IRM PROCEDURAL UPDATE

DATE: 12/10/2024

NUMBER: ts-21-1224-1196

SUBJECT: AM BMF Deferred Social Security Tax Handling Changes Including Discontinuance of APP 40

AFFECTED IRM(s)/SUBSECTION(s): 21.7.2

CHANGE(s):

IRM 21.7.2.8 Revised to account for discontinuance of App 40 for deferred social security tax phone inquiries and resulting generation of Forms 4442.

(1) Two COVID-related relief provisions allowed certain employers to defer some deposits and payments of social security and Tier 1 railroad retirement taxes otherwise due for 2020:

- Section 2302 of P.L. 116-136, *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, allowed **all employers** to defer the deposit and payment of the employer's share of social security taxes and certain railroad retirement taxes. See IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, for more information.
- Guidance provided in Notice 2020-65, issued after a related Presidential Memorandum was signed by the President on August 8, 2020, allowed employers to defer the withholding and payment of employee's share of social security taxes for certain employees. Subsequently, Section 274 of the *COVID-related Tax Relief Act of 2020*, (enacted as Subtitle B of the *Consolidated Appropriations Act, 2021* (P.L. 116-260)) further extended the due date for payment of these deferred amounts. See IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information.

(2) The subsections which follow provide additional background and handling guidance for processing taxpayer paper and phone inquiries related to deferred payment of social security taxes including Forms 94XX requesting changes to deferred social security tax amounts or for accounts on which a reversed or unreversed CRN 280 amount is present.

(3) **Specialization of BMF deferred payment of social security tax inquiries and cases within AM.** BMF deferred payment of social security tax inquiries and cases received within AM will be handled by designated employees (only) who have received training on the IRM procedures which follow. This includes inquiries and cases for which deferred payment of social security taxes is the specific issue to be

addressed and for other inquiries and cases regarding accounts reflecting a reversed or unreversed CRN 280 amount.

- **BMF phone inquiries received in AM:** Previously, BMF phone inquiries received in AM regarding deferred payment of social security taxes for 2020, or for 2020 tax accounts reflecting a reversed or unreversed CRN 280 amount, were addressed on **App 40**. Due to decreasing call volumes, App 40 was discontinued beginning on December 20, 2024. As directed in subsequent subsections applicable to particular inquiry topics, certain BMF phone inquiries received in AM not requiring specialized training and handling will be worked as usual by the AM employee receiving the call while phone inquiries requiring specialized training and handling will be addressed by completing an in-house Form 4442 to be worked by designated AM employees or, in some cases, by directing the taxpayer to write in with a full explanation of their concerns.

  Note: Phone inquiries should generally be handled as per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*.

  Caution: If the taxpayer's inquiry involves misapplied payments, any associated Form 4442 generated from the call must include information for the date and amount of each payment made for deferred social security taxes (misapplied or not), including the breakout (amounts and tax periods) for any payment the taxpayer intended to be applied to multiple accounts.

- **BMF paper cases** (including Forms 4442 generated as indicated in the preceding bullet) received in AM by employees not designated and trained to work deferred payment of social security tax issues, including accounts reflecting a reversed or unreversed CRN 280 amount, are to be recontrolled with activity code "ET-DEFPAYT" and reassigned to either IDRS number **0230265068** (CAMC) or **0430477615** (OAMC) as appropriate.

Note: Employees who are designated to work cases described above are **not** required to update the cases with the specified activity codes and are **not** required to generate Form 4442 when working phone inquiries related to deferred social security tax.

Reminder: See (11) in IRM 21.7.2.7, *COVID-19 Related Employment Tax Relief*, for instructions on controlling paper cases involving COVID-related credits (Employee Retention Credit (ERC), Credit for Qualified Sick and Family Leave Wages, and COBRA Premium Assistance Credits).

IRM 21.7.2.8.1 Text updated throughout for tense.

(1) Section 2302 of P.L. 116-136, *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, allowed **all employers** to defer the deposit and payment of the employer's share of social security taxes and certain railroad retirement taxes.

Note: Under the CARES Act, employers that received a Paycheck Protection Program (PPP) loan were prohibited from deferring deposit and payment of the employer's share of social security tax after the receipt of the lender's decision forgiving all or a portion of the loan. However, the relevant CARES Act provision was repealed with enactment of the Paycheck Protection Program Flexibility Act of 2020 (PPP Flexibility Act) on June 5, 2020. Accordingly, the impacted employers were subsequently permitted to defer applicable social security taxes.

Note: Self-employed individuals could defer the payment of 50 percent of the social security tax on net earnings from self-employment income.

(2) The deferral applied to deposits and payments of the employer's share of social security tax that were otherwise due on or after March 27, 2020, and before January 1, 2021 (i.e., the "payroll tax deferral period"), as well as deposits and payments due after December 31, 2020 that were required for wages paid during the quarter ending on December 31, 2020.

(3) Employment tax forms were revised to administer the deferred payment of employer's share of social security tax:

- Form 941 was revised beginning with the second quarter of 2020. The amount of the employer's share of social security tax that the taxpayer is deferring for the quarter is entered on Line 13b of Form 941 (and posts as a TC 766 with CRN 280).

  Caution: Deferrals of employee's share of social security taxes under Notice 2020-65 provisions were also being reported on Line 13b of Form 941. The amount reported on Line 13b represented the total of the deferrals of both the employer's share and the employee's share of social security taxes. See IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020* and IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

- Due to timing matters, the first quarter 2020 Form 941 could not be revised to include a line for reporting amounts due on or after March 27, 2020 for which payment could be deferred. See IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*, for guidance on handling taxpayer inquiries with regards to that topic.
- Annual employment tax forms and instructions were also revised to enable reporting deferred payment amounts.

Note: Employers reporting employment taxes on Schedule H with Form 1041 (MFT 05) were permitted to defer payment of employer's share of social security taxes. See the third and fourth rows of the table in (3) of IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*, for MFT 05 deferral handling.

Caution: Employers were not required to make a special election to defer deposits and payments of these employment taxes. Form 94XX adjusted returns included lines for making corrections but a Form 94XX is not required to make a social security tax deferral request that was omitted from an original return.

(4) For purposes of completing original employment tax returns, form instructions indicated the maximum amount of employer's share of social security taxes that could be deferred each quarter was the lesser of:

- The employer's share of social security tax; or,
- Total taxes after adjustments (from Line 10 of Form 941) **less** any amount of QSB Research Credit (from Line 11a of Form 941) and **less** total deposits made for the quarter (from Line 13a of Form 941).

Reminder: Qualified sick and family leave wages paid for periods of leave taken after March 31, 2020 and before April 1, 2021 weren't subject to the employer share of social security tax (or the equivalent portion of the Tier 1 RRTA tax) Therefore, employers could not include the employee social security taxes reported on lines 5a(i) and 5a(ii) on 2020 employment tax returns in determining amounts for which payment could be deferred.

Note: Employers do not reduce the maximum amount for which payment can be deferred by any amounts of non-refundable credits reported on Line 11a, Line 11b, or Line 11c of Form 941.

(5) Generally, the employer's share of social security tax is 50 percent of column 2, Line 5a of Form 941 plus 50 percent of column 2, Line 5b of Form 941. However, the maximum amount that can be deferred is modified for certain third-party payers of sick pay and employers reporting Section 3121(q) Notice and Demand amounts:

- Third-party payers of sick pay who aren't an agent (e.g., an insurance company) must reduce the amount of the employer's share of social security tax reported on line 5a by any adjustment taken on Form 941, Line 8 for the employer share of social security tax transferred to their client to determine the maximum amount of tax for which payment can be deferred.
- Employers who receive a Section 3121(q) Notice and Demand for tax due on unreported tips (Letter 3263 or Letter 4520) must report the amount for the employer share of social security tax and Medicare tax on Form 941, Line 5f. The employer's share of social security tax is shown on an attachment to Letter 3263 or Letter 4520 and payment for that amount can be deferred.

(6) An employer that is eligible to claim the refundable Credit for Qualified Sick and Family Leave Wages (see IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages*) or the Employee Retention Credit (see IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*) can defer its deposit and payment of the employer's share of social security tax prior to determining the amount of employment tax deposits that it may retain in anticipation of these credits, the amount of any advance payments of these credits, or the amount of any refunds with respect to these credits.

Note: The ability to defer deposits of the employer's share of social security tax is in addition to the relief provided in Notice 2020-22. (Notice 2020-22 provides relief from the failure to deposit penalty for not making deposits of employment taxes, including taxes withheld from employees, in anticipation of the Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit.)

(7) The deferred amount of the employer's share of social security tax was a deferral of deposits and payments, **not** a deferral of liability. Accordingly, employers could not retroactively defer payment of taxes in order to receive a refund or credit of any amount of the employer's share of social security tax that was already deposited or paid for a quarter (unless such refund was with respect to the nonrefundable portion of the credit for qualified sick and family leave wages reported on line 11(b) or the employee retention credit reported on line 11(c)). **However**, employers who deferred payment of taxes and subsequently paid all or part of those taxes (either before or after the return filing date), but failed to properly report the amount of deferred social security taxes on their employment tax return **may** request that the deferred social security tax amounts be recorded on their tax account in order to receive appropriate consideration for penalty and interest purposes. In those cases, the amount of the deferred social security taxes (up to the maximum deferrable amount) will be recorded but the account will also be systemically or manually updated to ensure no refund is issued (and no offsets generated) for the previous payment(s) of deferred taxes.

(8) The Service administers deferred payments of employer's share of social security taxes for 2020, as well as deferrals of employee's share of social security taxes under Notice 2020-65 provisions (see IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*) by posting CRN 280 "credit" transactions to impacted employment tax accounts and then reversing them, in part or in full, as of appropriate effective dates. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

Caution: Although a CRN is used for this purpose, amounts posted with CRN 280 do **NOT** represent a refundable credit. Rather, CRN 280 amounts are a "false" credit solely used for the tax administrative purpose of "masking" balances owing specifically attributable to deferred payment amounts **until** the earlier of payment being made or the due dates for payment.

(9) Amounts of employer's share of social security taxes eligible to be deferred were required to be paid by the following dates (i.e. "applicable dates") in order to avoid late payment or federal tax deposit penalties:

- 50 percent of the maximum amount of taxes that could be deferred for each calendar quarter was due on or by December 31, 2021.
- The remaining 50 percent of the maximum amount of taxes that could be deferred for each calendar quarter was due on or by December 31, 2022.

Note: Due to the timing of holidays and weekend days, payments made by January 3, 2022 are considered timely for the December 31, 2021 payment due date and payments made by January 3, 2023 are considered timely for the December 31, 2022 payment due date.

(10) With regards to required payment(s) of deferred social security tax amounts:

- As a courtesy, the IRS issued CP 256V (and Spanish version CP 956V) reminder notices for BMF accounts reflecting deferred social security tax amounts remaining due shortly before the December 31, 2021 and December 31, 2022 due dates.
- For information on how amounts due for the respective due dates are computed and for information on responding to taxpayer inquiries on that topic, see IRM 21.7.2.8.4, *Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM*.
- For information on how payments of deferred social security tax were to be made by employers, see IRM 21.7.2.8.5, *Deferred Social Security Tax Amount — Guidance on Making Payments*.
- For information on how the computer treats overpayments on tax modules with recorded social security tax deferral amounts, see IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*.

(11) For information on handling common phone and correspondence contacts relating to deferral of social security taxes, see IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*.

(12) For information on handling Forms 94XX requesting changes to deferred social security tax amounts or for accounts on which a reversed or unreversed CRN 280 amount is present, see IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*.

IRM 21.7.2.8.2 Revised title to include an additional notice containing official IRS guidance on the topic covered. Text updated throughout for tense.

Notice 2020-65 and Notice 2021-11 – Deferred Payment of Employee's Share of Social Security Taxes for 2020

(1) This subsection provides information specific to the administration of deferrals of employee's share of social security taxes for 2020. This relief was in addition to deferral of employer's share of social security taxes. Accordingly, addressing employee's share social security tax deferral inquiries/issues will usually require familiarity with the general information found in IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, and IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, together with the specific handling guidance found throughout the subsections which follow.

(2) On August 8, 2020, the President issued a Presidential Memorandum directing the Secretary of the Treasury to use his authority pursuant to Section 7508A of the Internal Revenue Code to defer the withholding, deposit, and payment of certain payroll tax obligations.

- As specified in Notice 2020-65, the Secretary determined that employers required to withhold social security taxes or the equivalent portion of Tier 1 railroad retirement taxes (RRTA) from wages paid to employees were affected taxpayers for purposes of the relief described in the Presidential Memorandum and in Notice 2020-65.
- As provided for in Notice 2020-65, if an employee's wages paid during the period beginning on September 1, 2020 and ending on December 31, 2020 were less than $4,000 in any bi-weekly pay period (or the equivalent threshold amount for other pay period intervals), the due date for withholding and payment of the employee's share of social security or the equivalent portion of Tier 1 railroad retirement taxes (RRTA) on applicable wages was postponed until the period beginning on January 1, 2021 and ending on April 30, 2021. The social security tax deferral eligibility determination for an employee was made on a pay period-by-pay period basis for wages paid during the period beginning on September 1, 2020 and ending on December 31, 2020.
- Subsequently, Section 274 of the *COVID-related Tax Relief Act of 2020*, (enacted as Subtitle B of the *Consolidated Appropriations Act, 2021* (P.L. 116-260)) **extended the due date** for payment of these deferred amounts to December 31, 2021. The IRS issued Notice 2021-11 providing further guidance on this topic.
- Employers must withhold the total taxes deferred under Notice 2020-65 ratably from wages and compensation paid between January 1, 2021 and December 31, 2021. If necessary (e.g., employment ends for an effected individual), the employer may make arrangements to otherwise collect the total applicable taxes from the employee.

- If the employer does not fully pay taxes that were deferred by December 31, 2021, applicable interest, penalties, and additions to tax will begin to accrue on the unpaid amounts on January 1, 2022.

Note: Due to the timing of holidays and weekend days, payments made by January 3, 2022 are considered timely for the December 31, 2021 payment due date.

(3) As a courtesy, the IRS issued CP 256V (and Spanish version CP 956V) reminder notices for BMF accounts reflecting deferred social security tax amounts remaining due shortly before the December 31, 2021 and December 31, 2022 due dates. Amounts of any unpaid deferred employee's share of social security taxes were not shown separately on the first reminder notice but were instead included in the total amount showing as due along with any amounts of unpaid deferred employer's share social security taxes.

Note: A second reminder notice was not issued if the amount of deferred payments recorded on an account consists entirely of employee's share of social security taxes.

(4) The Service is administering deferred payments of employee's share of social security taxes for 2020, as well as deferrals of employer's share of social security taxes under Section 2302 of the CARES Act (see IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*) by posting CRN 280 "credit" transactions to impacted employment tax accounts and then reversing them, in part or in full, as of appropriate effective dates. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

Caution: Although a CRN is being used for this purpose, amounts posted with CRN 280 do **NOT** represent a refundable credit. Rather, CRN 280 amounts are a "false" credit solely used for the tax administrative purpose of "masking" balances owing specifically attributable to deferred payment amounts **until** the earlier of payment being made or the due dates for payment.

(5) Form 941 was revised for third and fourth quarters of 2020 to enable employers to report deferred amounts of employee's share of social security taxes.

- Taxpayers were instructed to include deferred amounts of employee's share of social security taxes on Line 13b combined with any amount for deferred payment of employer's share of social security taxes (i.e., a single CRN 280 amount will be posted for both amounts).
- Taxpayers were also instructed to enter the amount of deferred employee's share of social security taxes on Line 24 of Form 941. The figure entered by the taxpayer on Line 24 was used by the IRS in combination with the Line 13b entry to determine the amounts due on the respective due dates for employee's share deferral amounts (December 31, 2021) and employer's share deferral amounts (December 31, 2021 and December 31, 2022) reported as a total figure on Line 13b.

(6) Due to timing issues, field displays on TXMOD and BMFOL could not be updated to reflect the re-purposing of Line 24 of Form 941 as described above until January of 2021 (i.e., 2020 end of year conversion). (See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for discussion of TC 970 transactions and new data field displays.) IRS employees must take care to correctly interpret field names and values when analyzing tax accounts, making adjustments, and interacting with callers. The following table illustrates how figures from Line 24 of Form 941 correlate to field name displays on TXMOD and BMFOL before and after 2020 end of year conversion:

Tax Period	Form 941, Line 24 Description	TC 970 Field Name (through December of 2020)	TXMOD Posted Return Information Display (beginning January 2021)	BMFOLR Display (beginning January 2021)
202006	Qualified wages paid March 13 through March 31, 2020, for the employee retention credit	QLFY-EMPL-MARCH-WG-PD-AMT	EMP-MARCHWG-PD	QLF EMP MARCH WG
202009 - 202012	Deferred amount of the employee share of social security tax included on line 13b	QLFY-EMPL-MARCH-WG-PD-AMT (202009 only, TC 970 was not used for 202012 field/value recordation)	N/A If reported, constitutes a portion of the CRN 280 transaction amount(s) reflected on TXMOD (and BMFOLT). If an adjustment for this item is necessary, see BMFOLR for the separately recorded amount.	DEFR EE FICA AMT

Note: IRN 208 is used to adjust the fields described above for all three referenced tax periods. Programming "points" any IRN 208 change to the correct field based on the tax period associated with input and alters the field value appropriately. See the table in (2) of IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for more information on IRN usage for 2020 Form 941.

(7) The table that follows provides guidance for handling some common inquiries related to deferral of employee's share of social security taxes for 2020:

If	Then
A taxpayer contacts the Service with questions regarding the Presidential Memorandum, Notice 2020-65, or deferral of employee social security taxes (or Tier 1 railroad retirement	Refer the caller to Notice 2020-65 and advise them to monitor the irs.gov website at Coronavirus Tax Relief for Businesses and Tax-Exempt Entities for any additional guidance.

taxes)	
If a taxpayer asks if the relief provided in Notice 2020-65 was optional	Advise the taxpayer as follows: • Notice 2020-65 provides employers with relief under section 7508A of the Internal Revenue Code. • The relief allowed employers to postpone the due date for the withholding and payment of the employee share of social security tax (or the equivalent portion of the Tier 1 RRTA tax) on certain wages. • Like all relief provided under section 7508A, the relief for employers under Notice 2020-65 was optional. • Employers were not required to utilize the relief.
A taxpayer asks if they could permit employees to opt-out or opt-in	Advise the taxpayer as follows: • Notice 2020-65 does not address how an employer chooses to implement the relief in Notice 2020-65. • Accordingly, nothing precluded the employer from obtaining employee input on whether to apply the relief to postpone the due date for the withholding and payment of the employee share of social security tax on certain wages or compensation paid to the employee.
A taxpayer asks who (employer or employee) pays taxes that were deferred under Notice 2020-65	Advise the taxpayer as follows: • Under Notice 2020-65, as modified by the *COVID-related Tax Relief Act of 2020*, if an employer deferred employee social security taxes (or Tier 1 railroad retirement taxes), the employer was required to withhold and pay the taxes that were deferred ratably from wages or compensation paid between January 1, 2021 and December 31, 2021. • If the employer was unable to withhold the employee social security taxes (or Tier 1 railroad retirement taxes) that were deferred from the employee's wages or compensation because an employee terminated employment before December 31, 2021, or for another reason, the employer may make other arrangements to collect the deferred taxes from the employee.

	• The employer is liable to pay the deferred taxes to the IRS and was required to do so by December 31, 2021 to avoid being charged penalties, interest, or other additions to tax on those amounts. **Note:** For more information on making payments of deferred social security taxes, see IRM 21.7.2.8.4, *Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM*, and IRM 21.7.2.8.5, *Deferred Social Security Tax Amount — Guidance on Making Payments*.

Reminder: See IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, for general information on administration of deferred payment of social security taxes. In particular, see (10), (11), and (12) in that subsection for cross-references to IRM guidance for handling common taxpayer inquiries.

IRM 21.7.2.8.3 Text updated throughout for tense. Updated (12) for command code display changes. Revised (14) to provide information on IRS analysis of accounts with unpaid social security tax deferrals and reversal transactions.

(1) See IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, and IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for discussion of 2020 social security taxes for which payment can be deferred and associated due dates for payment.

(2) The Service administers deferred payments of social security taxes for 2020 by posting CRN 280 / TC 76X "credit" transactions to impacted employment tax accounts and then reversing them, in part or in full, as of appropriate effective dates.

(3) The figure reported by a taxpayer on Line 13b of Form 941 (or equivalent line on annual employment tax returns) was transcribed (up to the maximum calculated deferral amount) and posted with the original return as a CRN 280 /TC 766 "credit" for the same amount. The recorded amount is adjustable via ADJ54 with an appropriate CRN 280 entry.

(4) Although a CRN is being used for this purpose, the amounts posted with CRN 280 **DO NOT** represent a refundable credit. Rather, CRN 280 amounts are a "false" credit solely used for the tax administrative purpose of "masking" balances owing specifically attributable to deferred payment amounts **until** the earlier of payment being made or the due dates for payment (December 31, 2021 and December 31, 2022 as applicable).

(5) The posting of CRN 280 and subsequent reversals as of appropriate effective dates ensures that penalty and interest calculations associated with 2020 deferred payment amounts are accurately computed and posted by Masterfile.

(6) **For penalty and interest purposes (including for FTD penalties):**

- A systemically generated TC 766 with CRN 280 (including amounts subsequently reversed with a systemic TC 767) is treated as a deposit made on the first day of the tax period to which it is posted.
- A TC 766 with CRN 280 that is manually entered with a TC 290 transaction (or a TC, 291/300/301) is also treated as a deposit made on the first day of the tax period to which it is posted.
- A TC 766 with CRN 280 that is manually entered with a TC 298 or TC 299 adjustment is treated as a deposit made on the interest computation date entered with the transaction.
- A systemically generated TC 767 with CRN 280 is treated as a reversal of the "false credit" as of the 23c date of the posted transaction.
- A TC 767 with CRN 280 that is manually entered with a TC 298 or TC 299 adjustment is treated as a reversal of the "false credit" as of the interest computation date entered with the transaction.

