



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

5.19.19

MARCH 17, 2023

## EFFECTIVE DATE

(03-17-2023)

## PURPOSE

- (1) This transmits revised IRM 5.19.19, Liability Collection, Campus Collection International Case Processing.

## MATERIAL CHANGES

- (1) The substantive changes made to this IRM include:

Number	Subsection	Nature of Change
1	IRM 5.19.19	Removed italics font throughout the IRM
2	IRM 5.19.19	IPU 22U0843 dated 07-28-2022 Changed the Section Title changing Compliance to Collection
3	IRM 5.19.19.1	IPU 22U0843 dated 07-28-2022 Changed Compliance to Collection in paren 1
4	IRM 5.19.19.1.1	IPU 22U0843 dated 07-28-2022 Removed the Form 2555-EZ from the list in paren 7
5	IRM 5.19.19.1.2.1	IPU 22U0843 dated 07-28-2022 Updated fax and phone information in the chart in paren 9
6	IRM 5.19.19.1.3	IPU 22U0843 dated 07-28-2022 Changed the levy source reference to the 5.19.4 from the 5.19.1
7	IRM 5.19.19.2.1.1	IPU 22U0843 dated 07-28-2022 Updated the CNC reference in para 3
8	IRM 5.19.19.3.2	IPU 22U0843 dated 07-28-2022 Updated title of IRM 21.8.5
9	IRM 5.19.19.4	IPU 22U0843 dated 07-28-2022 Updated the TPC contact period in paren 5c
10	IRM 5.19.19.4.2	IPU 22U0843 dated 07-28-2022 Changed the title to TECS in the IRM reference in paren 8b
11	IRM 5.19.19.4.3	IPU 22U0843 dated 07-28-2022 Changed the word debit to underpay- ment in the IRM reference in paren 3

<b>Number</b>	<b>Subsection</b>	<b>Nature of Change</b>
12	IRM 5.19.19.4.4	IPU 22U0843 dated 07-28-2022 Change the title of the IRM 5.19.4.2 to the current title
13	IRM 5.19.19.1	Included Program Scope and Objectives with the applicable subsections
13	IRM 5.19.19.2.2	Changed the word “compliance” to “collection” in paren 1, changed U.S. Tax Code Online to equivalent IRS.gov site and updated other external website addresses in paren 2 chart
14	IRM 5.19.19.2.2.1	Changed the word compliance to collection in paren 2, edited the public use international phone and fax numbers in chart in paren 9, and updated the FERDI transfer number in paren 12
15	IRM 5.19.19.2.2.2	Changed the definition of identity theft in paren 1 and replaced the table in paren 2 with a reference to IRM 5.19.21
16	IRM 5.19.19.2.2.3	Formatting changes made to content in parens 3 and 4
17	IRM 5.19.19.2.3	Removed instruction from paren 6 about securing updated information
18	IRM 5.19.19.3.1.1	Removed broken paren 2 instructions including broken link about foreign taxpayer expenses
19	IRM 5.19.19.4.1	Removed 2555-EZ from paren 3, removed 1040NR-EZ from paren 4, updated the example delinquent tax year to 2019 in paren 7 and updated the IRS website address in paren 9
20	IRM 5.19.19.4.2.1	Removed 1040NR-EZ from paren 1
21	IRM 5.19.19.4.3.1	Removed 2555-EZ from paren 5, edited Form 941-PR description and removed “PR” suffix from Form 944-PR in paren 7
22	IRM 5.19.19.4.3.5	Removed 1040A from paren 16 and 2555 EZ from paren 18
23	IRM 5.19.19.4.3.8	Removed instruction about 2555-EZ from parens 1(d) and 2555-EZ from the bottom of paren 1
24	IRM 5.19.19.4.3.9.1	Removed references to Forms 1040A, 1040EZ and 1040NR-EZ

<b>Number</b>	<b>Subsection</b>	<b>Nature of Change</b>
25	IRM 5.19.19.4.4	Converted table to a list in paren 3 for 508 compliance
26	IRM 5.19.19.5	Separated instructions in paren 5 into new parens 6 and 7 and added a bullet list under paren 7
27	IRM 5.19.19.5.1	changed “compliance” to “collection” in paren 1 and removed “(only within the US)” from paren 5
28	IRM 5.19.19.5.2	Added Japan to list of countries in paren 1, changed the word compliance to collection in paren 2 and changed TECS intranet site address in paren 8
29	IRM 5.19.19.5.4	Added Third-Party contact requirements to paren 2 bullet points
30	5.19.19.5.5	Editorial change to include NFTL procedural IRM references with “Note” in paren 4

