Code 812 from the screen display.
No corrections are needed to Fields 0705A, 0706, and/or 07TTE, **Caution:** Do not attempt to correct Field 07TTE. Correspond to verify taxpayer entry.	Send the correct TPNC. See IRM 3.12.213.8.18.1, Taxpayer Notice Codes. **Caution:** Due to a programming issue, send a non-pending Letter 3024C to advise the taxpayer of the math error.

Note: Field 07TC> is the computer-generated total from Form 8913, Credit for Federal Telephone Excise Tax Refund. Field 07TRV is the Telephone Excise Tax Return Verified Field.

IRM 3.12.213.8.18.1 - Added "Caution" with non-pending correspondence instruction in the event of math errors.

(1) The allowable Taxpayer Notice Codes (TPNCs) are provided as follows:

Taxpayer Notice Code (TPNC)	Definition
01	We found an error in the computation of your total income from prohibited transactions.
05	We found an error in the computation of tax on net income from prohibited transactions.
10	We found an error in the computation of tax due or overpayment amount.
20	We found an error in the computation of tax on net income from foreclosure property.
25	We found an error in the computation of tax on contributions after the startup day.
88	We changed your telephone excise tax refund amount based on the information you provided.
89	We changed your tax and/or credits because we did not receive the additional information we requested. The change includes the disallowance of all or part of your telephone excise tax refund you requested on your tax return. We previously sent you a separate letter explaining the disallowance.
90	Blank Notice - 10 blank lines are available on the notice for whatever statement is needed.

Caution: Due to a programming issue, send a non-pending Letter 3024C to advise the taxpayer of any math error(s).