Note: Command Code AMCLS, used by Exam to record adjustments, is programmed to accept TC 300 and TC 301 transactions accompanied by CRN 280 adjustments but **not** TC 308 or TC 309 transactions with CRN 280 amounts.

(7) **Assessed Module Balance (AMB) analysis on original return settlement:** When original return posting analysis is conducted, assessed module balance computations are completed by the computer to ensure that a CRN 280 amount being posted with an original return does not trigger an overpayment condition wherein all or a portion of the CRN 280 deferral "false credit" would incorrectly refund or offset.

- Although the CRN 280 "false credit" amount posted to record and "mask" amounts of deferred social security taxes is not itself refundable, it can "free up" or "release" other credits that **are** then available for refund or offset. Specifically, net overpayments attributable to the refundable **and** otherwise non-refundable portions of Employee Retention Credit (ERC) and Credit for Qualified Sick and Family Leave Wages **can** be refunded or offset on accounts for which deferred social security tax amounts have been recorded with CRN 280 transactions.
- To the extent that all or a portion of a CRN 280 amount would otherwise be incorrectly included in the overpayment figure upon settlement, BMF Masterfile will simultaneously post a CRN 280 reversal transaction such that any remaining overpayment upon posting will consist solely of amounts permitted to offset or refund.
- For Form 941, if the assessed module balance (AMB) upon return settlement (not including any unassessed penalty and/or interest accruals) is more than the sum of the posted (unreversed) CRN 296 credit amount, and the CRN

299 credit amount, and the computed Line 11b amount, and the computed Line 11c amount, then a CRN 280 reversal (TC 767) will be systemically posted for the excess amount (AMB minus sum of specified items) up to, but not more than, the amount of any posted CRN 280 transaction amount(s).

Example: Original Form 941 for second quarter of 2020 posted and reflected an overpayment of $1,000, a deferred social security tax amount of $3,000 and no COVID-related tax credits. In the posting cycle of the TC 150, a TC 766 with CRN 280 was posted for $3,000- and a TC 767 with CRN 280 posted in the same cycle for $1,000 bringing the module balance to zero.

Example: Original Form 941 for third quarter of 2020 posted and reflected an overpayment of $5,000, a deferred social security tax amount of $2,000 and a non-refundable ERC credit for $10,000. In the posting cycle of the TC 150, a TC 766 with CRN 280 was posted for $2,000- and the entire overpayment of $5,000 was available for refund or offset. No TC 767 with CRN 280 would be posted in this scenario because the amount of the overpayment was less than the amount of COVID-related tax credits.

Example: Original Form 941 for fourth quarter of 2020 posted and reflected an overpayment of $4,600, a deferred social security tax amount of $4,000 and a non-refundable Credit for Qualified Sick and Family Leave Wages $1,600. In the posting cycle of the TC 150, a TC 766 with CRN 280 was posted for $4,000-, a TC 767 with CRN 280 was posted in the same cycle for $3,000, and the remaining overpayment of $1,600 was available for refund or offset since it was attributable to the COVID credit.

(8) **Assessed Module Balance (AMB) analysis on subsequently overpaid tax modules:** After the posting of an original return with a CRN 280 amount, or the posting of a CRN 280 amount via ADJ54 or an Exam adjustment, the posting of any manual or systemic transaction in a subsequent cycle (i.e., tax adjustment, penalty adjustment, payment application, etc.) which results in the tax module being overpaid will trigger a computer assessed module balance (AMB) analysis to determine if all or part of the overpayment should be applied against the recorded deferred social security tax amount.

- Such applications of overpayments against recorded deferral amounts will be reflected by the systemic posting of a CRN 280 / TC 767 reversal transaction in the same cycle as the triggering event and will carry the 23c date of that cycle as the transaction date of the CRN 280 reversal.
- Overpayments on the account will generally be applied to deferred payment amounts prior to being considered available for refund or offset. However, similar to the analysis routine applied to original returns (as described in the first bullet in (7) above), refundable **and** otherwise non-refundable COVID-related credits **posting in the same cycle** as the transaction generating the overpayment (and thus triggering AMB analysis) **are** refundable to the extent they do not exceed the net overpayment (i.e., the CRN 280 "false credit" is

not itself refundable but can "free up" or "release" other credits that are then available for refund or offset).

- For Form 941, if the assessed module balance (AMB) after posting transactions (not including any unassessed penalty and/or interest accruals) is more than the sum of CRN 296, CRN 299, IRN 202, and IRN 203 credit amounts **posting in the same cycle**, a CRN 280 reversal (TC 767) will be posted for the excess amount (AMB minus sum of specified items) up to, but not more than, the amount of any posted CRN 280.

Exception: A TC 290 transaction with a CRN 280 amount (only) and first position Reason Code (RC) 195 will bypass the described AMB analysis. See discussion of RC 195 in (11) below.

Example: A payment of $350 is applied to an account, currently in debit balance of $500, with a posted CRN 280 for $10,000. After application of the payment, the module will still be in debit balance status and thus will not trigger AMB analysis for purposes of possible CRN 280 reversal.

Example: A payment of $275 is applied to an account, currently in zero balance, with a posted CRN 280 for $5,000. Application of the payment will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle the payment posts, a CRN 280 / TC 767 reversal will post for $275 with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal.

Example: A payment of $878 is applied to an account, currently in debit balance of $328, with a posted CRN 280 for $32,000. When the payment is posted, $328 will be absorbed by the outstanding balance showing due leaving the account overpaid by $550 ($878 less $328). The overpayment condition will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the payment posting, a CRN 280 / TC 767 reversal will post for $550 with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal.

Caution: See IRM 21.7.2.8.6.1, *Payments for Balance Due Modules with Recorded Deferral Amounts and Unassessed Accruals of Penalties or Interest*, for a description of a problem with how the computer treats unassessed accrued penalties and interest on accounts with CRN 280 deferral amounts when posting payments and for correction procedures.

Example: A payment of $8,000 is applied to an account, currently in zero balance, with a posted CRN 280 for $6,000. Application of the payment will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the payment posting, a CRN 280 / TC 767 reversal will post for $6,000 with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal. The remaining $2,000 overpayment will be available for refund or offset.

Example: A TC 650 federal tax deposit for $2,000 attempts to post to a tax account, currently in zero balance, with a posted CRN 280 for $120,000. Before the deposit is posted, FTD rollover analysis is applied which results in the posting of a TC 650 .00 transaction to the module in question and resequencing of the TC 650 to the next succeeding tax module a cycle later. In this instance, the deposit was not posted to the account and thus did not trigger AMB analysis for purposes of possible CRN 280 reversal. If the deposit in question was intended to be a payment towards the recorded deferred social security taxes, it will be necessary to wait until the TC 650 posts to a succeeding tax period and then reapply the deposit/payment manually via a credit transfer.

Example: A TC 291 tax adjustment for $250 is input to an account, currently in zero balance, with a posted CRN 280 for $18,000. The tax adjustment consists solely of a withholding tax decrease (for an administrative error) with an IRN 111 in the same amount. Posting of the tax adjustment will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the adjustment posting, a CRN 280 / TC 767 reversal will post for $250 with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal.

Example: A TC 291 tax adjustment for $5,000 is input to an account, currently in zero balance, with a posted CRN 280 for $82,000. The tax adjustment consists of a $3000 social security tax decrease (IRN 112), an increase to the ERC non-refundable credit in the amount of $800 (IRN 203), and an increase to the ERC refundable credit in the amount of $1,200 (CRN 296). Posting of the tax adjustment will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the adjustment posting, a CRN 280 / TC 767 reversal will post for $3,000 ($5,000 aggregate tax change less COVID-related non-refundable credit of $800 and less COVID-related refundable credit of $1,200) with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal. The remaining $2,000 overpayment attributable to the COVID credits posting in the same cycle ($800 plus $1,200) will be available for refund or offset.

Example: A TC 181 penalty adjustment for $730 is input to an account, currently in zero balance, with a posted CRN 280 for $5,700. Posting of the penalty adjustment will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the adjustment posting, a CRN 280 / TC 767 reversal will post for $730 with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal.

Example: A CRN 280 for $500 is input to an account in zero balance (with or without a previously posted CRN 280 amount). The posting of the CRN 280 will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the adjustment posting, a CRN 280 / TC 767 reversal will post for $500 with the 23c date of the adjustment as the transaction date of the CRN 280 reversal. See (9) below for why this action may be required and represent a correct outcome. Also, see discussion of RC 195 in (13)

below.

Caution: If an overpayment consisting in part or whole of COVID-related credits is held beyond the cycle of its posting (e.g., Hold Code 1, 2, or 4 is used) and released for refund or offset in a later cycle, the AMB analysis described above will be triggered in that later cycle but will not be able to identify that the overpayment consisted in part or whole of COVID-related credits. Accordingly, in such cases, the entire overpayment will (incorrectly) be considered by the computer as being available to be applied against recorded deferred social security tax amounts.

(9) To ensure correct systemic penalty and interest computations, it will sometimes be necessary to manually record a deferred social security tax amount with a CRN 280 even when it is known that the computer will systemically reverse the transaction.

Example: Taxpayer filed their third quarter 2020 Form 941 reflecting unpaid tax of $500,000 but did not report a deferred social security tax amount on Line 13b. Subsequently, the taxpayer makes payments of $50,000 and $100,000 towards the balance due. Later, they contact the IRS and establish that the entire $500,000 was eligible to be deferred. A CRN 280 / TC 766 will be recorded on the account via ADJ54 for the entire $500,000 deferred social security tax amount. In the same posting cycle, the computer will systemically post a CRN 280 / TC 767 reversal for $150,000 equal to the amounts paid ($50,000 plus $100,000) with the appropriate reversal effective date. Recording a deferral of $350,000 ($500,000 owed less payments of $150,000) would be an incorrect resolution for the inquiry because it would result in incorrect systemic penalty and interest assessments.

(10) **Deferred tax amounts recorded with unreversed CRN 280 / TC 766 transaction are not subject to systemic offset:**

- The computer is not programmed to apply overpayments arising on other tax forms and tax periods against deferred social security taxes.
- Manual offsets of overpayments on other tax forms and tax periods are **not** to be completed by AM employees **unless** the taxpayer specifically requests such an overpayment to be applied against deferred social security tax amounts.
- Incorrect systemic and manual offsets into modules which erroneously reflected balances due as the result of IRS failure to correctly record deferred social security tax amounts will generally require reversal action when the deferral is subsequently recorded **unless** the taxpayer specifically requests such application of credits against the deferred social security tax amounts to be maintained.

   Note: Once deferred tax amounts are reversed (e.g., a reversal for non-payment when due as discussed in (14) below), normal systemic and manual offset processing for any resulting/remaining balance due applies.

(11) **All reinstatements of CRN 280 deferral amounts must be input manually:**

- The computer is not capable of determining when a systemic CRN 280 reversal was in error and it is not programmed to restore or reinstate a reversed deferral amount even when the specific transaction that triggered a reversal is reversed.
- See IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts* for more information.

(12) **Computer maximum deferral figure and UPC 306-3:**

- The computer is programmed to calculate a maximum deferral figure for tax periods 202006, 202009, and 202012 on Form 941 accounts and for 202012 on annual Form 943, Form 944, and Form CT-1 accounts.
- This figure is used to prevent inadvertently excessive deferred social security tax amounts from being recorded and to assist in systemic determinations of amounts due to be paid as of respective due dates.
- The computer maximum deferral figure is equal to the taxable social security wage figure (Line 5a, Column 1 of Form 941 or as adjusted) plus the taxable social security tips figure (Line 5b, Column 1 of Form 941 or as adjusted) multiplied by 6.2% (.062).
- The computer maximum deferral figure was initially not displayed for Form 941, Form 943, Form 944, and Form CT-1 accounts. Command Code BMFOL with definer **M** was later modified to display the literal "MAXIMUM EMPLOYER DEFERRAL ALLOWABLE" along with the field value.

  Note: This field appears for all MFT 01 tax periods. For tax periods 202003 and earlier, the field displays as a zero value or null value. For tax periods 202103 and subsequent, the value is calculated and displayed but is not used for any purpose.

- The computer maximum deferral figure **is not an adjustable field** via ADJ54 for Form 941, Form 943, Form 944, and Form CT-1 accounts (MFT 01/11/14/09). However, the field systemically updates when changes to taxable social security wages and taxable social security tips are recorded with IRN 004 and IRN 005 (respectively).
- The computer maximum deferral figure is adjustable for MFT 05 (**only**) with IRN 211. See the third and fourth rows of the table in (3) of IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*, for MFT 05 deferral handling.
- CRN 280 amounts recorded from original returns which exceed the calculated maximum deferral amount **#** ▮▮▮▮▮▮▮▮ **#** are rejected for correction in ERS.
- Adjustments to CRN 280 amounts which exceed the calculated maximum deferral amount **#** ▮▮▮▮▮▮▮▮ **#** will unpost with UPC 306-3 **unless** Reason Code (RC) 195 is present in the first reason code position (see discussion of RC 195 in (13) below).

Caution: See (5) in IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*. The actual amount of social security taxes an employer is eligible to defer is modified when certain third-party sick pay situations apply and when Section 3121(q) Notice and Demand amounts are reported. The computer maximum deferral figure **does not** account for such modifications.

Caution: See IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*. Although CRN 280 is used for administering both employer and employee share social security tax deferrals, the computer maximum deferral figure **does not** include deferred amounts of employee's share social security taxes.

Note: Transactions unposted with UPC 306-3 will usually require reinput with first position RC 195. See (13) below.

(13) **First position Reason Code (RC) 195 with CRN 280 adjustments:** First position Reason Code 195 was validated for use with CRN 280 adjustments (**only**) on ADJ54 (and AMCLS for use by Exam operations) and has two critical associated functionality features:

1. Use of first position RC 195 with a CRN 280 bypasses the UPC 306-3 unpostable check described in (12) above.
2. Use of first position RC 195 with a CRN 280 bypasses the AMB analysis for purposes of possible systemic CRN 280 reversal described in (8) above for the posting cycle in which the CRN 280 / RC 195 transaction posts (**only**). Unless a suitable hold code is used with the adjustment to freeze the account, the overpayment will be treated by the computer as being available for refund or offset to other tax modules with open balance due amounts.

Note: There will be occasions when it is necessary to bypass the unpostable condition and occasions when it is necessary to bypass AMB analysis to achieve the correct outcome on the account. Guidance on use of RC 195 with CRN 280 adjustments is found throughout the specific handling procedures which follow. However, the impact of using RC 195 with a CRN 280 transaction must be carefully considered. RC 195 should generally only be used when there are specific instructions in the IRM to do so or when analysis of the account indicates it use is required.

Caution: Incorrect usage of RC 195 with CRN 280 transactions can trigger erroneous offsets/refunds of overpayments that should be applied against recorded social security tax deferral amounts.

Example: A CRN 280 for $500 is input to an account in zero balance (with or without a previously posted CRN 280 amount) with first position RC 195 and Hold Code 0 or Hold Code 3. The posting of the CRN 280 will cause the module to be in overpaid status. Ordinarily, the overpayment condition would trigger AMB analysis for

purposes of possible CRN 280 reversal. However, the RC 195 with the adjustment will result in the computer bypassing CRN 280 AMB reversal analysis. Accordingly, the resulting $500 overpayment will be available for refund or offset.

Example: A CRN 280 for $400 is input to an account in zero balance (with or without a previously posted CRN 280 amount) with first position RC 195 and Hold Code 1, 2, or 4. The posting of the CRN 280 will cause the module to be in overpaid status. However, the RC 195 with the adjustment will bypass AMB analysis for purposes of possible CRN 280 reversal. And, because the Hold Code used sets a -K freeze, the $400 overpayment will remain frozen on the account until some action is taken to release the freeze or otherwise apply the overpayment.

Example: A CRN 280 for $1,200 is input to an account in zero balance (with or without a previously posted CRN 280 amount) with first position RC 195 and Hold Code 1, 2, or 4. The posting of the CRN 280 will cause the module to reflect an overpayment of $1,200. However, the RC 195 with the adjustment will bypass AMB analysis for purposes of possible CRN 280 reversal. And, because the Hold Code used sets a -K freeze, the credit will remain frozen as an overpayment on the account. One cycle later, a TC 290 .00 is input to release the -K freeze. Because the account is overpaid, AMB analysis for purposes of possible CRN 280 reversal is triggered with this subsequent adjustment action. A CRN 280 / TC 767 reversal will post for $1,200 with the 23c date of the adjustment as the transaction date of the CRN 280 reversal.

Example: A CRN 280 for $18,000 is input to an account in zero balance (with or without a previously posted CRN 280 amount) with first position RC 195 and Hold Code 1, 2, or 4. The posting of the CRN 280 will cause the module to be in overpaid status. However, the RC 195 with the adjustment will bypass AMB analysis for purposes of possible CRN 280 reversal. And, because the Hold Code used sets a -K freeze, the credit will remain frozen as an overpayment on the account. One cycle later, a $12,000 misapplied payment is transferred from the account to another tax period. Because the account is overpaid after the debit credit transfer transaction is posted, AMB analysis for purposes of possible CRN 280 reversal is triggered with this subsequent account action. A CRN 280 / TC 767 reversal will post for $6,000 with the 23c date of the debit credit transfer transaction as the transaction date of the CRN 280 reversal.

(14) **CRN 280 reversals for amounts not paid when due.** See IRM 20.1.4.28, *CARES Act Section 2302 Deferrals*. The IRS conducted analysis on BMF accounts for which deferred social security amounts had been recorded to verify payments were made by the required payment due dates:

- At intervals after the first required payment due date of December 31, 2021, the IRS executed filters to identify BMF accounts with unreversed CRN 280 amounts. Mathematical analysis was conducted to determine if the deferred employer and employee shares of social security taxes due on or by December 31, 2021 had been received. A batch tool was then operated to initiate Command Code ADJ54 transactions to reverse recorded CRN 280

amounts to the extent they exceeded amounts which remained eligible to be paid on or by the second due date of December 31, 2022.

- Similarly, at intervals after the second required payment due date of December 31, 2022, filters were operated to identify BMF accounts with unreversed CRN 280 amounts and ADJ54 transactions were initiated to reverse any remaining recorded CRN 280 amounts on accounts so identified.
- The IRS continues to identify BMF accounts with unreversed CRN 280 amounts via filtering and completes ADJ54 transactions to reverse recorded CRN 280 amounts after manual account analysis.
- The CRN 280 / TC 767 reversal transactions posted in these instances appear as TC 298 transactions with blocking series 20 and an interest computation date of either December 31, 2021 or December 31, 2022 as appropriate.
- Generally, an FTD penalty equal to 10% of the unpaid deferred social security taxes will be assessed along with the posting of such CRN 280 / TC 767 reversals for non-payment.
- Other applicable penalties and interest charges will begin to accrue from the applicable payment due date as recorded by the interest computation date entered with the reversal transaction.
- An adjustment notice reflecting the account changes is issued to the employer when the reversal transaction and any penalty/interest assessments are posted.
- If payment is not timely made for the tax amounts showing due on the adjustment notice, the FTD penalty will be subject to the 15% fourth FTD penalty tier (i.e., additional 5% penalty rate).

Reminder: As a courtesy, the IRS issued CP 256V (or Spanish version CP 956V) reminder notices for BMF accounts reflecting deferred social security tax amounts remaining due shortly before the December 31, 2021 and December 31, 2022 due dates.

IRM 21.7.2.8.4 Text updated throughout for tense. Updated (6) for command code display changes. Inquiry handling guidance in (7) has been replaced with a cross-reference to IRM 21.7.2.8.6 where that information is now located.

(1) Amounts of **employer's** share of social security taxes eligible to be deferred were required to be paid by the following dates (i.e. "applicable dates") in order to avoid late payment or federal tax deposit penalties:

- 50 percent of the maximum amount of taxes that could be deferred for each calendar quarter was due on or by December 31, 2021.
- The remaining 50 percent of the maximum amount of taxes that could be deferred for each calendar quarter was due on or by December 31, 2022.

Example: The employer's share of social security tax for the third quarter of 2020 was $100,000. The employer deferred payment for the full amount and reported

$100,000 on Line 13b of the associated Form 941. The amount due by December 31, 2021 was $50,000 and the amount due by December 31, 2022 was the remaining $50,000.

Example: The employer's share of social security tax for the fourth quarter of 2020 was $160,000. However, the employer timely deposited $40,000 of employer's share social security taxes during the quarter, only deferred payment for $120,000, and therefore reported $120,000 on Line 13b of the associated Form 941. The amount due by December 31, 2022 was $80,000 (50 percent of the maximum deferral). The amount due by December 31, 2021 was $40,000 ($160,000 maximum deferral amount less the $80,000 due on December 31, 2022 or, from an alternate view point, the $80,000 otherwise due by that date less the $40,000 previously deposited).

Example: The employer's share of social security tax for the second quarter of 2020 was $360,000. However, the employer timely deposited $300,000 of employer's share social security taxes during the quarter, only deferred payment for $60,000, and therefore reported $60,000 on Line 13b of the associated Form 941. No amount remained due to be paid by December 31, 2021 because the amount already deposited exceeded the 50 percent due by that date. The amount due by December 31, 2022 was $60,000.

Reminder: Due to the timing of holidays and weekend days, payments made by January 3, 2022 are considered timely for the December 31, 2021 payment due date and payments made by January 3, 2023 are considered timely for the December 31, 2022 payment due date.

(2) Employers who deferred payment of **employee's** share of social security taxes were required to withhold (and pay) those deferred taxes ratably from wages and compensation paid to the impacted employees between January 1, 2021 and December 31, 2021. Amounts of deferred employee social security taxes were required to be paid **in full** by December 31, 2021 to avoid late payment or federal tax deposit penalties.

Example: The employer deferred no employer's share social security taxes for the fourth quarter of 2020 but did defer $30,000 in employee's share social security taxes. The employer reported the total deferred social security tax amount of $30,000 on Line13b of the associated Form 941 (and $30,000 on Line 24). Payment for the entire $30,000 amount of deferred tax was due by December 31, 2021.

Example: The employer's share of social security tax for the third quarter of 2020 was $120,000. The employer deferred payment for the full amount and also deferred payment of $40,000 of employee's share social security taxes. The employer reported the total deferred social security tax amount of $160,000 ($120,000 plus $40,000) on Line13b of the associated Form 941 (and $40,000 on Line 24). The amount due by December 31, 2021 was $100,000 ($40,000 employee's share deferred taxes plus $60,000 of the employer's share deferred taxes) and the amount due by December 31, 2022 was the remaining $60,000 employer's share deferred

taxes.

Reminder: Due to the timing of holidays and weekend days, payments made by January 3, 2022 are considered timely for the December 31, 2021 payment due date.

(3) As a courtesy, the IRS issued CP 256V (and Spanish version CP 956V) reminder notices for BMF accounts reflecting deferred social security tax amounts remaining due shortly before the December 31, 2021 and December 31, 2022 due dates. Amounts of any unpaid deferred employee's share of social security taxes were not shown separately on the first reminder notice but were instead included in the total amount showing as due along with any amounts of unpaid deferred employer's share social security taxes.

(4) For additional background information and information on how the IRS is administering deferred payments of social security taxes:

- See IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, for more information on deferral of employer's share of social security taxes.
- See IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information on deferral of employee's share of social security taxes.
- See (7), (8), and (14) in IRM 21.7.2.8.3, Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195, for information on the IRS posting of CRN 280 reversals for overpayment conditions when original returns were posted, when payments/overpayments post to accounts with recorded deferred social security tax amounts after original return processing, and when deferred tax amounts were not paid when due.

(5) Any payment the employer made before December 31, 2021, including payments or deposits made before the return was due to be filed and any overpayments (except for amounts attributable to COVID-related credits) that becomes available on the account is first applied against the deferred amount due on December 31, 2021 (employee share deferred social security tax amounts first and then employer share deferred social security tax amounts) and then applied against the deferred amount due on December 31, 2022.

Example: See first example in (1) above. The amount due by December 31, 2021 was $50,000 and the amount due by December 31, 2022 was the remaining $50,000. On July 7, 2021, the employer paid $30,000 towards the deferred taxes. After the payment was applied, the remaining amount due by December 31, 2021 was $20,000 and the remaining amount due by December 31, 2022 was $50,000.

Example: See second example in (1) above. The amount due by December 31, 2021 was $40,000 and the amount due by December 31, 2022 was $80,000. On August 19, 2021, the employer made a payment of $75,000 towards the deferred

taxes. After the payment was applied, no amount remained due by December 31, 2021 and $45,000 remained due as of December 31, 2022.

Example: See second example in (2) above. The amount due by December 31, 2021 was $100,000 ($40,000 employee's share deferred taxes plus $60,000 of the employer's share deferred taxes) and the amount due by December 31, 2022 was the remaining $60,000 employer's share deferred taxes. On September 18, 2021, the employer paid $18,000 towards the deferred taxes. After the payment was applied, the remaining amount due by December 31, 2021 was $82,000 ($22,000 employee's share deferred taxes plus $60,000 of the employer's share deferred taxes) and $60,000 remained due by December 31, 2022.

(6) **Command Code BMFOL with definer "M"** currently displays two field values with regards to unpaid amounts of deferred social security taxes:

- "UNPAID DEFERRED SOCIAL SECURITY TAX DUE BY 12/31/2021"
- "UNPAID DEFERRED SOCIAL SECURITY TAX DUE BY 12/31/2022"

Reminder: All employee share deferred social security taxes are due to be paid by December 31, 2021.

Caution: BMFOLM does **not** account for any pending transactions or for modifications to amounts which can be deferred based on the applicability of Section 3121(q) assessments or for certain third-party sick payers (see (5) in IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, for more information).

(7) See IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*, for guidance on handling phone and paper inquiries with regards to deferred social security tax amounts remaining due or amounts that were due as of respective due dates.

IRM 21.7.2.8.5 Text updated throughout for tense. Updated (1) to redefine the context of expected inquiries now that the due dates for payment of the taxes discussed have passed.

(1) Although most employers have paid previously recorded deferred social security tax amounts, some employers may still contact the IRS with questions about making related payments, including payments for accounts reflecting CRN 280 / TC 767 reversal transactions. This subsection contains general guidance which will assist in responding to such inquiries.

(2) Employers may use the following methods to pay deferred amounts of social security taxes:

- **Electronically using EFTPS**. This is the preferred payment method. When using EFTPS to pay deferred social security tax amounts, the employer should select the appropriate employment tax form filed (e.g., Form 941), the appropriate 2020 tax period for which the payment is being made, and indicate it is a payment for "Deferred Social Security Tax".
- **By credit or debit card**. Employers wishing to make payment by this method may be referred to Pay Your Taxes by Debit or Credit Card on the IRS.gov website for more information. Advise employers that payments made by this method are subject to convenience fees charged by the service providers (see IRM 21.2.1.48.4, *Payment by Credit Card, Debit Card or Digital Wallet (General)*, for more information).
- **By check or money order**. Refer the employer to "How to pay the deferred amount of the employer and employee share of social security tax" in the form instructions for the appropriate employment tax return for mailing addresses and instructions on the preparation of a corresponding payment voucher to ensure proper application of the payment.

(3) When providing information to employers on how to make payments of deferred social security taxes, advise the employer that:

- Payments of deferred social security taxes **must** be made separately from other tax payments to ensure they are applied to the correct deferred social security tax balance.
- Payments for deferred social security taxes on multiple tax periods **can't** be combined. A separate payment **must** be submitted for each tax period for which payment of deferred social security taxes is being made.
- IRS systems generally will not properly apply payments made for multiple tax periods or which combine amounts for deferred social security taxes with other tax payment amounts.
- The "Federal Tax Deposit" option should **not** be selected if the employer is using EFTPS to pay deferred social security tax amounts because doing so may prevent computer application of the payment to the proper tax account.

(4) The following information applies to payments made for deferred social security taxes reported by **aggregate employment tax return filers** (Section 3504 Agents, CPEOs, and PEOs):

- Aggregate employment tax return filers that reported deferred employer's share of social security taxes for 2020 were required to report the amounts attributable to respective client companies on Schedule R attached to their aggregate employment tax returns filed in 2020.
- The employer is solely liable for payment of deferred employer's share of social security taxes.
- Aggregate employment tax return filers and client companies should coordinate payment of deferred social security taxes to ensure proper application to the appropriate tax form and tax period under the EIN of the aggregate return filer.

Note: In certain cases of non-payment, the IRS may transfer liability for deferred social security taxes from the tax account of the aggregate employment tax filer to the tax account of the client company.

(5) For more information on making payments of deferred social security tax amounts, employers may be referred to:

- "How to pay the deferred amount of the employer and employee share of social security tax" in the form instructions for the appropriate employment tax return.
- The topic What employers need to know about repayment of deferred payroll taxes on the IRS.gov website.
- The topic Making payments for deferred tax reported by third party payers on the IRS.gov website.
- The topic How self-employed individuals and household employers repay deferred Social Security tax on the IRS.gov website.

Reminder: As a courtesy, the IRS issued CP 256V (and Spanish version CP 956V) reminder notices for BMF accounts reflecting deferred social security tax amounts remaining due shortly before the December 31, 2021 and December 31, 2022 due dates.

Note: For deferred payment administration purposes, deposits and payments are generally considered as being applied first to outstanding balances of non-deferred taxes, outstanding amounts of penalties and interest, then to deferred employee's share of social security tax, and then to deferred employer's share of social security taxes, in that order.

(6) For information on other deferred social security tax payment related topics:

- For information on amounts due at respective due dates, see IRM 21.7.2.8.4, *Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM*.
- For information on how CRN 280 / TC 767 reversal transactions are generated when payments are applied, see IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*.
- For information on certain problems with posting accruals of penalties and interest on accounts with recorded social security tax deferral amounts, see IRM 21.7.2.8.6.1, *Payments for Balance Due Modules with Recorded Deferral Amounts and Unassessed Accruals of Penalties or Interest*.
- For information on resolving common inquiries related to deferred social security tax amounts, see IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*.

IRM 21.7.2.8.6 Revised throughout to account for discontinuance of App 40 for deferred social security tax phone inquiries and resulting generation of Forms 4442. Added columns to the table in (3) for handling phone and paper inquiries, additional inquiry scenarios were added, instructions were updated to conform with the passage of the due dates for paying the taxes discussed, and closing communications guidance was added where appropriate.

(1) Employers may contact the IRS with regards to amounts of deferred social security taxes either previously reported or omitted on original (or amended) employment tax returns.

(2) **Oral Statements:**

- AM BMF employees trained and designated to work deferred social security tax inquires may make changes to deferrals (increases and decreases) on 2020 employment tax accounts based on oral statements **unless** the employer is also requesting changes to the tax account which would **otherwise** require the filing of a Form 94XX (e.g., changes to wages, tax, or credits previously reported on an employment tax return) or written correspondence.
- AM BMF employees who are **not** trained on deferred social security tax procedures will answer general questions, create Form 4442 inquiry referrals, or direct callers to write in as indicated in the table in (3) below or as per cross-referenced guidance.

Reminder: In no case will employers be required to make a special election to be able to defer deposits and payments of these employment taxes.

(3) The following table provides guidance on handling common inquiries relating to deferred social security taxes:

If	And	Contact is via phone	Contact is via paper case (including generated Form 4442 inquiry referrals)
The employer is asking for general information with regards to deferral of **employer's** share of social security taxes		Refer the employer to guidance on the irs.gov website at Deferral of employment tax deposits and payments through December 31, 2020.	- See IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, and appropriate form instructions for general information which may assist in answering the

			employer's questions. • For out of scope inquiries, refer the employer to guidance on the irs.gov website at Deferral of employment tax deposits and payments through December 31, 2020.
The employer is asking for general information with regards to deferral of **employee's** share of social security taxes		Refer the employer to Notice 2020-65and Notice 2021-11.	See IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, (in particular (7) in the referenced IRM section) and appropriate form instructions for general information which may assist in answering the employer's questions.
The inquiry is with regards to deferral of social security taxes reported on a Schedule H with Form 1041 (i.e., MFT 05)	Is a general question about deferral of social security taxes	Handle as per guidance in the preceding table rows	Handle as per guidance in the preceding table rows.
The inquiry is with regards to deferral of social security taxes reported on a Schedule H with Form 1041 (i.e., MFT 05)	Is **not** a general question which can be addressed per guidance in the preceding rows of this table (e.g., a request to record a new	• Advise the employer that we are unable to assist them at this time and to write in with a complete explanation of their concerns, including amounts of social security	Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

	or revised deferral amount)	tax they deferred and the dates and amounts of any payments made, and any accounts actions they are requesting to be taken. • Input STAUPS on the account for 9 weeks if the account reflects a balance due.	
The employer requests information with regards to amounts remaining due for unpaid deferred social security taxes, including amounts due at the respective payment due dates	No CRN 280 amount was ever recorded on the account	1. Advise the employer that no deferred social security tax amounts have been recorded on their account. 2. Advise the employer that any deferred tax amounts are now due but that we need the amounts of social security taxes they intended to defer in order for us to make any necessary corrections to penalties and interest. 3. Continue to address the phone inquiry as per guidance in (3) of IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral*	• If a telephone number is available, make two attempts to contact the employer. If contact is made, follow the handling guidance in the preceding column for phone inquires except do not prepare Form 4442. Instead, continue handling as per paper case handling guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, to record the proper social security tax deferral amount and then address the employer's balance due

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		Requests for 2020, for handling guidance, including generation of a Form 4442 in-house referral.	inquiry as appropriate. • If no telephone number is available (or a telephone number was available but contact was unsuccessful), issue a closing letter and: 1) Advise the employer no deferred social security tax amounts have been recorded on their account. 2) Advise the employer that any deferred tax amounts are now due but that we need them to provide us with the amounts of social security taxes they intended to defer in order for us to make any necessary corrections to penalties and interest. 3) If the account is in balance due status, input STAUPS for nine (9) cycles as appropriate. **Exception:** Do not contact the employer as indicated above if the correspondence or other written case

			documentation includes sufficient information to determine the amount(s) the employer intended to defer.
The employer requests information with regards to amounts remaining due for unpaid deferred social security taxes	There is an unreversed CRN 280 amount present on the account	1. Prepare Form 4442 as per instructions in IRM 21.3.5, *Taxpayer Inquiry Referrals Form 4442*, using in-house referral, Other – Employment Taxes – BMF. 2. Ask the employer if they made any payments towards the deferred tax amount(s) and document the amount(s) and date(s) of any payments on Form 4442. 3. Advise the employer they will receive a response via phone or letter as appropriate. 4. If the account is in balance due status, input STAUPS for nine (9) cycles as appropriate.	• Provide the employer with the amount of deferred social security tax remaining due (see IRM 21.7.2.8.4, *Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM*, for more information). • Advise the employer that the due dates for payment of all eligible deferred social security tax amounts are past and that any balance remaining on their tax account is due now.
The employer requests information with regards to amounts due at the respective payment due dates	There is an unreversed CRN 280 amount present on the account	1. Prepare Form 4442 as per instructions in IRM 21.3.5, *Taxpayer Inquiry Referrals Form 4442*, using in-house	• See IRM 21.7.2.8.4, *Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and*

		referral, Other – Employment Taxes – BMF. 2. Ask the employer if they made any payments towards the deferred tax amount(s) and document the amount(s) and date(s) of any payments on Form 4442. 3. Advise the employer they will receive a response via phone or letter as appropriate. 4. If the account is in balance due status, input STAUPS for nine (9) cycles as appropriate.	*Command Code BMFOLM*, for guidance on calculating the amounts that were due on the respective due dates and include this information in the closing letter. • If there is still a balance due on the account, advise the employer in the closing letter that the remaining balance, including any amounts for which payment was previously deferred, is now due. • If it appears the employer is experiencing difficulty in reconciling payments made to previously deferred tax amounts, address the issue as appropriate (including providing a transcript of the account if necessary) in the closing letter.
The employer requests information with regards to amounts remaining	A CRN 280 amount was previously recorded on	Advise the employer that the due dates for payment of all eligible deferred social security	Advise the employer in a closing letter that the due dates for payment of all eligible deferred

due for unpaid deferred social security taxes	the account and was subsequently fully reversed with one or more CRN 280 / TC 767 transactions	tax amounts are past and that any balance remaining on their tax account is due now.	social security tax amounts are past and that any balance remaining on their tax account is due now.
The employer requests information with regards to amounts that were due at the respective payment due dates	A CRN 280 amount was previously recorded on the account and was subsequently fully reversed with one or more CRN 280 / TC 767 transactions	1. Prepare Form 4442 as per instructions in IRM 21.3.5, *Taxpayer Inquiry Referrals Form 4442*, using in-house referral, Other – Employment Taxes – BMF and indicate on the Form 4442 that the employer is requesting the amounts that were due as of the respective due dates. 2. Ask the employer if they made any payments towards the deferred tax amount(s) and document the amount(s) and date(s) of any payments on Form 4442. 3. Advise the employer they will receive a response via phone or letter as appropriate. 4. If the account is in balance due status, input STAUPS for nine	• See IRM 21.7.2.8.4, *Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM*, for guidance on calculating the amounts that were due on the respective due dates and include this information in the closing letter. • If there is still a balance due on the account, advise the employer in the closing letter that the remaining balance, including any amounts for which payment was previously deferred, is now due. • If it appears the employer is experiencing difficulty in reconciling payments made to previously

		(9) cycles as appropriate.	deferred tax amounts, address the issue as appropriate (including providing a transcript of the account if necessary) in the closing letter.
The employer requests information on how to make a payment of deferred social security taxes		See IRM 21.7.2.8.5, *Deferred Social Security Tax Amount — Guidance on Making Payments*.	See IRM 21.7.2.8.5, *Deferred Social Security Tax Amount — Guidance on Making Payments*.
A payment intended for an account with recorded deferred social security amounts (i.e., posted CRN 280 amount) was misapplied to another tax form or tax period		1. Prepare Form 4442 as per instructions in IRM 21.3.5, *Taxpayer Inquiry Referrals Form 4442*, using in-house referral, Other – Employment Taxes – BMF. 2. Ask the employer for the date and amount of the misapplied payment and the dates/amounts of any other payments made towards the deferred tax amount(s). Document the amount(s) and date(s) of any payments on Form 4442. 3. Advise the employer they will receive a response via	• The outcome of transferring the credit(s) **into** the tax module with the recorded deferral must be carefully considered, including whether reapplication of the credit should trigger a full or partial CRN 280 reversal. • See IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for handling guidance.

		phone or letter as appropriate. 4. If the account is in balance due status, input STAUPS for nine (9) cycles as appropriate.	
A payment intended for another tax period or tax form was misapplied to account with recorded deferred social security amounts (i.e., posted CRN 280 amount)		1. Prepare Form 4442 as per instructions in IRM 21.3.5, *Taxpayer Inquiry Referrals Form 4442*, using in-house referral, Other – Employment Taxes – BMF. 2. Ask the employer for the date and amount of the misapplied payment and the dates/amounts of any other payments made towards the deferred tax amount(s). Document the amount(s) and date(s) of any payments on Form 4442. 3. Advise the employer they will receive a response via phone or letter as appropriate. 4. If the account is in balance due status, input STAUPS for nine (9) cycles as	• The outcome of transferring the credit(s) **out of** the tax module with the recorded deferral must be carefully considered, including whether the misapplication of the credit(s) triggered an erroneous full or partial CRN 280 reversal which must now be reinstated. • See IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for handling guidance.

		appropriate.	
A payment by a client company for deferred social security taxes reported by an associated **aggregate employment tax filer** (Section 3504 Agents, CPEOs, and PEOs) was applied to an account under the client company's EIN instead of to the appropriate tax account under the associated aggregate return filer's EIN		1. Prepare Form 4442 as per instructions in IRM 21.3.5, *Taxpayer Inquiry Referrals Form 4442*, using in-house referral, Other – Employment Taxes – BMF. 2. Ask the employer for the date and amount of the misapplied payment and the dates/amounts of any other payments made towards the deferred tax amount(s). Document the amount(s) and date(s) of any payments on Form 4442. 3. Advise the employer they will receive a response via phone or letter as appropriate. 4. If the account is in balance due status, input STAUPS for nine (9) cycles as appropriate.	1. See (4) in IRM 21.7.2.8.5, *Deferred Social Security Tax Amount — Guidance on Making Payments*. 2. Follow procedures in IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, to reapply the payment to the aggregate return filer's tax account on which the deferred social security taxes were recorded. 3. As appropriate, delete any employment tax filing requirements incorrectly opened on the client company's tax account when the misapplied payment was posted.
The employer is responding to a balance due of accrued unassessed penalties or interest after making	The application of the payment triggered a CRN 280 / TC 767	1. Prepare Form 4442 as per instructions in IRM 21.3.5, *Taxpayer Inquiry Referrals*	See IRM 21.7.2.8.6.1, *Payments for Balance Due Modules with Recorded Deferral Amounts and Unassessed Accruals of*

payment towards an amount due on an account with recorded deferred social security amounts (i.e., posted CRN 280 amount)	reversal transaction instead of credit being first applied against the accruals	*Form 4442*, using in-house referral, Other – Employment Taxes – BMF. 2. Ask the employer for the date and amount of the payment made for the balance due and the dates/amounts of any other payments made towards the deferred tax amount(s). Document the amount(s) and date(s) of any payments on Form 4442. 3. Advise the employer they will receive a response via phone or letter as appropriate. 4. If the account is in balance due status, input STAUPS for nine (9) cycles as appropriate.	*Penalties or Interest*.
The employer is requesting abatement of penalties associated with a reversal of recorded deferred social security amounts (i.e., CRN 280 / TC 767 reversal) due to not paying deferred amounts by respective due dates		1. See (4) and (5) in IRM 20.1.4.28, *CARES Act Section 2302 Deferrals*. 2. Work the employer's penalty abatement request as per standard handling	1. See (4) and (5) in IRM 20.1.4.28, *CARES Act Section 2302 Deferrals*. 2. Work the employer's penalty abatement request as per standard handling

		guidance.	guidance.
Reminder: See (14) in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.			
The employer is requesting penalty abatement for an account with recorded deferred social security amounts (i.e., posted CRN 280 amount)	There is an unreversed CRN 280 amount present on the account	• Advise the employer that we are unable to assist them at this time and to write in with a complete explanation of their concerns and any accounts actions they are requesting to be taken. • Input STAUPS on the account for 9 weeks if the account reflects a balance due.	• The outcome of any manual penalty adjustment on the tax module with the recorded deferral must be carefully considered, including whether a resulting overpayment condition will trigger a full or partial CRN 280 reversal. • See IRM 21.7.2.8.8, *Deferred Payment Modules — Manual Penalty Adjustments*, for handling guidance.
The employer is requesting penalty abatement for an account with recorded deferred social security amounts (i.e., posted CRN 280 amount)	A CRN 280 amount was previously recorded on the account and was subsequently fully reversed with one or more CRN 280 / TC 767	Work the employer's penalty abatement request as per standard handling guidance.	Work the employer's penalty abatement request as per standard handling guidance.

	transactions		
The employer is responding to a balance due or adjustment notice resulting from systemic or manual reversal of a CRN 280 / TC 766 transaction	Disagrees with the reversal	• Advise the employer that we are unable to assist them at this time and to write in with a complete explanation of their concerns and any accounts actions they are requesting to be taken. • Input STAUPS on the account for 9 weeks if the account reflects a balance due.	• Analyze the account to determine the reason for the reversal transaction(s). (See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for information which will assist in analyzing the account.) • If the reversal action was **incorrect**, take appropriate action to resolve the issue that caused the incorrect reversal (e.g., correct misapplied payments) and follow procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*, to correct the recorded deferred social security tax amount.

			• If the reversal action was **correct**, explain the reason for the reversal to the employer and advise them to make payment for any amounts currently showing due.
The employer is making a new or corrected request for deferred payment of social security taxes	The request is **not** for a 2020 tax period	• Advise the employer that deferred payment of social security taxes applies only to calendar year 2020 employment tax returns. • Address any balance due on the account for which the employer is inquiring as appropriate.	• Advise the employer that deferred payment of social security taxes applies only to calendar year 2020 employment tax returns. • Address any balance due on the account for which the employer is inquiring as appropriate.
The employer is making a new or corrected request (including reinstatement requests) for deferred payment of social security taxes	The request is for Form 941, tax period 202003	Address the phone inquiry as per guidance in (4) of IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447,* for handling guidance, including generation of a Form 4442 in-house referral.	See IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*, for handling guidance.
The employer is making a new or corrected request (including reinstatement	Is also making other tax reporting changes that require the	• Advise the employer we are unable to take any action on their account at	• Advise the employer we are unable to take any action on their account at

requests) for deferred payment of social security taxes	filing of a Form 94XX.	this time and to submit their request in writing with their calculation of the deferred social security tax amount along with a Form 94XX (specify form to be filed) reporting the other changes to their tax account. • Input STAUPS on the account for 9 weeks if the account reflects a balance due.	this time and to submit their request in writing with their calculation of the deferred social security tax amount along with a Form 94XX (specify form to be filed) reporting the other changes to their tax account. • Input STAUPS on the account for 9 weeks if the account reflects a balance due.
The employer is making a new or corrected request (including reinstatement requests) for deferred payment of social security taxes	There are one or more misapplied credits	Address the phone inquiry as per guidance in (3) of IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, for handling guidance, including generation of a Form 4442 in-house referral.	Correct ordering of transactions is critical for achieving the correct outcome on the account: • For information on transferring credits, see IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*. • For information on processing new or corrected requests for deferred payment of social security taxes, see IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral*

			Requests for 2020.
The employer is making a new or corrected request (including reinstatement requests) for deferred payment of social security taxes	Is also requesting penalty abatement	• Advise the employer that we are unable to assist them at this time and to write in with a complete explanation of their concerns and any accounts actions they are requesting to be taken. • Input STAUPS on the account for 9 weeks if the account reflects a balance due.	Correct ordering of transactions is critical for achieving the correct outcome on the account: • For information on adjusting the penalty, see IRM 21.7.2.8.8, *Defer red Payment Modules — Manual Penalty Adjustments*. • For information on processing new or corrected requests for deferred payment of social security taxes, see IRM 21.7.2.8.9, *Proce ssing New or Revised Social Security Tax Deferral Requests for 2020*.
The employer has filed a Form 94XX amended/adjusted employment tax return	The tax module reflects recorded deferred social security amounts (i.e., posted CRN 280 amount) **or** th e Form 94XX reflects a new/revised social	1. As usual, provide the processing status of the Form 94XX and address any related questions/concer ns as appropriate. 2. If the employer is also making an inquiry relative to deferred social security amounts,	See IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*.

	security tax deferral request	address the deferred social security tax issue as per the appropriate row of this table.	
The employer is making a new or corrected request for deferred payment of social security taxes	None of the preceding rows apply.	Address the phone inquiry as per guidance in (3) of IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, for handling guidance, including generation of a Form 4442 in-house referral.	See IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.

IRM 21.7.2.8.6.1 Text updated throughout for tense. Revised (2) instructions to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling.

(1) The computer is not programmed to post accruals of penalties and interest when systemic posting analysis for payments is conducted on tax modules containing unreversed CRN 280 transactions recording unpaid deferred social security tax amounts. As a result, any overpayment exceeding the current module balance will be applied to recorded, unreversed social security tax deferral amounts instead of being correctly applied to the accrued penalty or interest charges.

Example: The taxpayer had a recorded social security tax deferral (CRN 280) of $10,000 on a Form 941 account for the third quarter of 2020. The taxpayer subsequently filed a Form 941-X reporting an additional $2,000 in taxes due but failed to make the associated required $2,000 payment and did not pay when the adjustment notice was issued. Failure to Pay penalty and interest charges accrued and the taxpayer later received a bill for $2,500 ($2,000 tax plus $500 in accrued penalty and interest). The taxpayer submitted payment of $2,500. When the payment was posted, $2,000 was applied to satisfy the amount of tax assessed and showing due (i.e., the current module balance then showing on TXMOD). The remaining $500 showing as overpaid was treated by the computer (incorrectly) as available to be applied to the deferred social security taxes. Instead of posting the $500 in accrued penalty and interest, the computer instead (incorrectly) posted a CRN 280 / CRN 767 reversal for $500.

Example: Same situation as in the preceding example except that after the CRN 280 reversal the taxpayer received a bill for $520 consisting of the $500 in previous accruals plus $20 in additional accruals. The taxpayer submitted payment of $520. When the payment was posted, the $520 payment triggered another CRN 280 / TC 767 reversal, this time for $520, instead of posting the accrued penalties and interest.

(2) For paper inquiries (including generated Form 4442 referrals) in regards to an account for which the situation described applies, resolve the account issue as follows:

1. Input a TC 290 00, Priority Code (PC) 5 adjustment to the account to post the accrued penalty and interest.
2. Follow procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*, to reinstate the amount of the CRN 280 reversed in error due to accruals not being posted when payment was applied. Use a suitable post delay code to ensure the CRN 280 transaction posts one cycle after the PC 5 adjustment force-posting the accruals.
3. Apologize to the employer (verbally or in writing) for the problem and advise them of the amount of social security tax deferral that was reinstated and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the reinstated amount or otherwise), advise the employer that the full amount is now due.

   Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the employer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

Caution: Careful consideration and ordering of corrective transactions will be necessary if other account actions are also required to resolve the taxpayer inquiry.

Reminder: Phone inquiries regarding unassessed accruals of penalties or interest on accounts with recorded deferred social security tax amounts are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*.

IRM 21.7.2.8.7(3) Revised instructions to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling.

(3) For paper inquiries (including generated Form 4442 referrals), take the following preliminary actions prior to initiating credit transfers into or out of modules reflecting

posted CRN 280 transactions or on which a CRN 280 transaction will be input as part or resolving the account:

1. Determine the correct application of payments.
2. Determine the expected account outcome in terms of final module balance (i.e., zero balance, debit balance or overpayment) after the posting of any credit transfers (including impact on penalties/interest) and, if overpaid, whether the overpayment should be applied against the recorded social security tax deferral amount or is refundable/available for offset.
3. Determine the impact of any credit transfer actions on the previously recorded CRN 280 deferral or any new/revised CRN 280 to be recorded (i.e., whether the reapplication of credits will trigger systemic CRN 280 / TC 767 reversal).
4. Determine the general action required to address the taxpayer's previous or new social security tax deferral request (i.e., reinstatement of a previous CRN 280, input of a new CRN 280, or allowing a full or partial systemic reversal of a previous CRN 280 amount).

Note: Completing the four steps described above requires analyzing the taxpayer request and the tax accounts to be addressed as well as a familiarity with social security tax deferral guidance found throughout IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, and its subsections.

Reminder: Phone inquiries regarding misapplied payments on accounts with recorded deferred social security tax amounts are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*.

IRM 21.7.2.8.7.1 Revised instructions in (1) to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling. Revised instructions in (3) with regards to closing communications.

(1) This subsection provides handling guidance for completing credit transfers on paper inquiries (including generated Form 4442 referrals) when moving credits **into** a tax module with a previously posted CRN 280 (reversed or unreversed).

Note: If the taxpayer is making a new or revised social security tax deferral request (not a reinstatement) and credits transfers are required, see IRM 21.7.2.8.7.3, *Moving Credits Into/Out of Modules with New or Revised Deferral Requests*.

Reminder: Phone inquiries regarding misapplied payments on accounts with recorded deferred social security tax amounts are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling*

Guidance for Common Correspondence and Phone Inquiries.

(2) See (3) in IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for **required** preliminary research steps. After completing preliminary research, continue processing as follows:

If	And	Then
A manual penalty adjustment is also required		1. See handling guidance in IRM 21.7.2.8.8, *Deferred Payment Modules — Manual Penalty Adjustments*, in particular the guidance on ordering of transactions. 2. Complete the credit transfer(s) as per guidance in the following table rows using, as appropriate, posting delay codes to ensure transactions post in the correct sequence.
The credit transfer is related to the processing of a Form 94XX adjusted return		Follow guidance IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, for processing Forms 94XX with deferred social security tax implications, including those involving credit transfers. Handling requirements for credit transfers associated with Forms 94XX are incorporated in the cross-referenced guidance.
The corrective action requires moving credits **both** into and out of the tax module with the previously posted CRN 280.		Unless some handling factor clearly points to a different ordering of transactions: 1. **First** complete the credit transfer(s) **out** of the module as per guidance in IRM 21.7.2.8.7.2, *Moving Credits Out of Modules with Recorded CRN 280 Amounts*. 2. Then complete the credit transfer(s) **into** the module as per guidance in the following table rows with a suitable post delay code to ensure the credit transactions post **after** the debit transactions. 3. Take any other actions to resolve the account, including any CRN 280 transactions, using appropriate post

		delay codes to ensure they post after the credit transfer actions (unless specific instructions state to post in a different order).
The tax module will be in zero or debit balance after posting credit transfer(s)		• Complete the credit transfer(s) as normal. • No special handling is required for the recorded social security tax deferral since the application of the credit(s) will **not** trigger AMB analysis for purposes of possible systemic CRN 280 reversal.
The tax module will be in credit balance after posting credit transfer(s)	The credit(s) should be applied to the recorded social security tax deferral amount	• Complete the credit transfer(s) as normal. • No special handling for the recorded social security tax deferral is required. The posting of the credit(s) **will** trigger AMB analysis for purposes of possible systemic CRN 280 reversal.
The tax module will be in credit balance after posting credit transfers	The credit(s) should **not** be applied to the recorded social security tax deferral amount	This credit transfer scenario should rarely be encountered since overpayments on the account are generally required to be applied against the recorded social security tax deferral. However, if necessary and appropriate (e.g., correcting a previous processing error), handle as follows: 1. Complete the credit transfer(s) as normal. This action will trigger a systemic CRN 280 reversal. 2. Determine the 23c date for the posting of the payment/credit/CRN 280 reversal. 3. Follow procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*, to reinstate the incorrect CRN 280 reversal and allow the resulting overpayment to refund.

Reminder: The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any

posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions, etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

(3) Notification requirements for credit transfer cases involving deferred social security tax issues are generally the same as they would be for the related deferred social security tax issue (e.g., a credit transfer case also requiring a reinstatement of deferred social security tax would require communications to the taxpayer as per guidance in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*).

Exception: If the adjustment actions taken will generate a correct notice containing all necessary information with regards to the recording of deferred social security tax amounts (e.g., systemic posting of CRN 280 / TC 767 transaction), a letter duplicating that information is not required.

Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

IRM 21.7.2.8.7.2 Revised instructions in (1) to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling. Removed phone inquiry handling scenario in last row of the table in (2) which will no longer be encountered. Revised instructions in (3) with regards to closing communications.

(1) This subsection provides handling guidance for completing credit transfers on paper inquiries (including generated Form 4442 referrals) when moving credits **out** of a tax module with a previously posted CRN 280 (reversed or unreversed).

Note: If the taxpayer is making a new or revised social security tax deferral request (not a reinstatement) and credits transfers are required, see IRM 21.7.2.8.7.3, *Moving Credits Into/Out of Modules with New or Revised Deferral Requests*.

Reminder: Phone inquiries regarding misapplied payments on accounts with recorded deferred social security tax amounts are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*.

(2) See (3) in IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for **required** preliminary research steps. After completing preliminary research, continue processing as follows:

If	And	Then
A manual penalty adjustment is also required		1. See handling guidance in IRM 21.7.2.8.8, *Deferred Payment Modules — Manual Penalty Adjustments*, in particular the guidance on ordering of transactions. 2. Complete the credit transfer(s) as per guidance in the following table rows using, as appropriate, posting delay codes to ensure transactions post in the correct sequence.
The credit transfer is related to the processing of a Form 94XX adjusted return		Follow guidance IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, for processing Forms 94XX with social security tax deferral implications, including those involving credit transfers. Handling requirements for credit transfers associated with Forms 94XX are incorporated in the cross-referenced guidance.
The corrective action requires moving credits **both** into and out of the tax module with the previously posted CRN 280.		Unless some handling factor clearly points to a different ordering of transactions: 1. **First** complete the credit transfer(s) **out** of the module as per guidance in the following table rows. 2. Then complete the credit transfer(s) **into** the module as per guidance in IRM 21.7.2.8.7.1, *Moving Credits Into Modules with Recorded CRN 280 Amounts*, with a suitable post delay code to ensure the credit transactions post **after** the debit transactions.

		3. Take any other actions to resolve the account, including any CRN 280 transactions, using appropriate post delay codes to ensure they post after the credit transfer actions (unless specific instructions state to post in a different order).
The tax module will be in zero or debit balance after posting credit transfer(s)	A CRN 280 reversal was **not** posted when the credit(s) originally posted to the incorrect module	• Complete the credit transfer(s) as normal. • No special handling for the recorded social security tax deferral is required since the removal of the credit(s) from the module will **not** trigger AMB analysis for purposes of possible systemic CRN 280 reversal.
The tax module will be in zero or debit balance after posting credit transfer(s)	A CRN 280 reversal **was** posted when the credit(s) originally posted to the incorrect module	1. Complete the credit transfer(s) as normal. 2. Follow procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*, to reinstate the amount of the CRN 280 incorrectly reversed due to the misapplied credit.
The tax module will be in credit balance after posting credit transfers	A CRN 280 reversal was **not** posted when the credit(s) originally posted to the incorrect module	1. Complete the credit transfer(s) as normal. 2. Take appropriate action to address the remaining overpayment on the account. **Note:** This should only occur in instances where the social security tax deferral amount was previously paid in full or otherwise fully reversed. As such, no special handing for the recorded social security tax deferral is required unless the taxpayer is requesting a revision to the previously requested deferral amount.
The tax module will	A CRN 280	Contact the IRM author through your

be in credit balance after posting credit transfers	reversal **was** posted when the credit(s) originally posted to the incorrect module	management chain and the site P&A Staff for guidance on handling the case.

Reminder: The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions, etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

(3) Notification requirements for credit transfer cases involving deferred social security tax issues are generally the same as they would be for the related deferred social security tax issue (e.g., a credit transfer case also requiring a reinstatement of deferred social security tax would require communications to the taxpayer as per guidance in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*).

Exception: If the adjustment actions taken will generate a correct notice containing all necessary information with regards to the recording of deferred social security tax amounts (e.g., systemic posting of CRN 280 / TC 767 transaction), a letter duplicating that information is not required.

Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

IRM 21.7.2.8.7.3 Revised instructions in (1) to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling. Revised instructions in (3) with regards to closing communications.

(1) This subsection provides handling guidance for completing credit transfers on paper inquiries (including generated Form 4442 referrals) when moving credits into or out of a tax module and the taxpayer is either making a new social security tax deferral request (i.e., there is no previously posted reversed or unreversed CRN 280 transaction on the tax module) or the taxpayer is requesting to revise a previously recorded (i.e. posted CRN 280) deferral amount.

Reminder: Phone inquiries regarding misapplied payments on accounts with recorded deferred social security tax amounts are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling*

Guidance for Common Correspondence and Phone Inquiries.

(2) See (3) in IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for **required** preliminary research steps. Also, see general information in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*. After completing preliminary research, continue processing as follows:

If	And	Then
A manual penalty adjustment is also required		1. See handling guidance in IRM 21.7.2.8.8, *Deferred Payment Modules — Manual Penalty Adjustments*, in particular the guidance on ordering of transactions. 2. Complete the credit transfer(s) as per guidance in the following table rows using, as appropriate, posting delay codes to ensure transactions post in the correct sequence.
A new or revised social security tax deferral request is being made (i.e., there is no posted unreversed CRN 280/ TC 766 amounts)	A Form 94XX adjusted return is also being processed	Follow guidance IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, for processing Forms 94XX with deferred social security tax implications, including those involving credit transfers. Handling requirements for credit transfers associated with Forms 94XX are incorporated in the cross-referenced guidance.
A **new** social security tax deferral request is being made (i.e., there is no posted unreversed CRN 280/ TC 766 amounts on the tax module)		1. **First**, complete all required credit transfer(s) **into and out of** the tax module as normal. 2. Complete the processing of the **new** social security tax deferral request as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, but use a suitable post delay code to ensure the actions to record the deferred taxes post after the credit transfer(s). **Note:** No special handling for the credit

		transfers or the social security tax deferral amount to be recorded is required (other than appropriate post delay codes) if the credit transfer transactions are posted to the account **before** the deferral is recorded with a CRN 280 transaction. And, moving the credits first will ensure that the module balance situation is known prior to applying the procedures for recording the deferred social security taxes (making it easier to apply those procedures since they are based in part on module balance conditions).
A **revised** social security tax deferral request is being made (i.e., there is one or more previously posted unreversed CRN 280/ TC 766 amounts on the tax module)	The required action requires moving credit(s) **out of** (but not into) the tax module	1. **First**, complete all required credit transfer(s) **out of** the tax module as normal. 2. Complete the processing of the **revised** social security tax deferral request as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, but use a suitable post delay code to ensure the actions taken to record the deferred social security taxes post after the credit transfer(s). 3. As appropriate, follow procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*, to reinstate any portion of the deferral recorded prior to the current revision request that was incorrectly reversed due to the previous misapplication of credit(s) to the account. **Note:** Moving the credits out of the account first will ensure that the module balance situation is known prior to applying the procedures for recording the revised deferred social security taxes (making it easier to apply those procedures since they are based in part

		on module balance conditions). Also, action to reinstate any incorrectly reversed CRN 280 amount should generally be the last action taken to resolve an account with a recorded deferral amount.
A **revised** social security tax deferral request is being made (i.e., there is one or more previously posted unreversed CRN 280/ TC 766 amounts on the tax module)	The required action requires moving credit(s) **into** (but not out of) the tax module	1. **First**, process the request for the **revised** social security tax deferral as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*. 2. Complete all required credit transfer(s) **into** the tax module as normal but use a suitable post delay code with the credit transfer(s) to ensure posting after the actions taken to record the revised deferred social security tax amount. **Note:** Completing the credit transfer(s) into the module after processing the revised social security tax deferral request will ensure that the AMB analysis described in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195* will be triggered, when appropriate, for potential systemic reversal of all or a portion of the posted CRN 280 / TC 766 amount.
A **revised** social security tax deferral request is being made (i.e., there is one or more previously posted unreversed CRN 280/ TC 766 amounts on the tax module)	The required action requires moving credit(s) **both into and out of** the tax module	Correct ordering of transactions is critical for achieving the correct outcome on the account. Handle as follows: 1. **First**, complete all required credit transfer(s) **out of** the tax module as normal. 2. Complete the processing of the **revised** social security tax deferral request as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, but use a suitable post delay

		code to ensure the subsequent actions to record the deferred taxes post after the credit transfer(s) **out of** the module.
		3. Complete all required credit transfer(s) **into** the tax module as normal but use a suitable post delay code with the credit transfer(s) to ensure posting after the actions taken to record the revised deferred social security tax amount.
		4. As appropriate, follow procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*, to reinstate any portion of the deferral recorded prior to the current revision request that was incorrectly reversed due to the previous misapplication of credit(s) to the account.

Note: Moving the credits out of the account first will ensure that the module balance situation is known prior to applying the procedures for recording the revised deferred social security taxes (making it easier to apply those procedures since they are based in part on module balance conditions). And, completing the credit transfer(s) into the module after processing the revised social security tax deferral request will ensure that the AMB analysis described in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195* will be triggered, when appropriate, for potential systemic reversal of all or a portion of the posted CRN 280 / TC 766 amount. Also, action to reinstate any incorrectly reversed CRN 280 amount should generally be the last action taken to resolve an account with a

		recorded deferral amount.

Reminder: The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions, etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

(3) Notification requirements for credit transfer cases involving deferred social security tax issues are generally the same as they would be for the related deferred social security tax issue (e.g., a credit transfer case also requiring a reinstatement of deferred social security tax would require communications to the taxpayer as per guidance in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*).

Exception: If the adjustment actions taken will generate a correct notice containing all necessary information with regards to the recording of deferred social security tax amounts (e.g., systemic posting of CRN 280 / TC 767 transaction), a letter duplicating that information is not required.
Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

IRM 21.7.2.8.8 Revised instructions in (1) to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling. Added new penalty abatement handling scenario in the table in (5). Revised instructions in (6) with regards to closing communications.

(1) This subsection provides guidance for completing manual penalty adjustments on paper inquiries (including generated Form 4442 referrals) on modules with posted social security tax deferral amounts (TC 766 CRN 280 transactions) and modules for which new/revised/reinstatement deferral requests are also under consideration.

Note: This subsection does not address restricted interest modules. However, the same general principles discussed here (i.e., ordering of transactions, etc.) for manual penalty adjustments would usually apply to manual interest adjustments.

Note: This subsection does not address matters related to systemic recomputation of penalties (or interest). However, systemic recomputation of penalties (and interest) is a factor requiring careful consideration when taking actions (e.g., credit transfers) on accounts with deferred social security tax issues.

Reminder: Phone inquiries regarding manual penalty adjustments on accounts with recorded deferred social security tax amounts are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*.

(2) As is discussed in greater detail in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*:

- CRN 280 / TC 766 transactions are used to "mask" balances of social security taxes for which payment can deferred.
- The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions, etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction.
- The computer is not capable of determining when a systemic CRN 280 reversal was in error and it is not programmed to restore or reinstate a reversed social security tax deferral amount even when the specific transaction that triggered a reversal is reversed.

(3) Accordingly, completing manual penalty adjustments on accounts with posted CRN 280 transactions, or on accounts on which a new/revised CRN 280 amount is to be input, requires careful consideration and ordering of corrective transactions.

(4) Take the following preliminary actions prior to initiating a manual penalty adjustment on a tax module reflecting posted CRN 280 transactions or on which a CRN 280 transaction will be input as part or resolving the account:

1. Determine the manual penalty adjustment required.

   Caution: Since the penalty will be restricted and will not afterwards systemically recompute, the impact of any posted CRN 280 amount and/or changes to the recorded CRN 280 amount must be considered when determining the correct penalty change amount.

   Reminder: FTP penalty adjustments for reasonable cause do not prevent (i.e., do not restrict) systemic recomputations of FTP. See (7) in IRM 20.1.2.2.4.1, *Penalty Abatements and Re-assessments*.

2. Determine the expected account outcome in terms of final module balance (i.e., zero balance, debit balance or overpayment) after the posting of the manual penalty adjustment and, if overpaid, whether the overpayment should be applied against the amount deferred or is refundable/available for offset.
3. Determine the impact of the manual penalty adjustment on the previously recorded CRN 280 deferral or any new/revised CRN 280 to be recorded (i.e.,

whether the manual penalty adjustment will trigger systemic CRN 280 / TC 767 reversal).

4. Determine the general action required to address the taxpayer's previous or new social security tax deferral request (i.e., reinstatement of a previous CRN 280, input of a new CRN 280, or allowing a full or partial systemic reversal of a previous CRN 280 amount).

Note: Completing the four steps described above requires analyzing the taxpayer request and the tax accounts to be addressed as well as a familiarity with social security tax deferral guidance found throughout IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, and its subsections.

(5) After completing the preliminary steps described above, continue processing manual penalty increases or decreases on tax modules with previously posted CRN 280 deferral transactions and tax modules for which new or revised social security tax deferral requests are being considered as follows:

If	And	Then
A previous CRN 280 / TC 767 reversal was incorrect and must be reinstated		- Generally, the reinstatement action should be the last action taken on the account. - See IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*, for additional handling guidance.
The taxpayer is also making a new social security tax deferral request or revising (not reinstating) a previous deferral request		Correct ordering of transactions is critical for achieving the correct outcome on the account: - If the manual penalty adjustment will result in a net **debit** balance on the tax account (e.g., penalty assessment), the manual penalty adjustment should generally be completed **before** recording the new or revised social security tax deferral amount. - If the manual penalty adjustment would result in a net **credit** balance on the tax account (e.g., penalty abatement), the manual penalty adjustment should generally be completed **after** recording the new or revised social security tax deferral amount.

		• See IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, for additional handling guidance.
There are one or more misapplied credits		Correct ordering of transactions is critical for achieving the correct outcome on the account: • If correcting the account requires moving credits **out of** the tax module (i.e., **debit** transactions), credits transfers should generally be completed **before** any transaction that would create a credit on the account (e.g., manual penalty abatement). • If correcting the account requires moving credits **into** the tax module (i.e., **credit** transactions), the credit transfers should generally be completed **after** any transaction that would create a debit on the account (e.g., manual penalty assessment). • See IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for additional handling guidance.
The employer is requesting abatement of penalties associated with a reversal of recorded deferred social security amounts (i.e., CRN 280 / TC 767 reversal) due to not paying deferred amounts by respective due dates **Reminder:** See (14) in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and*		See (4) and (5) in IRM 20.1.4.28, *CARES Act Section 2302 Deferrals*. The penalty abatement request is worked as per standard handling guidance.

Reason Code 195, for more information.		
A Form 94XX adjusted return is also being processed		Follow guidance IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, for processing Forms 94XX with deferred social security tax implications, including those involving manual penalty adjustments. Handling requirements for manual penalty adjustments associated with Forms 94XX are incorporated in the cross-referenced guidance.
The account will be in zero or debit balance when the manual penalty adjustment posts		• Input the penalty adjustment as normal. • The penalty adjustment action will **not** trigger AMB analysis for systemic reversal of the recorded social security tax deferral amount (i.e., no CRN 280 / TC 767 reversal will be posted).
The account will be in credit balance after the manual penalty adjustment	The overpayment should be applied against the recorded deferred social security tax amount	• Input the adjustment as normal. • The overpayment condition created by the penalty adjustment action will trigger AMB analysis for systemic reversal (i.e., CRN 280 / TC 767) of the appropriate amount of the recorded social security tax deferral.
The account will be in credit balance after the manual penalty adjustment	The overpayment should **not** be against the recorded deferred social security tax amount (i.e., it should refund or offset)	This penalty adjustment scenario should rarely be encountered since overpayments on the account are generally required to be applied against the recorded deferred social security taxes. However, if necessary and appropriate (e.g., correcting a previous processing error), handle as follows: • Input the adjustment as normal. • The overpayment created by the penalty adjustment action will trigger AMB analysis for systemic reversal (i.e., CRN 280 / TC 767) of the appropriate amount of the recorded social security tax

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		deferral.
		• Follow procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*, to reinstate the systemically generated deferral reversal amount and allow the resulting overpayment to refund/offset.

(6) Notification requirements for manual penalty adjustment cases involving deferred social security tax issues are generally the same as they would be for the related deferred social security tax issue (e.g., a manual penalty adjustment case also requiring a reinstatement of deferred social security tax would require communications to the taxpayer as per guidance in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*).

Exception: If the adjustment actions taken will generate a correct notice containing all necessary information with regards to the recording of deferred social security tax amounts (e.g., systemic posting of CRN 280 / TC 767 transaction), a letter duplicating that information is not required.

Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

IRM 21.7.2.8.9 Revised (3) instructions to limit phone inquiry handling to creation of a Form 4442. Revised instructions in (4) and (5) limit the handling to paper cases including Forms 4442.

(3) **For phone inquiries**, see handling guidance in in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*, and then continue processing as follows:

1. Advise the employer that the amount of social security tax that could be deferred was generally limited to:
   a) The employer's share of social security tax (or equivalent Tier 1 taxes for Form CT-1) due with deposits and payments that would otherwise have been required to be made during the period beginning on March 27, 2020 and ending December 31, 2020; and,
   b) The employer's share of social security tax (or equivalent Tier 1 taxes for Form CT-1) due with deposits and payments that were required after December 31, 2020 for wages paid during the final quarter of calendar year 2020 (for Form 941) or during calendar year 2020 (for Form 943, Form 944,

and Form CT-1); and,

c) Must be modified for certain filers reporting third party sick pay amounts or amounts due as the result of receiving a Letter 3263 or Letter 4520 Section 3121(q) Notice and Demand for tax due on unreported tips (see (5) in IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*); and,

d)**If** the employer implemented deferral of employee social security taxes under Notice 2020-65, the amounts of employee social security not deducted from employees' wages of less than $4,000 in any bi-weekly pay period (or the equivalent threshold amount for other pay period intervals) paid during the period beginning on September 1, 2020 and ending on December 31, 2020.

2. Ask the employer for:

a) The amount of employer's share of social security tax they deferred for the specific tax form and tax period of the request.

b) The amount of employee's share of social security tax they deferred for the specific tax form and tax period of the request (**not** applicable to requests for Form 941 tax period 202006).

c) The total social security tax they deferred for the specific tax form and tax period of the request. (This figure **must** equal the amounts provided in a) and b) directly above.)

3. If the employer is able to provide the figure(s) for amounts of deferred social security taxes:

a) Prepare Form 4442 as per instructions in IRM 21.3.5, *Taxpayer Inquiry Referrals Form 4442*, using in-house referral, Other – Employment Taxes – BMF and include the amount of employer's share, employee's share, and total social security tax the taxpayer deferred for the quarter.

b) Ask the taxpayer for the dates and amounts of any payments made towards deferred tax amounts and include this information on the Form 4442.

c) Advise the taxpayer they will receive a response via phone or letter as appropriate.

d) If the account is in balance due status, input STAUPS for nine (9) cycles as appropriate.

4. If the employer is unable to provide the figure(s) for the amounts of deferred social security taxes, advise the employer that we are unable to assist them without that information and to write in when they can provide it. Input STAUPS on the account for 9 weeks if the account reflects a balance due.

Note: If the social security tax deferral request is being made for a tax form or tax period for which deferral relief was not available, advise the employer their request for deferral of social security taxes cannot be considered and take any other appropriate actions needed to resolve the employer's inquiry.

(4) **For paper inquiries** (including Forms 4442 generated per instructions in (3) above), handle as follows:

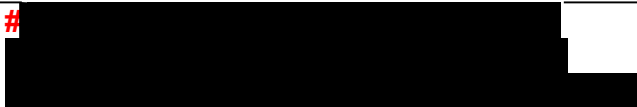| If	And	Then
The request is for a tax period/tax form for which		• Send a letter to the employer informing them

social security tax deferral does not apply (see Step 1 in (3) above for valid forms/tax periods)		we cannot consider their request since deferred payment of social security taxes was not available for the tax form and tax period [specify] for which their request was made. • Take any other appropriate account actions, and close the case.
The employer's correspondence does not provide a figure for the amount of deferred social security taxes	A telephone number is available	1. Make two attempts to contact the employer by phone to determine the amount of social security tax they deferred. 2. If contact is successful, follow the phone inquiry Steps 1 through 3 in (3) above to obtain information required to address the request (but do not generate a Form 4442). 3. Otherwise, proceed to the next row of this table.
The employer's correspondence does not provide a figure for the amount of deferred social security taxes	A telephone number is not available **or** attempts to obtain the information via telephone were unsuccessful	• Send a letter to the employer informing them we cannot consider their request since they did not provide a figure for the amount of social security tax they deferred. • Advise the employer in the letter to respond in writing. • If the tax form/period of the request is **not** Form 941 for 202006, also advise the taxpayer to provide separate and total figures for deferral of employer's and employee's share of social security taxes. • Take any other appropriate account

		actions, and close the case.
The employer's correspondence indicates that a portion (but not all) of the deferral figure provided is for employee share of social security taxes but does not provide a breakdown of the respective amounts	A telephone number is available	The separate figures for deferred employer's share and employee's share of social security taxes **must** be determined in order to process the request. 1. Make two attempts to contact the employer by phone to determine the amount of social security tax they are requesting to be deferred. 2. If contact is successful, follow the phone inquiry Steps 1 through 3 in (3) above to obtain information required to address the request (but do not generate a Form 4442). 3. Otherwise, proceed to the next row of this table.
The employer's correspondence indicates that a portion (but not all) of the deferral figure provided is for employee share of social security taxes but does not provide a breakdown of the respective amounts	A telephone number is not available **or** attempts to obtain the information via telephone were unsuccessful	The separate figures for deferred employer's share and employee's share of social security taxes **must** be determined in order to process the request. • Send a letter to the employer informing them we cannot consider their request because they did not provide separate figures for the amounts of employer's share of social security taxes and employee's share of social security taxes they are requesting to be deferred. • Advise the taxpayer in the letter that they can provide the separate employer's share/employee's share social security tax deferral

		• figures by phone or in writing. • Take any other appropriate account actions, and close the case.
The taxpayer's correspondence provided a figure for the social security tax deferral amount or it was obtained via phone contact	No other row of this table applies	Follow the guidance provided in table found in (5) below.

Note: If a written social security tax deferral request does not indicate all or a portion of the request is for deferral of employee's share social security taxes, the request will be treated and processed as a request to record a deferral of employer's share social security taxes (only).

(5) For paper inquiries (including Forms 4442 generated per instruction in (3) above) for which the amount of the **requested** social security tax deferral has been provided, determine the amount of deferral **which can be recorded**, comprising either employer's share, employee's share, or both, as follows:

If	Then
For all social security tax deferral requests	Determine the maximum computer deferral figure (see (12) in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*) • The computer maximum deferral figure is equal to the taxable social security wage figure (Line 5a, Column 1 of Form 941 or as adjusted) plus the taxable social security tips figure (Line 5b, Column 1 of Form 941 or as adjusted) multiplied by 6.2% (.062). • <u>Note this figure as it will be used in multiple succeeding handling steps</u>. **Reminder:** The figure for computer maximum deferral displayed on Command Code BMFOL with definer "M" can be used for this purpose unless there are pending adjustments to wage figures.
All of the deferral amount requested to be recorded is for **employer's** share of	1. **#**

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social security taxes	[BLACK REDACTED] **#** 2. The **employer's** share social security tax deferral amount to be recorded is the **lesser** of the amount computed in Step 1 or the amount provided by the employer. 3. Continue handling per instructions provided in (6) below.
All of the deferral amount requested to be recorded is for **employee's** share of social security taxes	1. Determine the amount of employee's share of social security taxes reported for the tax period: • Add the taxable social security wage figure (Line 5a, Column 1 of Form 941 or as adjusted) plus qualified sick leave wages (Line 5a(i), Column 1 of Form 941 or as adjusted) plus qualified family leave wages (Line 5a(ii), Column 1 of Form 941 or as adjusted) plus the taxable social security tips figure (Line 5b, Column 1 of Form 941 or as adjusted) and multiply the result by 6.2% (.062). 2. **#** [BLACK REDACTED] **#** 3. The **employee's** share social security tax deferral amount to be recorded is the **lesser** of the amount computed in Step 2 or the amount provided by the taxpayer. 4. Continue handling per instructions provided in (6) below.
The deferral amount requested to be recorded consists of **both** employer's share and employee's share social security taxes	1. **#** [BLACK REDACTED] **#** 2. Determine the amount of employee's share of social security taxes reported for the tax period: Add the taxable social security wage figure (Line 5a, Column 1 of Form 941 or as adjusted) plus qualified sick leave wages (Line 5a(i), Column 1 of Form 941 or as adjusted) plus qualified family leave wages (Line 5a(ii), Column 1 of Form 941 or as adjusted) plus the taxable social security tips figure (Line 5b, Column 1 of Form 941 or as adjusted) and multiply the result by 6.2% (.062). 3. Add the amounts determined in Step 1 and

	Step 2 together. 4. The social security tax deferral amount to be recorded is the **lesser** of the amount computed in Step 3 or the amount provided by the taxpayer. 5. Continue handling per instructions provided in (6) below.

Reminder: To ensure correct systemic penalty and interest computations, a social security tax deferral will be recorded for the allowable amount even if it is expected the computer will reverse part of all the deferral being recorded.

Reminder: The amount of any previously recorded deferral of employee's share of social security taxes is displayed on BMFOL definer "R" but **not** on TXMOD.

IRM 21.7.2.8.9.1 Revised instructions in (1) to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling. Removed second row of the table in (2) and revised guidance in first and last row as special handling to avoid a related unpostable condition is no longer required. Revised guidance in table with regards to closing communications.

(1) The procedures that follow in this subsection are for **new** social security tax deferral requests (i.e., no previous unreversed or reversed CRN 280 transactions) on paper inquiries (including generated Form 4442 referrals) for Form 941 tax periods 202006, 202009, and 202012 and for Form 943, Form 944, and Form CT-1 for tax period 202012, when there will be a zero balance or debit balance (i.e., balance due) on the account in the posting cycle in which the deferral request is recorded.

Reminder: Phone inquiries regarding new social security tax deferral requests are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries* and (3) in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.

Caution: Procedures in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, including cross-referenced sections for determining correct ordering of transactions (i.e., credit transfers, manual penalty adjustments, and processing Forms 94XX) **must** be followed before applying the guidance that follows.

Reminder: For Form 941 tax period 202003 requests, see IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice*

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(2) For inquiries for which a deferred social security tax amount to be recorded was determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, continue processing as follows:

If	And	Then
The amount of the social security tax deferral to be recorded is **more than** the maximum computer deferral figure		1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*. • Enter **RC 195** in the first reason code position • Enter **Hold Code 0** • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made. • Also enter the amount of any deferred employee share of social security (if any) with **IRN 208** (see note after this table). 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.
The amount of the social security tax deferral to be recorded is **less than or equal to** the maximum computer deferral figure		1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*. • Enter **Hold Code 0** • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) with **IRN 208** (see note after this table). 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly.

| | | Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due.

Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount. |

Caution: Use of first position RC 195 is required with any CRN 280 adjustment which results in the recording of a net social security tax deferral amount in excess of the computer maximum deferral figure to avoid unpostables with UPC 306-3. However, as is discussed in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, use of RC 195 also causes the computer to bypass AMB analysis for purposes of possible systemic CRN 280 reversal. The instructions for input of transactions provided in the table guidance above are intended to mitigate the potential for erroneous refund or offset of amounts which should instead be applied against deferred social security tax amounts. If account circumstances require a different sequencing of transactions to achieve a correct result, the impact of using RC 195 must be carefully considered as well as the potential for systemic reversal of CRN 280 amounts in any posting cycle in which an account ends in a credit balance.

Note: IRN 208 must be used to record any changes to deferred employee share social security tax in addition to being recorded **as part of** the CRN 280 amount. See (4) and (5) in IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information on how deferral of employee share social security taxes is recorded and adjusted on employment tax accounts.

IRM 21.7.2.8.9.2 Revised instructions in (1) to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling. Revised instructions in second column, second and third rows, as special handling to avoid a related unpostable condition is no longer required. Removed phone inquiry handling scenario in last row of the table in (2) which will no longer be encountered. Revised guidance in table with regards to closing communications.

(1) The procedures that follow in this subsection are for **new** social security tax deferral requests (i.e., no previous unreversed or reversed CRN 280 transactions) on paper inquiries (including generated Form 4442 referrals) for Form 941 tax periods 202006, 202009, and 202012 and for Form 943, Form 944, and Form CT-1 for tax period 202012, when there will be a credit balance (i.e., overpayment) on the account in the posting cycle in which the deferral request is recorded.

Reminder: Phone inquiries regarding new social security tax deferral requests are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries* and (3) in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.

Caution: Procedures in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, including cross-referenced sections for determining correct ordering of transactions (i.e., credit transfers, manual penalty adjustments, and processing Forms 94XX) **must** be followed before applying the guidance that follows.

Reminder: For Form 941 tax period 202003 requests, see IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*.

(2) For inquiries for which a deferred social security tax amount to be recorded was determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, continue processing as follows:

If	And	Then
The **entire** amount of the overpayment on the account after recording the CRN 280 amount is to be allowed to systemically refund or offset **Caution:** This adjustment scenario should **rarely** be encountered since overpayments on the account are generally required to be applied against any recorded deferred social security taxes unless the overpayment consists of COVID related credits. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.		1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*. • Enter **RC 195** in the first reason code position • Enter **Hold Code 0** • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) with **IRN 208** (see note after this table). 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral

		amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount. **Note:** Use of RC 195 is required with this adjustment situation to bypass the AMB analysis described in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195* and allow systemic refund or offset to occur as discussed in (13) of the same cross-referenced subsection.
The **entire** amount of the overpayment on the account after recording the CRN 280 amount is to be applied as payment towards deferred social security tax amounts	The amount of the deferral to be recorded is **less than or equal to** the maximum computer deferral figure	1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*. • Enter **Hold Code 0** • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) with **IRN 208** (see note after this table). 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise

		the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount. **Note:** Do **not** use RC 195 for this adjustment. When the CRN 280 adjustment posts and the account goes to credit balance, AMB analysis as described in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, will be triggered and a full or partial CRN 280 reversal up to the amount of the overpayment will be systemically posted in the same posting cycle.
The **entire** amount of the overpayment on the account after recording the CRN 280 amount is to be applied as payment towards deferred social security tax amounts	The amount of the deferral to be recorded is **more than** the maximum computer deferral figure	1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*. • Enter **RC 195** in the first reason code position • Enter **Hold Code 1** • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) with **IRN 208** (see note after this table). 2. Input a TC 290 .00 with **Hold Code 0** with a post delay code such that this transaction would post one cycle **after** the CRN 280 transaction described in Step 1. 3. Send a closing letter to the

		employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount. **Note:** RC 195 is required with this CRN 280 transaction to avoid UPC 306-3 but would erroneously cause the overpayment to refund absent Hold Code 1 due to RC 195 use also bypassing AMB analysis for the cycle in which it posts as discussed in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*. When the TC 290 .00 Hold Code 0 transaction posts a cycle later and releases the overpayment, AMB analysis will be triggered and a full or partial CRN 280 reversal up to the amount of the overpayment will be posted by the computer in the same posting cycle as the TC 290 .00 Hold Code 0 transaction.
Part of the overpayment after recording the CRN 280 amount is to be applied as payment towards the deferred social security taxes and part is to be allowed to systemically refund or offset		Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

Caution: Use of first position RC 195 is required with any CRN 280 adjustment which results in the recording of a net social security tax deferral amount in excess of the computer maximum deferral figure to avoid unpostables with UPC 306-3. However, as is discussed in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, use of RC 195 also causes the computer to bypass AMB analysis for purposes of possible systemic CRN 280 reversal. The instructions for input of transactions provided in the table guidance above are intended to mitigate the potential for erroneous refund or offset of amounts which should instead be applied against deferred social security tax amounts. If account circumstances require a different sequencing of transactions to achieve a correct result, the impact of using RC 195 must be carefully considered as well as the potential for systemic reversal of CRN 280 amounts in any posting cycle in which an account ends in a credit balance.

Note: IRN 208 must be used to record any changes to deferred employee share social security tax in addition to being recorded as part of the CRN 280 amount. See (4) and (5) in IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information on how deferral of employee share social security taxes is recorded and adjusted on employment tax accounts.

IRM 21.7.2.8.9.3 Revised instructions in (1) to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling. Clarified instructions in (2), Step 2. Added new first row to the table in (3) to address an inquiry scenario and associated communications requirement. Revised instructions in second row of the table (previously first row) to account for addition of new first row. Removed original third row of the table in (3) and revised guidance in preceding and succeeding rows as special handling to avoid a related unpostable condition is no longer required. Revised guidance in table with regards to closing communications.

(1) The procedures that follow in this subsection are for **revised** social security tax deferral requests (i.e., the tax module reflects previous unreversed or reversed CRN 280 transactions) on paper inquiries (including generated Form 4442 referrals) for Form 941 tax periods 202006, 202009, and 202012 and for Form 943, Form 944, and Form CT-1 for tax period 202012, when there will be a zero balance or debit balance (i.e., balance due) on the account in the posting cycle in which the deferral request is recorded.

Reminder: Phone inquiries regarding revised social security tax deferral requests are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries* and (3) in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax*

Deferral Requests for 2020.

Caution: Procedures in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, including cross-referenced sections for determining correct ordering of transactions (i.e., credit transfers, manual penalty adjustments, and processing Forms 94XX) **must** be followed before applying the guidance that follows.

Reminder: For Form 941 tax period 202003 requests, see IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*.

(2) For revised social security tax deferral requests, the deferral amount to be recorded as determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, **must be modified** to account for previously recorded amounts, including amounts of deferred employee share of social security taxes. Take the following steps to determine the correct CRN 280 and IRN 208 (if any) adjustment amounts:

1. Add **all** the TC 766 CRN 280 amounts pending or posted to the account with transaction dates equal (only) to the first day of the tax period, **including all reversed** TC 766 CRN 280 amounts (i.e., "766R" transactions, not 767 transactions) with transaction dates equal (only) to the first day of the tax period, **and** any TC 766 CRN 280 amount posted via a TC 298 with an interest computation date equal (only) to the first day of the tax period. From that amount, subtract any TC 767 CRN 280 amounts posted via a TC 298 with an interest computation date equal (only) to the first day of the tax period.
2. Subtract the amount determined in Step 1) above from the amount of the deferral to be recorded as determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.
   • If the resulting amount is **zero**, no change to the total deferral is indicated and no CRN 280 adjustment should be input. However, an IRN 208 adjustment may be needed as per Step 3) below if the taxpayer is recharacterizing all or part of a previously recorded deferral amount between employer and employee shares of social security taxes. Continue processing as per Step 3) below and see the first or second row of the table in (3) below as appropriate for required account actions.
   • If the resulting amount is **positive**, this is the amount that will be entered as a CRN 280 adjustment per guidance which follows below to increase the amount of the recorded deferral.
   • If the resulting amount is **negative**, this is the amount that will be entered as a CRN 280 adjustment per guidance which follows below to decrease the amount of the recorded deferral **unless** doing so would reverse more than the current unreversed CRN 280 amount. If the current recorded CRN 280 amount is zero, make no change. If the current unreversed CRN 280 is positive but less than the amount determined for the decrease, only enter a

decrease equal to the current CRN 280 amount (i.e., reduce to zero but not below zero).
3. If the revised request includes a change to deferral of employee share social security taxes, subtract the current posted employee deferral amount displayed on BMFOLR (field is **not** displayed on TXMOD) from the revised employee deferral amount.
• This is the amount that will be entered as an IRN 208 adjustment per guidance which follows below.
• This amount can be positive (indicating an increase to the recorded employee deferral amount) or a negative (indicating a decrease to the recorded employee deferral amount).
• If the amount is zero, no change to the recorded employee deferral amount is indicated and no IRN 208 adjustment should be input.
4. Continue processing per guidance in (3) below.

Note: IRN 208 must be used to record any changes to deferred employee share social security tax in addition to being recorded as part of the CRN 280 amount. See (4) and (5) in IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information on how deferral of employee share social security taxes is recorded and adjusted on employment tax accounts.

(3) After following the guidance in (2) above, continue processing as follows:

If	And	Then
No change is required to the CRN 280 figure as per Step 2 of (2) above	A change to the amount of deferred employee share social security taxes with IRN 208 is **not** required per Step 3 of (2) above	Send a closing letter with the following text in open paragraphs: "We previously recorded deferred social security tax in the amount of $[specify amount] for your Form [specify form] account for tax period ending [specify tax period]." "Since the social security tax deferral amount you reported on [specify date of requested being worked] was less than the amount we previously recorded on your tax account, no action to the currently recorded deferred tax amount is necessary at this time." "All unpaid social security tax amounts for which you deferred payment, along with any other unpaid tax, penalties, and interest charges, are now due."
No change is required to the CRN 280 figure as per Step 2 of (2) above	A change to the amount of deferred employee share social security taxes with IRN 208 **is** required per	1. Input a TC 290 .00 and an IRN 208 for the amount determined in Step 3 of (2) above. • Enter **Hold Code 3** • Enter an appropriate **post delay**

	Step 3 of (2) above	code if corrections to credits, penalties, or for a Form 94XX were made 2. Send a closing letter as indicated in the row above.
The amount of the social security tax deferral to be recorded is **more than** the maximum computer deferral figure		1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. • Enter **RC 195** in the first reason code position • Enter **Hold Code 0** • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) determined in Step 3 of (2) above with **IRN 208**. 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.
The amount of the social security tax deferral to be recorded is **less than or equal to** the maximum computer deferral figure		1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. • Enter **Hold Code 0** • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any

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		deferred employee share of social security (if any) determined in Step 3 of (2) above with **IRN 208**. • Do **not** use RC 195 for this adjustment. 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

Caution: Use of first position RC 195 is required with any CRN 280 adjustment which results in the recording of a net social security tax deferral amount in excess of the computer maximum deferral figure to avoid unpostables with UPC 306-3. However, as is discussed in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, use of RC 195 also causes the computer to bypass AMB analysis for purposes of possible systemic CRN 280 reversal. The instructions for input of transactions provided in the table guidance above are intended to mitigate the potential for erroneous refund or offset of amounts which should instead be applied against deferred social security tax amounts. If account circumstances require a different sequencing of transactions to achieve a correct result, the impact of using RC 195 must be carefully considered as well as the potential for systemic reversal of CRN 280 amounts in any posting cycle in which an account ends in a credit balance.

IRM 21.7.2.8.9.4 Revised instructions in (1) to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling. Clarified instructions in (2), Step 2. Added new first row to the table in (3) to address an inquiry scenario and associated communications requirement. Revised instructions in second row of the table (previously first row) to account for addition of new first row. Revised instructions in second column, original third and fourth rows (now fourth and

fifth rows as revised), as special handling to avoid a related unpostable condition is no longer required. Revised guidance in table with regards to closing communications.

(1) The procedures that follow in this subsection are for **revised** social security tax deferral requests (i.e., the tax module reflects previous unreversed or reversed CRN 280 transactions) on paper inquiries (including generated Form 4442 referrals) for Form 941 tax periods 202006, 202009, and 202012 and for Form 943, Form 944, and Form CT-1 for tax period 202012, when there will be a credit balance (i.e., overpayment) on the account in the posting cycle in which the deferral request is recorded.

Reminder: Phone inquiries regarding revised social security tax deferral requests are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries* and (3) in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.

Caution: Procedures in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020,* including cross-referenced sections for determining correct ordering of transactions (i.e., credit transfers, manual penalty adjustments, and processing Forms 94XX) **must** be followed before applying the guidance that follows.

Reminder: For Form 941 tax period 202003 requests, see IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*.

(2) For revised social security tax deferral requests, the deferral amount to be recorded as determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, **must be modified** to account for previously recorded amounts, including amounts of deferred employee share of social security taxes. Take the following steps to determine the correct CRN 280 and IRN 208 (if any) adjustment amounts:

1. Add **all** the TC 766 CRN 280 amounts pending or posted to the account with transaction dates equal (only) to the first day of the tax period, **including all reversed** TC 766 CRN 280 amounts (i.e., "766R" transactions, not 767 transactions) with transaction dates equal (only) to the first day of the tax period, **and** any TC 766 CRN 280 amount posted via a TC 298 with an interest computation date equal (only) to the first day of the tax period. From that amount, subtract any TC 767 CRN 280 amounts posted via a TC 298 with an interest computation date equal (only) to the first day of the tax period.
2. Subtract the amount determined in Step 1) above from the amount of the deferral to be recorded as determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.

• If the resulting amount is **zero**, no change to the total deferral is indicated and no CRN 280 adjustment should be input. However, an IRN 208 adjustment may be needed as per Step 3) below if the taxpayer is recharacterizing all or part of a previously recorded deferral amount between employer and employee shares of social security taxes. Continue processing as per Step 3) below and see the first or second row of the table in (3) below as appropriate for required account actions.

• If the resulting amount is **positive**, this is the amount that will be entered as a CRN 280 adjustment per guidance which follows below to increase the amount of the recorded deferral.

• If the resulting amount is **negative**, this is the amount that will be entered as a CRN 280 adjustment per guidance which follows below to decrease the amount of the recorded deferral **unless** doing so would reverse more than the current unreversed CRN 280 amount. If the current recorded CRN 280 amount is zero, make no change. If the current unreversed CRN 280 is positive but less than the amount determined for the decrease, only enter a decrease equal to the current CRN 280 amount (i.e., reduce to zero but not below zero).

3. If the revised request includes a change to deferral of employee share social security taxes, subtract the current posted employee deferral amount displayed on BMFOLR (field is **not** displayed on TXMOD) from the revised employee deferral amount.

• This is the amount that will be entered as an IRN 208 adjustment per guidance which follows below.

• This amount can be positive (indicating an increase to the recorded employee deferral amount) or a negative (indicating a decrease to the recorded employee deferral amount).

• If the amount is zero, no change to the recorded employee deferral amount is indicated and no IRN 208 adjustment should be input.

4. Continue processing per guidance in (3) below.

Note: IRN 208 must be used to record any changes to deferred employee share social security tax in addition to being recorded as part of the CRN 280 amount. See (4) and (5) in IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information on how deferral of employee share social security taxes is recorded and adjusted on employment tax accounts.

(3) After following the guidance in (2) above, continue processing as follows:

If	And	Then
No change is required to the CRN 280 figure as per Step 2 of (2) above	A change to the amount of deferred employee share social security taxes with IRN 208 is **not** required per Step 3 of (2) above	Send a closing letter with the following text in open paragraphs: "We previously recorded deferred social security tax in the amount of $[specify amount] for your Form [specify form] account for tax period ending [specify tax period]."

		"Since the social security tax deferral amount you reported on [specify date of requested being worked] was less than the amount we previously recorded on your tax account, no action to the currently recorded deferred tax amount is necessary at this time." "All unpaid social security tax amounts for which you deferred payment, along with any other unpaid tax, penalties, and interest charges, are now due."
No change is required to the CRN 280 figure as per Step 2 of (2) above	A change to the amount of deferred employee share social security taxes with IRN 208 **is** required per Step 3 of (2) above	1. Input a TC 290 .00 and an IRN 208 for the amount determined in Step 3 of (2) above. • Enter **Hold Code 4** if the overpayment on the account needs to be held pending further action or enter **Hold Code 3** if the overpayment on the account needs to be released for refund/offset/application to the recorded deferral amount. • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made 2. Send a closing letter as indicated in the row above.
The **entire** amount of the overpayment on the account after recording the CRN 280 amount is to be allowed to systemically refund or offset **Caution:** This adjustment scenario should **rarely** be encountered since overpayments on the account are generally required to be applied against the recorded deferred social security taxes.		1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. • Enter **RC 195** in the first reason code position • Enter **Hold Code 0** • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) determined in Step 3 of (2) above with **IRN 208**. 2. Send a closing letter to the

		employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due.
		Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.
		Note: Use of RC 195 is required with this adjustment situation to bypass the AMB analysis described in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195* and allow systemic refund or offset to occur as discussed in (13) of the same cross-referenced subsection.
The **entire** amount of the overpayment on the account after recording the CRN 280 amount is to be applied as payment towards deferred social security tax amounts	The amount of the social security tax deferral to be recorded is **less than or equal to** the maximum computer deferral figure	1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. • Enter **Hold Code 0** • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) determined in Step 3 of (2) above with **IRN 208**. 2. Send a closing letter to the employer advising them of the amount of social security tax

		deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount. **Note:** Do **not** use RC 195 for this adjustment. When the CRN 280 adjustment posts and the account goes to credit balance, AMB analysis as described in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, will be triggered and a full or partial CRN 280 reversal up to the amount of the overpayment will be systemically posted in the same posting cycle.
The **entire** amount of the overpayment on the account after recording the CRN 280 amount is to be applied as payment towards deferred social security tax amounts	The amount of the social security tax deferral to be recorded is **more than** the maximum computer deferral figure	1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. • Enter **RC 195** in the first reason code position • Enter **Hold Code 1** • Enter an appropriate **post delay code** if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) determined in Step 3 of (2) above with **IRN 208**.

| | | 2. Input a TC 290 .00 with **Hold Code 0** with a post delay code such that this transaction would post one cycle **after** the CRN 280 transaction described in Step 1. |
| | | 3. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due. |

Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

Note: RC 195 is required with this CRN 280 transaction to avoid UPC 306-3 but would erroneously cause the overpayment to refund absent Hold Code 1 due to RC 195 use also bypassing AMB analysis for the cycle in which it posts as discussed in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*. When the TC 290 .00 Hold Code 0 transaction posts a cycle later and releases the overpayment, AMB analysis will be triggered and a full or partial CRN 280 reversal up to the amount of the overpayment will be posted by the computer in the same posting cycle as the TC 290 .00 Hold Code 0 transaction.

Part of the overpayment after recording the CRN 280 amount is to be applied as payment towards the deferred social security taxes and part is to be allowed to systemically refund or offset		Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

Caution: Use of first position RC 195 is required with any CRN 280 adjustment which results in the recording of a net social security tax deferral amount in excess of the computer maximum deferral figure to avoid unpostables with UPC 306-3. However, as is discussed in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, use of RC 195 also causes the computer to bypass AMB analysis for purposes of possible systemic CRN 280 reversal. The instructions for input of transactions provided in the table guidance above are intended to mitigate the potential for erroneous refund or offset of amounts which should instead be applied against deferred social security tax amounts. If account circumstances require a different sequencing of transactions to achieve a correct result, the impact of using RC 195 must be carefully considered as well as the potential for systemic reversal of CRN 280 amounts in any posting cycle in which an account ends in a credit balance.

IRM 21.7.2.8.10 Text updated throughout for tense. Revised instructions in (1) to limit the handling to paper cases including Forms 4442 and added reminder with cross reference for related phone inquiry handling. Added reminder in (8) with regards to use of command code BMFOL definer M. Revised instructions in second column in multiple rows of the table in (10) as special handling to avoid a related unpostable condition is no longer required. Revised guidance in tables in (9) and (10) with regards to closing communications.

(1) This subsection provides guidance on paper inquiries (including generated Form 4442 referrals) for manually restoring or reinstating **incorrectly** reversed social security tax deferral transaction amounts.

Reminder: Phone inquiries regarding restoring or reinstating incorrectly reversed social security tax deferral amounts are addressed per guidance in IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*.

(2) As is discussed in (7) and (8) in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, the computer is programmed to apply two different Assessed Module Balance (AMB) analysis routines (one analysis routine when posting original employment tax returns, a different analysis for subsequent posting cycles) when there is an

overpayment on an employment tax account with one or more unreversed CRN 280 amounts recorded. These AMB analysis routines are designed to determine whether any portion of the overpayment present on the account should be applied against the deferred payment of social security tax. If an amount of overpayment should be so applied, the computer will post a CRN 280 / TC 767 reversal transaction with the 23c date of the posting cycle as the reversal effective date.

Reminder: The AMB analysis routines can only be bypassed via the posting of a CRN 280 transaction with Reason Code (RC) 195 and only for the cycle in which such transaction posts.

Caution: The AMB analysis routines are not executed at the close of every posting cycle. Rather, they are triggered by module conditions. As such, the fact that a reversal has not yet transpired on an account with a posted overpayment (e.g., credit held with a hold code on an adjustment for which RC 195 was used to bypass AMB analysis) is not necessarily an indication that it will never systemically occur; a subsequent change in module conditions can trigger the AMB analysis and a systemic CRN 280 reversal in a later cycle.

(3) There are occasions when the computer programming described above has resulted in **incorrect systemic CRN 280 deferral reversals**. These situations could include, but are not limited to:

- Misapplied payment situations.
- Payment was made with a Form 94XX adjusted returns reporting a tax increase.
- Instances where erroneous CRN 280 reversals were generated due to incorrect account actions, including incorrect sequencing of transactions.
- Situations in which an overpayment on an original return that should have refunded based on return posting AMB analysis was instead held and released in a later cycle triggering inappropriate subsequent cycle AMB analysis.
- Complex case handling situations wherein the computer must be allowed to generate incorrect CRN 280 reversals in order to complete other actions required to fully resolve an account issue (should be rare).

Caution: The procedures provided below and in the two succeeding subsections **do not apply** to instances wherein the taxpayer asks for reinstatement of deferral amounts that were **correctly** reversed. The account must be analyzed to verify the reversal was incorrect before applying the procedures which follow. See the appropriate row of the table in (3) of IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*, for additional information on handling taxpayer inquiries about deferral reversals.

(4) There may also be occasions when **incorrect manual CRN 280 deferral reversals** were completed.

(5) The computer is not capable of determining when a systemic CRN 280 reversal was in error and it is not programmed to restore or reinstate a reversed deferral amount even when the specific transaction that triggered a reversal is reversed. **All reinstatements of CRN 280 deferral amount must be input manually.**

Example: A payment of $500 was applied to a third quarter 2020 Form 941 account on which a CRN 280 deferral was recorded and created an overpayment of $500. In the same posting cycle, the computer generated a CRN 280 / TC 767 reversal for $500. Later, the employer informs the IRS that the payment was intended for another tax period and a credit transfer is initiated to correct the error. In this scenario, the computer will not systemically reinstate the reversed deferral amount. If incorrect penalty and/or interest was (or will be) charged to the account due to the incorrect CRN 280 / TC 767 reversal, a CRN 280 for $500 must be input via ADJ54 to manually reinstate the reversed deferral amount one cycle after the debit side of the credit transfer posts.

Caution: Because credit balance outcomes at the end of any posting cycle have high potential for triggering a systemic CRN 280 reversal as discussed in (2) above, the ADJ54 transaction to reinstate an incorrect CRN 280 reversal should generally be the last action taken to resolve an account when more than one corrective action (e.g., credit transfers) is required unless procedures which follow direct a different ordering of transactions or a careful consideration of required actions indicates a different processing order must be followed.

(6) For purposes of applying these procedures, a reinstatement of a CRN 280 deferral means correcting an account to reflect a net social security tax deferral amount not exceeding the total amount of previously recorded CRN 280 deferrals, including systemically or manually reversed CRN 280 deferral transactions.

- If a taxpayer is requesting an allowable increase for more than what had been previously recorded for deferred social security taxes, the amount of previous reversals will be addressed as per the reinstatement procedures that follow, but the amount in excess of the previous reversals **must** be processed and recorded as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.
- Similarly, the procedures in this subsection do not apply to requests for corrections of issues where the IRS did not record the proper amount of deferred social security taxes during original return processing or in working a subsequent social security tax deferral request (e.g., ERS reduction to a deferral amount requested on an original employment tax return). Those requests **must** also be processed and recorded as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.

Example: A payment of $750 was applied to a fourth quarter 2020 Form 941 account on which a CRN 280 deferral for $12,000 was recorded and created an overpayment of $750. In the same posting cycle, the computer generated a CRN 280 / TC 767 reversal for $750. Later, the taxpayer informs the IRS that the payment

was misapplied **and** that the correct deferred social security tax amount for the quarter was $14,000. As necessary, the $750 reversal will be reinstated when the misapplied payment is resolved. However, the $2000 increase to the net recorded deferral (i.e., increase from the $12000 previously recorded to new requested amount of $14,000) must be handled separately as a revised deferral request.

Example: The taxpayer reported a social security tax deferral of $350,000 on their Form 941 for the third quarter of 2020 but the return errored out to ERS for correction. In completing their handling, ERS reduced the deferral amount and a CRN 280 for $225,000 was posted with the original return. If the taxpayer supplies information to substantiate the original deferral figure reported, that issue must be addressed as a revised deferral request. Reinstatement procedures do not apply because the amount at issue was not initially posted to the account and was not subsequently reversed.

(7) Analyze tax accounts requiring reinstatement of reversed social security tax deferral amounts for the following conditions prior to taking deferral reinstatement actions:

If	And	Then
There are one or more misapplied credits		1. Resolve the misapplied credits **before** addressing the reinstatement transaction. See handling guidance in IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*. 2. Once the misapplied credits are resolved, continue processing per guidance in (8) below.
Manual penalty adjustments are required		1. Whenever possible, address the penalty adjustments **before** addressing the reinstatement transaction. See handling guidance in IRM 21.7.2.8.8, *Deferred Payment Modules — Manual Penalty Adjustments*. 2. Once the penalty adjustment issue is resolved, continue processing per guidance in (8) below.
A Form 94XX adjusted return is also being processed		Generally, the reinstatement action should be the last action taken on the account. 1. Process the Form 94XX as per guidance IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*. 2. Once the Form 94XX adjustment issue is resolved, continue processing per guidance in (8) below.

The taxpayer is requesting an increase to the recorded social security tax deferral amount **in addition to** the reinstatement action under consideration		1. Continue processing the reinstatement portion of the deferral action requested as per guidance in (8) below. 2. **After** the reinstatement issue is resolved, follow guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, to address the amount of the deferral request in excess of previously recorded deferral amounts. **Caution:** Due to penalty and interest considerations, the corrections for reinstatement and for any additional deferred social security tax amounts to be recorded **cannot** be combined in a single adjustment transaction.

(8) Take the following preliminary actions prior to recording deferral reinstatement transactions:

1. <u>Determine the computer maximum deferral figure</u> (see (12) in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*).
   • The computer maximum deferral figure is equal to the taxable social security wage figure (Line 5a, Column 1 of Form 941 or as adjusted) plus the taxable social security tips figure (Line 5b, Column 1 of Form 941 or as adjusted) multiplied by 6.2% (.062).

   Reminder: The figure for computer maximum deferral displayed on Command Code BMFOL with definer "M" can be used for this purpose unless there are pending adjustments to wage figures.

   Caution: The amount of deferred social security taxes to be recorded as a reinstatement should generally not be greater than the computer maximum deferral figure unless all or part of the amount to be recorded consists of deferred employee share social security taxes.

2. <u>Determine the total amount of deferred taxes for which one or more incorrect reversals were recorded</u>.
   • The amount of incorrectly reversed deferred taxes will generally be equal to one or more posted TC 767 amounts with CRN 280 and will usually be equal to a payment or other overpayment amount that triggered the computer reversal actions.

3. <u>Determine the amount of reinstatement to be entered</u>. • The total amount(s) of the reinstatement(s) to be entered is the **lesser** (smaller) of the amounts determined in Step 1 or in Step 2.

Caution: If any of the amount under consideration for reinstatement consists of deferred employee's share of social security tax, contact the IRM author through the campus P&A Staff for guidance on resolving the case.

4. Determine the specific amount(s) and transaction date(s) for the reinstatement(s) to be input via Command Code (CC) ADJ54.
(a) Reinstatement Amount(s): If there are between one and three incorrect deferral reversal transactions (TC 767 with CRN 280) to be addressed, a separate reinstatement transaction is required to be input for each incorrect reversal (see the Exception below if there are four or more incorrect deferral reversal transactions). Determine the specific amounts for the transactions by working backward from the most recent incorrect reversal to the earliest until the full amount to be reinstated (as determined in Step 3(b) above) has been accounted for (i.e., absorbed).
(b) Transaction Date(s): The transaction date for the reinstatement transaction(s) will be the same date as the incorrect TC 767 CRN 280 transaction(s) determined in Step 4(a) and will generally be the same as the 23c date (posting date) of the transaction that triggered the incorrect deferral reversal.

Exception: If there are more than three (i.e., four or more) incorrect reversal transactions (TC 767 with CRN 280), complete one reinstatement transaction for the aggregate amount determined in Step 3(b) above using the date of the **earliest** incorrect deferral reversal as determined in Step 4(b).

5. Determine the expected account outcome in terms of final module balance (i.e., zero balance, debit balance or overpayment) and, if overpaid, whether the overpayment should be applied against the social security tax amount deferred or is refundable/available for offset.
• In most cases, the reinstatement action would be expected to return the module to a zero balance (e.g., a misapplied payment triggered an incorrect CRN 280 / TC 767 reversal, the credit is reapplied and the deferral is reinstated to bring module back to zero balance) unless the taxpayer has paid all or part of the amounts deferred.
• If the outcome is a balance due, a notice of adjustment must be allowed to generate.
• If the account will be overpaid and the overpayment is to be applied to the deferral, amount, record the reinstatement and allow the computer to generate the correct reversal transaction.
• If the account will be overpaid and the overpayment is to be allowed to refund or offset, record the reinstatement and allow the computer to generate the correct refund or offset transactions.
6. Determine the sequence of corrective transactions.
• Careful ordering of corrective transactions is critical to achieving the correct outcome on the tax account.
• Consider all IRM guidance on account corrections with social security tax deferral issues to determine the correct order of transactions to be entered

before taking action (e.g., credit transfers for misapplied payments must be completed before reinstatement transactions).

7. Continue processing the deferral reinstatement as per the MFT and tax period specific procedures found in (9), (10), and (11) below.

(9) **MFT 01, tax period 202003 accounts:** After considering guidance in (1) through (8) above, follow the handling instructions in the table below to record the social security tax deferral reinstatement:

If	And	Then
The account will be in zero or debit balance when the social security tax deferral is reinstated		1. Input one or more corrective transaction(s) via CC ADJ54 as follows: • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 0 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was reinstated and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the reinstated deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be allowed to refund or offset in full	1. Input one or more corrective transaction(s) via CC ADJ54 as follows: • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 0 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was reinstated and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the reinstated deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount. **Note:** The use of RC 195 with the adjustment will bypass AMB analysis for reversal of the deferred social security tax amount and trigger the appropriate systemic refund/offset action.
The account will be in credit balance when the social security	The overpayment should be applied in full to the deferred social security tax	Two (or more) adjustments are required. First, one or more adjustment(s) are required to record the reinstatement but hold the overpayment. The final adjustment is to

tax deferral is reinstated	amount	release the overpayment and trigger AMB analysis for systemic reversal of the appropriate amount of the deferral recorded. 1. Input one or more corrective transaction(s) via CC ADJ54 as follows: • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • **Hold Code 1** • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks 2. Input a final adjustment via CC ADJ54 as follows: • TC 290 .00 • Appropriate Post Delay Code (PDC) to ensure this transaction posts 1 cycle after the reinstatement transaction. • **Hold Code 0** • Blocking Series 20 • Appropriate remarks 3. Send a closing letter to the employer advising them of the amount of social security tax deferral that was reinstated and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the reinstated deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are

		posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be applied in part to the deferral amount **and** in part refund/offset	Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

Reminder: First position Reason Code 195 is required for **all** CRN 280 adjustments on MFT 01 for tax period 202003.

(10) **MFT 01 tax period 202006/202009/202012 accounts and MFT 11/14/09 tax period 202012 accounts:** After considering guidance in (1) through (8) above, take the following actions to record a social security tax deferral reinstatement:

If	And	Then
The account will be in zero or debit balance when the social security tax deferral is reinstated	The amount to be reinstated **plus** all other unreversed TC 766 CRN 280 transactions is less than or equal to the computer maximum deferral figure determined in Step 1 in (8) above	1. Input one or more corrective transaction(s) via CC ADJ54 as follows: • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 0 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks • **Do not** use first position RC 195 for this adjustment. 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was reinstated and that any penalties and/or interest

		charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the reinstated deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.
The account will be in zero or debit balance when the social security tax deferral is reinstated	The amount to be reinstated **plus** all other unreversed TC 766 CRN 280 transactions is more than the computer maximum deferral figure determined in Step 1 in (7) above	1. Input one or more corrective transaction(s) via CC ADJ54 as follows: • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 0 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was reinstated and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account

		after the correction (either for the reinstated deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be allowed to refund or offset in full	1. Input one or more corrective transaction(s) via CC ADJ54 as follows: • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 0 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was reinstated and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the reinstated deferral amount or otherwise), advise

		the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount. **Note:** The use of RC 195 with the adjustment will bypass AMB analysis for reversal of the deferred social security tax amount and trigger the appropriate systemic refund/offset action.
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be applied in full to the deferral amount **and** the amount to be reinstated **plus** all other unreversed TC 766 CRN 280 transactions is less than or equal to the computer maximum deferral figure determined in Step 1 in (7) above	1. Input one or more corrective transaction(s) via CC ADJ54 as follows: • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 0 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was reinstated and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account

		after the correction (either for the reinstated deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount. **Caution: Do not** use first position RC 195 for this adjustment. The absence of RC 195 together with the overpaid account status will trigger AMB analysis for systemic reversal of the appropriate amount of the social security tax deferral recorded.
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be applied in full to the deferral amount **and** the amount to be reinstated **plus** all other unreversed TC 766 CRN 280 transactions is more than the computer maximum deferral figure determined in Step 1 in (7) above	Two (or more) adjustments are required. First, one or more adjustment(s) are required to record the reinstatement but hold the overpayment. The final adjustment is to release the overpayment and trigger AMB analysis for systemic reversal of the appropriate amount of the social security tax deferral recorded. 1. Input one or more corrective transaction(s) via CC ADJ54 as follows: • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty

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adjustment, etc.)
• **Hold Code 1**
• Blocking Series 20
• Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above.
• Appropriate remarks

2. Input a final adjustment via CC ADJ54 as follows:
• TC 290 .00
• Appropriate Post Delay Code (PDC) to ensure this transaction posts 1 cycle after the reinstatement transaction.
• **Hold Code 0**
• Blocking Series 20
• Appropriate remarks

3. Send a closing letter to the employer advising them of the amount of social security tax deferral that was reinstated and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the reinstated deferral amount or otherwise), advise the employer that the full amount is now due.

Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.
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<td>The account will be in credit balance when the social security tax deferral is</td>
<td>The overpayment should be applied in part to the deferral amount **and** in part refund/offset</td>
<td>Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.</td>
</tr>
</table>

reinstated		

(11) **MFT 05, tax period 202003 through 202111 accounts:** Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

IRM 21.7.2.8.11 Revised (4) instructions to limit phone inquiry handling to creation of a Form 4442. Revised instructions in (5) and (6) limit the handling to paper cases including Forms 4442. Revised guidance in table in (7) with regards to closing communications.

(1) Due to timing matters, Form 941 for the first quarter of 2020 could not be revised before the filing due date to account for deferred payment social security tax provisions. Accordingly, there was no line on the form for the taxpayer to report any deferred social security payment amounts which might apply. And, because deferred payment provisions applied to only a portion of the tax period (deposits and payments otherwise due on or after March 27, 2020), the computer is not capable of determining the correct amount of social security taxes that could be deferred for first quarter 2020 Form 941 accounts.

(2) To address this circumstance, the IRS developed Notice 1447 to be mailed with initial balance due notices issued for first quarter 2020 Form 941 accounts. The notice directed taxpayers who had a balance as a result of not being able to report deferred amounts to contact the Service for assistance either in writing or by phone.

Note: Some taxpayers received Notice 1447 in error with initial balance due notices for tax periods other than the first quarter of 2020. See SERP Alert 20A0283 dated July 6, 2020 for more information.

(3) Process inquiries regarding deferred social security tax payment amounts for first quarter 2020 Form 941 accounts, including responses to Notice 1447, and any Forms 4442 previously created per temporary instructions pending development of handling guidance (treated as a paper case for resolution purposes), as per the guidance found in (4), (5), (6), (7), and (8) below.

- See IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, and IRM 21.7.2.8.2, *Notice 2020-65 and Notice 2021-11 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for general information on deferred payment of social security tax provisions.
- See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for information on CRN 280 use and functionality.

Note: These procedures are intended to be followed in sequential order with either (4) or (5) as the starting point for handling depending on whether the inquiry is being

worked on the phone or is a paper case.

(4) **For phone inquiries**, handle as follows:

1. Advise the taxpayer that the social security tax amount that could be deferred for first quarter 2020 was generally limited to:
   a) The employer's share of social security tax due with deposits and payments that would otherwise have been required to be made during the period beginning on March 27, 2020 and ending March 31, 2020; and,
   b) The employer's share of social security tax due with deposits and payments required to be made after March 31, 2020 for wages paid during the quarter ending on March 31, 2020; and
   c) Must be modified for certain filers reporting third party sick pay amounts or amounts due as the result of receiving a Letter 3263 or Letter 4520 Section 3121(q) Notice and Demand for tax due on unreported tips (see (5) in IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*).
2. Ask the taxpayer for the amount of employer's share of social security tax they deferred for the first quarter of 2020.
3. If the taxpayer is able to provide the figure for the deferred social security tax amount:
   a) Prepare Form 4442 as per instructions in IRM 21.3.5, *Taxpayer Inquiry Referrals Form 4442*, using in-house referral, Other – Employment Taxes – BMF and include the amount of employer's share of social security tax the taxpayer deferred for the quarter.
   b) Ask the taxpayer for the dates and amounts of any payments made towards deferred tax amounts and include this information on the Form 4442.
   c) Advise the taxpayer they will receive a response via phone or letter as appropriate.
   d) If the account is in balance due status, input STAUPS for nine (9) cycles as appropriate.

   Exception: If the taxpayer indicates a portion of the balance due on the first quarter 2020 Form 941 account is/was due to reducing deposits for Employee Retention Credit (ERC) subsequently claimed on their Form 941 for the second quarter of 2020, advise the taxpayer we are unable to take any action on their account at this time and to submit their request in writing with their calculation of the deferred social security tax amount and the amount by which they reduced deposits on the first quarter for ERC. Input STAUPS on the account for 9 weeks if the account reflects a balance due.

4. If the taxpayer is unable to provide the figure for the deferred social security tax amount, advise the taxpayer that we are unable to assist them without that information and to write in when they can provide it. Input STAUPS on the account for 9 weeks if the account reflects a balance due.

(5) **For paper responses** (including Forms 4442 generated per instructions in (4) above), handle as follows:

If	And	Then
The taxpayer's correspondence does not provide a figure for the deferred social security tax amount	A telephone number is available	1. Make two attempts to contact the taxpayer by phone to determine the amount of employer's share of social security tax they deferred for the first quarter of 2020. 2. If contact is successful, follow the phone inquiry Steps 1 through 3 in (4) above to obtain information required to address the request (but do not generate a Form 4442). 3. Otherwise, proceed to the next row of this table.
The taxpayer's correspondence does not provide a figure for the deferred social security tax amount	A telephone number is not available **or** attempts to obtain the information via telephone were unsuccessful	Send a letter to the taxpayer informing them we cannot consider their request since they did not provide a figure for the amount of employer's share of social security tax they deferred for first quarter and advise them to provide the figure by phone or in writing. Close the case.
The taxpayer's correspondence provided a figure for the deferred social security tax amount or it was obtained via phone contact	The correspondence indicates a portion of a balance due on the first quarter 2020 Form 941 account is/was due to reducing deposits for Employee Retention Credit (ERC) subsequently claimed on their Form 941 for the second quarter of 2020	Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.
The taxpayer's correspondence provided a figure for the deferred social security tax amount or it was obtained via phone contact	There is a previous CRN 280 posted to the account and the taxpayer indicates it was recorded for less than the amount they requested (including responses to letters issued as discussed in (7) below)	Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

	Exception: The handling in this table row does **not** apply to paper cases where the IRS honored a previous social security tax deferral request in full and the taxpayer now needs to correct the previous request figure (e.g., taxpayer discovers a calculation error on their part and requests a correction to their account).	
The taxpayer's correspondence provided a figure for the deferred social security tax amount or it was obtained via phone contact	The preceding two rows of this table do not apply	Continue processing the request as per the guidance provided in table found in (6) below.

(6) For paper inquiries (including Forms 4442 generated per instruction in (4) above) for which the amount of the requested first quarter social security tax deferral has been provided, determine the amount of deferral **which can be recorded** as follows:

If	And	Then
The taxpayer's first quarter tax is $2,500 or less		1. **#** ████████████████████████ ████████████████ **#** 2. Multiply the sum determined in Step 1 by 6.2% (.062). 3. **#** ████████████████████ ████████████████████ ████████████ **#** 4. The social security tax deferral amount to be recorded is the **lesser** of the amount computed in Step 3 or the amount provided by the taxpayer. 5. Continue handling per instructions provided in (7) below.
If the taxpayer's return reports more than $2,500 in tax	SIC code 1 is present on the module	1. Advise the taxpayer we are unable to take any action on their account at this time and to submit their request in writing with their calculation of the deferred social security tax amount and a valid Record of Federal Tax Liability (ROFTL).

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		2. Input STAUPS on the account for 9 weeks if the account reflects a balance due.
The taxpayer's return reports more than $2,500 in tax	The taxpayer's return contains a valid Monthly Schedule of Federal Tax Liability (MSOFTL) record	1. **#** ████████████████ ████████ **#** 2. The social security tax deferral amount to be recorded is the **lesser** of the amount determined in Step 1 or the amount provided by the taxpayer. 3. Continue handling per instructions provided in (7) below.
The taxpayer's return reports more than $2,500 in tax	The taxpayer's return contains a valid Schedule B record	1. **#** ████████████████████████ ██████████████████████████ ██████████████████████████ ██████████████████████████ ██████████████████████████ ██████████████████████████ ████████████ **#** 2. The social security tax deferral amount to be recorded is the **lesser** of the amount computed in Step 1 or the amount provided by the taxpayer. 3. Continue handling per instructions provided in (7) below.

(7) For inquiries for which a social security tax deferral amount to be recorded was determined per guidance (6), continue processing as follows:

If	And	Then
There are any erroneous offsets into the module or misapplied payments		• Correct ordering of transactions is critical for achieving the correct outcome on the account. See IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for more information. • After considering and applying the guidance in the cross-referenced subsection, continue processing the social security tax deferral request as per succeeding rows of this table, **but** use a suitable post delay code with ADJ54 when completing any

		CRN 280 adjustment to ensure it posts in the correct sequence.
A manual penalty adjustment is also required		• The penalty adjustment must post separately from the CRN 280 adjustment (i.e., cannot be combined with the CRN 280 change). • Correct ordering of transactions is critical for achieving the correct outcome on the account. See IRM 21.7.2.8.8, *Deferred Payment Modules — Manual Penalty Adjustments*, for more information. • After considering and applying the guidance in the cross-referenced subsection, continue processing the social security tax deferral request as per succeeding rows of this table, **but** use a suitable post delay code with ADJ54 when completing any CRN 280 adjustment to ensure it posts in the correct sequence.
There is **no** previous CRN 280 recorded on the tax module	The account will be in zero or debit balance after posting of the CRN 280 amount.	1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in (6) above. Use **RC 195** in the first reason code position and **Hold Code 0** with the adjustment. Also, use the appropriate post delay code if corrections to credits or penalties were made as discussed in the first two rows of this table. 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate

		balance due amount.
There is **no** previous CRN 280 recorded on the tax module	The account will be in credit balance after posting of the CRN 280 amount	To ensure correct systemic, penalty and interest calculations, the social security tax deferral amount must be recorded in full and then the computer will be triggered to systemically reverse all or part of the deferral as appropriate a cycle later. 1. Resolve any misapplied credit issues as discussed in the first row of this table before proceeding to Step 2. 2. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in (6) above. Use **RC 195** in the first reason code position and **Hold Code 1** with the adjustment. Also, use the appropriate post delay code if corrections to credits or penalties were made as discussed in the first two rows of this table. 3. Input a TC 290 .00 with **Hold Code 0** with a post delay code such that this transaction would post one cycle after the CRN 280 transaction. 4. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.
There is a previous CRN 280 recorded on the tax module		Determine the amount of the CRN 280 adjustment to be made as follows: 1. Add up all posted CRN 280 amounts on the tax module, **including** CRN 280 amounts that have been previously reversed.

		2. Subtract the amount computed in Step 1 above from the amount to be recorded as determined per guidance in (6) above. Treat a negative result as zero. 3. If the result in Step 2 was zero (or a negative treated as zero), make no change to the account. Send a closing letter with the following text in open paragraphs: "We previously recorded deferred social security tax in the amount of $[specify amount] for your Form [specify form] account for tax period ending [specify tax period]." "Since the social security tax deferral amount you reported on [specify date of requested being worked] was less than the amount we previously recorded on your tax account, no action to the currently recorded deferred tax amount is necessary at this time." "All unpaid social security tax amounts for which you deferred payment, along with any other unpaid tax, penalties, and interest charges, are now due." 4. If the result in Step 2 was greater than zero, proceed to the appropriate table row which follows based on whether the CRN 280 change will result in a debit, zero, or credit balance after input.
There is a previous CRN 280 recorded on the tax module	The account will be in zero or debit balance after posting of the CRN 280 amount determined per guidance in the table row immediately above.	1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in the preceding table row immediately above. Use **RC 195** in the first reason code position and **Hold Code 0** with the adjustment. Also, use the appropriate post delay code if corrections to credits or penalties were made as discussed in the first two rows of this table. 2. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest

		charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due. **Note:** In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.
There is a previous CRN 280 recorded on the tax module	The account will be in credit balance after posting of the CRN 280 amount determined per guidance in the second preceding table row above.	To ensure correct systemic, penalty and interest calculations, the social security tax deferral amount must be recorded in full and then the computer will be triggered to systemically reverse all or part of the deferral as appropriate a cycle later. 1. Resolve any misapplied credit issues as discussed in the first row of this table before proceeding to Step 2. 2. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in the second preceding table row above. Use **RC 195** in the first reason code position and **Hold Code 1** with the adjustment. Also, use the appropriate post delay code if corrections to credits or penalties were made as discussed in the first two rows of this table. 3. Input a TC 290 .00 with **Hold Code 0** with a post delay code such that this transaction would post one cycle after the CRN 280 transaction. 4. Send a closing letter to the employer advising them of the amount of social security tax deferral that was recorded and that any penalties and/or interest charges will be corrected accordingly. Also, if there will be a balance on the account after the correction (either for the recorded deferral amount or otherwise), advise the employer that the full amount is now due.

		Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

Caution: Due to a systemic limitation, first position RC 195 is required with **all** CRN 280 adjustments for first quarter 2020 Form 941 accounts to avoid unpostables with UPC 306-3. However, as is discussed in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, use of RC 195 also causes the computer to bypass AMB analysis for purposes of possible systemic CRN 280 reversal. The instructions for input of transactions provided in the table guidance above are intended to mitigate the potential for erroneous refund or offset of amounts which should instead be applied against deferred social security tax amounts. If account circumstances require a different sequencing of transactions to achieve a correct result, the impact of using RC 195 must be carefully considered as well as the potential for systemic reversal of CRN 280 amounts in any posting cycle in which an account ends in a credit balance.

IRM 21.7.2.8.12 Deleted subsection as the instructions were outdated and revised associated instructions have now been embedded throughout the related IRM handling guidance.

IRM 21.7.2.8.12(1) Clarified that the content is limited now to accounts with unreversed CRN 280 transactions.

(1) The procedures that follow are for completing Form 94XX adjustments on tax modules with posted, **unreversed** social security tax deferral amounts (TC 766 CRN 280 transactions) and on tax modules for which new/revised/reinstatement social security tax deferral requests are also under consideration.

(2) As is discussed in greater detail in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*:

- CRN 280 / TC 766 transactions are used to "mask" balances of social security taxes for which payment can deferred.
- The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions, etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction.

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- The computer is not capable of determining when a systemic CRN 280 reversal was in error and it is not programmed to restore or reinstate a reversed deferral amount even when the specific transaction that triggered a reversal is reversed.

Note: See the table in (2) of IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for data field literals applicable to 2020 deferred social security taxes.

(3) Accordingly, completing adjustments for Forms 94XX on accounts with posted, unreversed CRN 280 transactions, or on accounts on which a new/revised CRN 280 amount is to be input, requires careful consideration and ordering of corrective transactions.

(4) Take the following preliminary actions prior to initiating an adjustment for a Form 94XX on a tax module reflecting posted, unreversed CRN 280 transactions or on which a CRN 280 transaction will be input as part of resolving the account:

1. Determine the tax adjustment to be made based on the Form 94XX under consideration, including the tax change, any credit changes, the IRNs and CRNs to be used, and any penalty adjustments or credit transfers required, in the same manner as would be done for the Form 94XX were social security tax deferral not a consideration (e.g., Form 941-X claim filed, follow procedures in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*).
2. Determine the expected account outcome in terms of final module balance (i.e., zero balance, debit balance or overpayment) after the posting of the Form 94XX related adjustment and, if overpaid, whether the overpayment should be applied against the social security tax amount deferred or is refundable/available for offset.
3. Determine the impact of the Form 94XX adjustment on the previously recorded CRN 280 deferral or any new/revised CRN 280 to be recorded (i.e., whether the manual penalty adjustment will trigger systemic CRN 280 / TC 767 reversal), including whether there are COVID-related credits which would be refundable when the AMB analysis described in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, is triggered.
4. Determine the general action required to address the taxpayer's previous or new social security tax deferral request (i.e., reinstatement of a previous CRN 280, input of a new CRN 280, or allowing a full or partial systemic reversal of a previous CRN 280 amount).

Note: Completing the four steps described above requires analyzing the taxpayer request and the tax accounts to be addressed as well as a familiarity with social security tax deferral guidance found throughout IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, and its subsections.

(5) After considering the preliminary steps described above, continue processing the Form 94XX based on the type of adjustment requested as follows:

If	And	Then
The Form 94XX reports a tax decrease (or credit increase)	Is marked as (or is being treated as) an adjusted employment tax return	Complete processing as per guidance in IRM 21.7.2.8.13.1, *Form 94XX Tax Decreases or Credit Increases — Adjusted Employment Tax Returns and Deferred Social Security Tax Payment Amounts*.
The Form 94XX reports a tax decrease (or credit increase)	Is marked as (or is being treated as) a claim	Complete processing as per guidance in IRM 21.7.2.8.13.2, *Form 94XX Tax Decreases or Credit Increases — Claims and Deferred Social Security Tax Payment Amounts*.
The Form 94XX reports a tax increase (or credit decrease)		Complete processing as per guidance in IRM 21.7.2.8.13.3, *Form 94XX Tax Increases or Credit Decreases — Adjusted Employment Tax Returns and Deferred Social Security Tax Payment Amounts*.
The Form 94XX reports no net tax or credit change		Complete processing as per guidance in IRM 21.7.2.8.13.3, *Form 94XX Tax Increases or Credit Decreases — Adjusted Employment Tax Returns and Deferred Social Security Tax Payment Amounts*.

IRM 21.7.2.8.12.1 Revised 5th row of the table in (2) to remove cross reference to specialized handling instructions which no longer apply. Revised (3) guidance in table with regards to closing communications.

(2) After considering the **required** preliminary processing steps described in IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, analyze the Form 94XX filed and the tax account for conditions described in the table below and continue processing as appropriate:

If	And	Then
A previous CRN 280 / TC 767 reversal was incorrect and must be reinstated		Generally, the reinstatement action should be the last action taken on the account. 1. Process the Form 94XX as per guidance which follows below. 2. Once the Form 94XX adjustment issue is resolved, complete the reinstatement as per procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax*

		Deferral Amounts.
There are any erroneous offsets into the module or misapplied payments		Correct ordering of transactions is critical for achieving the correct outcome on the account. • Generally, credit transfers to move credit **out of** a tax module should be done **before** completing the Form 94XX adjustment. • Generally, credit transfers to move credit **into** a tax module that were made **before** the Form 94XX was filed or **with** the Form 94XX should be completed **before** completing the Form 94XX adjustment. • Generally, credit transfers to move credit **into** a tax module that were made **after** the Form 94XX was filed should be completed **after** completing the Form 94XX adjustment. • See IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for more information. • After considering and applying the guidance above and in the cross-referenced subsection, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, **but** use a suitable post delay code with ADJ54 and/or credit transfer(s) to ensure the transactions post in the correct sequence.
Penalties must be manually adjusted		• The penalty adjustment must post separately from any CRN 280 adjustment (i.e., cannot be

		combined with the CRN 280 change) but **can**, if appropriate, be combined with the adjustment made for the Form 94XX. • If a manual penalty assessment (increase) is being made which cannot be combined with the tax decrease (or credit increase) reported on the Form 94XX, the manual penalty assessment (increase) should generally by competed immediately **before** the tax adjustment. • If a manual penalty adjustment to abate (decrease) all or a portion of a penalty on the module is being made which cannot be combined with the tax decrease (or credit increase) reported on the Form 94XX, the manual penalty decrease should generally by competed immediately **after** the tax adjustment. • See IRM 21.7.2.8.8, *Deferred Payment Modules — Manual Penalty Adjustments*, for more information on manual penalty adjustments on modules with deferred social security tax implications. • After considering the guidance above, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, **but** use a suitable post delay code with ADJ54 to ensure the tax adjustment posts in the correct sequence.
The taxpayer is also making a new social		The new or revised social security tax deferral request should generally be

security tax deferral request for revising (not reinstating) a previous deferral request		processed **before** the Form 94XX adjustment is made. 1. Continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX. 2. Complete the actions to record the new or revised deferral amount as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*. 3. Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order.
The Form 94XX reflects decreases to social security wages or social security tips	Does **not** report a change to the previously recorded CRN 280 deferral amount	Continue processing as otherwise appropriate. (No special action is required since the due dates for paying deferred social security taxes are past.)
The Form 94XX is **not** changing **any** of the following return items: • Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC)		• If the account will be in zero or debit balance when the Form 94XX adjustment posts, no systemic CRN 280 / TC 767 reversal will post. Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order. • If the account will be in credit balance (i.e., will be overpaid) when the Form 94XX adjustment posts **and** the amount of the overpayment is **less than or equal** to the current total unreversed TC 766 CRN 280 transactions, complete the Form 94XX adjustment as appropriate but use a suitable post delay code

		to ensure all transactions post in the correct order. The computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, and post a systemic CRN 280 / TC 767 reversal for the amount of the current total unreversed TC 766 CRN 280 transactions on the module or the amount of the overpayment, whichever is less.
		• If the account will be in credit balance (i.e., will be overpaid) when the Form 94XX adjustment posts **and** the amount of the overpayment is **more than** the current total unreversed TC 766 CRN 280 transactions, the overpayment amount not absorbed by the deferral must be applied forward to the tax period in which the Form 94XX was filed. Take the following actions:
		1) Complete the Form 94XX adjustment as appropriate, **use Hold Code 1**, and use a suitable post delay code to ensure all transactions post in the correct order. The computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, and post a systemic CRN 280 / TC 767 reversal for the amount of the current total unreversed TC 766 CRN 280 transactions on the module.
		2) Optionally, if the amount of the overpayment that will be

		present on the account cannot be accurately determined beforehand, the case may be suspended until the Form 94XX adjustment posts before taking the next action. 3) Initiate a TC 830/710 credit transfer to apply the remaining overpayment to the tax period in which the Form 94XX was filed as per guidance for the specific form type filed (e.g., for Form 941-X, see Step 2 in (7) of IRM 21.7.2.4.5.6.1, *Form 941-X Tax Decreases — Adjusted Employment Tax Return*).
The Form 94XX **includes** changes to **any** of the following return items: • Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC)	There is **no** indication on the Form 94XX that the taxpayer intends those credit amounts to be applied to pay amounts of deferred social security taxes.	• If the account will be in zero or debit balance when the Form 94XX adjustment posts, no systemic CRN 280 / TC 767 reversal will post. Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order. • If the account will be in credit balance (i.e., will be overpaid) when the Form 94XX adjustment posts, any non-COVID-related overpayment must be applied to the recorded deferral and the overpayment attributable to the COVID-related credits must be applied forward to the tax period in which the Form 94XX was filed. Take the following actions: 1) Complete the Form 94XX adjustment as appropriate, **use Hold Code 1**, and use a suitable post delay code to ensure all transactions post in the correct order. The computer will apply the AMB analysis routine discussed in (8) of IRM

		21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, and post a systemic CRN 280 / TC 767 reversal for the appropriate amount. 2) Suspend the case until the Form 94XX adjustment posts. 3) Initiate a TC 830/710 credit transfer to apply the remaining overpayment held on the account via the Hold Code 1 usage to the tax period in which the Form 94XX was filed as per guidance for the specific form type filed (e.g., for Form 941-X, see Step 2 in (7) of IRM 21.7.2.4.5.6.1, *Form 941-X Tax Decreases — Adjusted Employment Tax Return*). 4) Complete any other actions required to resolve the account.
The Form 94XX **includes** changes to **any** of the following return items: • Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC)	There **is** an indication on the Form 94XX that the taxpayer intends those credit amounts to be applied to pay amounts of deferred social security taxes.	Treat the Form 94XX as a claim and complete processing as per the instructions in the last row of the table in (2) of IRM 21.7.2.8.13.2, *Form 94XX Tax Decreases or Credit Increases — Claims and Deferred Social Security Tax Payment Amounts*.

(3) Notification requirements for Form 94XX adjustment cases involving deferred social security tax issues are generally the same as they would be for the related deferred social security tax issue (e.g., a Form 94XX adjustment case also requiring a reinstatement of deferred social security tax would require communications to the taxpayer as per guidance in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*).

Exception: If the adjustment actions taken will generate a correct notice containing all necessary information with regards to the recording of deferred social security tax amounts (e.g., systemic posting of CRN 280 / TC 767 transaction), a letter duplicating that information is not required.

Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

IRM 21.7.2.8.12.2 Revised 5th row of the table in (2) to remove cross reference to specialized handling instructions which no longer apply. Revised (3) guidance in table with regards to closing communications.

(2) After considering the **required** preliminary processing steps described in IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, analyze the Form 94XX filed and the tax account for conditions described in the table below and continue processing as appropriate:

If	And	Then
A previous CRN 280 / TC 767 reversal was incorrect and must be reinstated		Generally, the reinstatement action should be the last action taken on the account. 1. Process the Form 94XX as per guidance which follows below. 2. Once the Form 94XX adjustment issue is resolved, complete the reinstatement as per procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*.
There are any erroneous offsets into the module or misapplied payments		Correct ordering of transactions is critical for achieving the correct outcome on the account. • Generally, credit transfers to move credit **out of** a tax module should be done **before** completing the Form 94XX adjustment. • Generally, credit transfers to move credit **into** a tax module

		that were made **before** the Form 94XX was filed or **with** the Form 94XX should be completed **before** completing the Form 94XX adjustment. • Generally, credit transfers to move credit **into** a tax module that were made **after** the Form 94XX was filed should be completed **after** completing the Form 94XX adjustment. • See IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for more information. • After considering and applying the guidance above and in the cross-referenced subsection, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, **but** use a suitable post delay code with ADJ54 and/or credit transfer(s) to ensure the transactions post in the correct sequence.
Penalties must be manually adjusted		• The penalty adjustment must post separately from any CRN 280 adjustment (i.e., cannot be combined with the CRN 280 change) but **can**, if appropriate, be combined with the adjustment made for the Form 94XX. • If a manual penalty assessment (increase) is being made which cannot be combined with the tax decrease (or credit increase) reported on the Form 94XX, the manual penalty assessment (increase) should generally by competed

		immediately **before** the tax adjustment. • If a manual penalty adjustment to abate (decrease) all or a portion of a penalty on the module is being made which cannot be combined with the tax decrease (or credit increase) reported on the Form 94XX, the manual penalty decrease should generally by competed immediately **after** the tax adjustment. • See IRM 21.7.2.8.8, *Deferred Payment Modules — Manual Penalty Adjustments*, for more information on manual penalty adjustments on modules with deferred social security tax implications. • After considering the guidance above, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, **but** use a suitable post delay code with ADJ54 to ensure the tax adjustment posts in the correct sequence.
The taxpayer is also making a new social security tax deferral request for revising (not reinstating) a previous deferral request		The new or revised social security tax deferral request should generally be processed **before** the Form 94XX adjustment is made. 1. Continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX. 2. Complete the actions to record the new or revised deferred social security tax amount as

		per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*. 3. Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order.
The Form 94XX reflects decreases to social security wages or social security tips	Does **not** report a change to the previously recorded CRN 280 deferral amount	Continue processing as otherwise appropriate. (No special action is required since the due dates for paying deferred social security taxes are past.)
The Form 94XX is **not** changing **any** of the following return items: • Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC)		• Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order. • If the account is in zero or debit balance when the Form 94XX adjustment posts, no systemic CRN 280 / TC 767 reversal will post. • If the account is in credit balance (i.e., is overpaid) when the Form 94XX adjustment posts, the computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, and post a systemic CRN 280 / TC 767 reversal for the amount of the current total unreversed TC 766 CRN 280 transactions on the module or the amount of the overpayment, whichever is less. Any overpayment remaining after the CRN 280 / TC 767 reversal is posted will be available for refund or offset as appropriate.
The Form	There	• Complete the Form 94XX

| 94XX **includes** changes to **any** of the following return items:

• Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages
• Refundable or non-refundable portions of the Employee Retention Credit (ERC) | is **no** indication on the Form 94XX that the taxpayer intends those credit amounts to be applied to pay amounts of deferred social security taxes. | adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order.
• If the account is in zero or debit balance when the Form 94XX adjustment posts, no systemic CRN 280 / TC 767 reversal will post.
• If the account is in credit balance (i.e., is overpaid) when the Form 94XX adjustment posts, the computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*. The computer will post a systemic CRN 280 / TC 767 reversal for the amount of the current total unreversed TC 766 CRN 280 transactions on the module or the amount of the overpayment **not attributable** to the specified refundable/non-refundable credits, whichever is less. Any overpayment **attributable** to the specified refundable/non-refundable credits will be available for refund or offset as appropriate, as will any remaining overpayment not attributable to those credits after the CRN 280 / TC 767 reversal is posted. |
| The Form 94XX **includes** changes to **any** of the following return items:

• Refundable or non-refundable portions of the Credit for Qualified Sick and | There **is** an indication on the Form 94XX that the taxpayer intends those credit amounts to be applied to pay amounts of deferred social | • If the account will be in zero or debit balance when the Form 94XX adjustment posts, no systemic CRN 280 / TC 767 reversal will post and no special action is required. Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all |

Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC)	security taxes.	• transactions post in the correct order. • If the account will be in credit balance (i.e., will be overpaid) when the Form 94XX adjustment posts, special action is required to work around computer programming and honor the taxpayer's request. Take the following actions: 1) Complete the Form 94XX adjustment as appropriate, **use Hold Code 1**, and use a suitable post delay code to ensure all transactions post in the correct order. 2) Input a TC 290 .00 transactions with **Hold Code 0** and a post delay code to ensure this transactions posts one cycle after the tax adjustment. • When the first adjustment posts, the computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*. The computer will post a systemic CRN 280 / TC 767 reversal for the amount of the current total unreversed TC 766 CRN 280 transactions on the module or the amount of the overpayment **not attributable** to the specified refundable/non-refundable credits, whichever is less. Any overpayment **attributable** to the specified refundable/non-refundable credits will be held by the hold code used with the first adjustment. • When the second adjustment posts, the AMB analysis will

| | | again be triggered, but because no changes to the specified credits are being made **in that cycle**, a second CRN 280 / TC 767 reversal will post for the appropriate amount. |

(3) Notification requirements for Form 94XX adjustment cases involving deferred social security tax issues are generally the same as they would be for the related deferred social security tax issue (e.g., a Form 94XX adjustment case also requiring a reinstatement of deferred social security tax would require communications to the taxpayer as per guidance in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*).

Exception: If the adjustment actions taken will generate a correct notice containing all necessary information with regards to the recording of deferred social security tax amounts (e.g., systemic posting of CRN 280 / TC 767 transaction), a letter duplicating that information is not required.

Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

IRM 21.7.2.8.12.3 Revised 5th row of the table in (2) to remove cross reference to specialized handling instructions which no longer apply. Revised (3) guidance in table with regards to closing communications.

(2) After considering the **required** preliminary processing steps described in IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, analyze the Form 94XX filed and the tax account for conditions described in the table below and continue processing as appropriate:
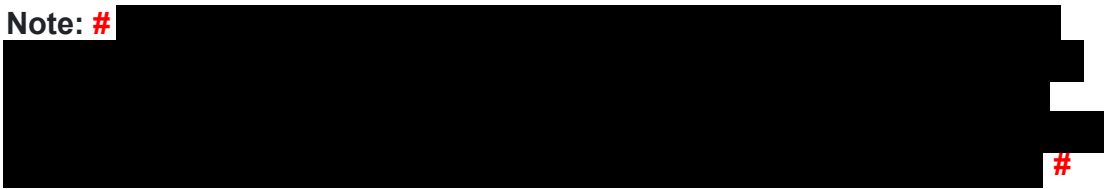
If	And	Then
A payment was made with the Form 94XX	The application of the credit triggered an incorrect CRN 280 / TC 767 reversal of all or part of the recorded social security tax deferral	Generally, the reinstatement action should be the last action taken on the account. 1. Process the Form 94XX as per guidance which follows below. 2. Once the Form 94XX adjustment issue is resolved, complete the reinstatement as per procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed*

		Social Security Tax Deferral Amounts.
There are any erroneous offsets into the module or misapplied payments		Correct ordering of transactions is critical for achieving the correct outcome on the account. • Generally, credit transfers to move credit **out of** a tax module should be done **before** completing the Form 94XX adjustment. • Generally, credit transfers to move credit **into** a tax module that were made **before** the Form 94XX was filed should be completed **before** completing the Form 94XX adjustment. • Generally, credit transfers to move credit **into** a tax module that were made **with** the Form 94XX or **after** the Form 94XX was filed should be completed **after** completing the Form 94XX adjustment. • See IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for more information. • After considering and applying the guidance above and in the cross-referenced subsection, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, **but** use a suitable post delay code with ADJ54 and/or credit transfer(s) to ensure the transactions post in the correct sequence.
Penalties must be manually adjusted		• The penalty adjustment must post separately from any CRN 280 adjustment (i.e., cannot be combined with the CRN 280

		change) but **can**, if appropriate, be combined with the adjustment made for the Form 94XX. • If a manual penalty adjustment (increase or decrease) is being made which cannot be combined with the tax increase (or credit decrease) reported on the Form 94XX, the manual penalty assessment should generally by competed immediately **after** the tax adjustment. • See IRM 21.7.2.8.8, *Deferred Payment Modules — Manual Penalty Adjustments*, for more information on manual penalty adjustments on modules with deferred social security tax implications. • After considering the guidance above, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, **but** use a suitable post delay code with ADJ54 to ensure the tax adjustment posts in the correct sequence.
The taxpayer is also making a new social security tax deferral request or revising (not reinstating) a previous deferral request		The new or revised social security tax deferral request should generally be processed **after** the Form 94XX adjustment is made. 1. Continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX. 2. Complete the Form 94XX adjustment as appropriate but use the appropriate post delay code to ensure all transactions post in the correct order.

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		3. Complete the actions to record the new or revised social security tax deferral amount as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.
The Form 94XX reflects **decreases** to social security wages or social security tips	Does **not** report a change to the previously recorded CRN 280 deferral amount	Continue processing as otherwise appropriate. (No special action is required since the due dates for paying deferred social security taxes are past.)
None of the conditions described above apply **or** they were considered and are being addressed.		• Complete the Form 94XX adjustment as appropriate **but** use a suitable post delay code with ADJ54 to ensure the tax adjustment posts in the correct sequence if multiple account actions are being taken. • The tax increase (or credit decrease) will not trigger a systemic CRN 280 / TC 767 reversal **unless** the posting of the adjustment would release an overpayment on the account. In most instances, such a systemic reversal would represent the correct account outcome if all payment and other considerations have been fully addressed per instructions in preceding table rows.

Note: # ███████████████████████
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(3) Notification requirements for Form 94XX adjustment cases involving deferred social security tax issues are generally the same as they would be for the related deferred social security tax issue (e.g., a Form 94XX adjustment case also requiring a reinstatement of deferred social security tax would require communications to the taxpayer as per guidance in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*).

Exception: If the adjustment actions taken will generate a correct notice containing all necessary information with regards to the recording of deferred social security tax amounts (e.g., systemic posting of CRN 280 / TC 767 transaction), a letter duplicating that information is not required.

Note: In some cases, it may be necessary to monitor the account until transactions are posted in order to provide the taxpayer with a complete and accurate letter describing the actions taken and to provide an accurate balance due amount.

IRM 21.7.2.8.13.4 Deleted subsection since the specialized handling instructions it contained no longer apply.