**EFFECT ON OTHER DOCUMENTS**

IRM 5.19.19 dated 8/25/2016 is superseded by IRM 5.19.19 published MM-DD-YYYY

**AUDIENCE**

All Small Business/Self-Employed (SB/SE) Campus Collection Employees, Automated Collection System (ACS) and Support (ACSS), Compliance Service Collection Operation (CSCO).

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Director, Collection Inventory Delivery and Selection



5.19.19

Campus Collection International Case Processing (CCICP)

## Table of Contents

### 5.19.19.1 Program Scope and Objectives

- 5.19.19.1.1 Background
- 5.19.19.1.2 Authority
- 5.19.19.1.3 Roles and Responsibilities
- 5.19.19.1.4 Program Management and Review
- 5.19.19.1.5 Program Controls
- 5.19.19.1.6 Terms and Acronyms
- 5.19.19.1.7 Related Resources

### 5.19.19.2 Overview

- 5.19.19.2.1 Taxpayers and Accounts Meeting International Criteria
- 5.19.19.2.2 Available International Tools and Research Engines
  - 5.19.19.2.2.1 General Information
  - 5.19.19.2.2.2 Identity Theft
  - 5.19.19.2.2.3 International Address Changes
- 5.19.19.2.3 Determine Correct Filing Requirement and/or Tax Liability

### 5.19.19.3 Balance Due Overview

- 5.19.19.3.1 Payment Options and Ability to Pay
  - 5.19.19.3.1.1 Financial Analysis

### 5.19.19.4 International Return Delinquency Process Overview

- 5.19.19.4.1 International Filing Requirements (Miscellaneous)
- 5.19.19.4.2 Processing IMF Responses
  - 5.19.19.4.2.1 U.S. Nonresident Alien Income Tax Return
- 5.19.19.4.3 U.S. Territories' Tax Systems
  - 5.19.19.4.3.1 U.S. Territorial Categories of Taxpayers
  - 5.19.19.4.3.2 American Samoa
  - 5.19.19.4.3.3 Commonwealth of the Northern Mariana Islands (CNMI)
  - 5.19.19.4.3.4 Guam
  - 5.19.19.4.3.5 Commonwealth of Puerto Rico
  - 5.19.19.4.3.6 U.S. Virgin Islands (USVI)
    - 5.19.19.4.3.6.1 U.S. Virgin Islands Bona Fide Residents With Self-Employment Income
    - 5.19.19.4.3.6.2 Taxpayers Who Are Not Bona Fide Residents of the USVI
    - 5.19.19.4.3.6.3 U.S. Virgin Islands Cover Over
  - 5.19.19.4.3.7 Tax Treaties
  - 5.19.19.4.3.8 Foreign Earned Income Exclusion
  - 5.19.19.4.3.9 Self-Employment Tax

- 5.19.19.4.3.9.1 IMF International Individual Tax Returns
- 5.19.19.4.4 BMF/NMF International Tax Returns
  - 5.19.19.4.4.1 Form 1042 and Form W-8 Series Withholding
  - 5.19.19.4.4.2 Other BMF Returns
- 5.19.19.5 Case Processing
  - 5.19.19.5.1 Locator Sources
  - 5.19.19.5.2 Other International Programs/Sources Available
  - 5.19.19.5.3 International Account Time Frames
  - 5.19.19.5.4 Levy Action on International Accounts
  - 5.19.19.5.5 NFTL Filing on International Accounts
- 5.19.19.6 Recalculation of the Collection Statute Expiration Date (CSED)
  - 5.19.19.6.1 IRS Individual Taxpayer Identification Number (ITIN)

5.19.19.1  
(03-17-2023)  
**Program Scope and Objectives**

- (1) The objective of the Campus Collection International program is to provide specialized service to international taxpayers to help them satisfy their balance due and delinquent investigations accurately.
- (2) **Purpose:** This IRM is to be used by Campus Collection in conjunction with the rest of IRM 5.19, Liability Collection when working international cases.
- (3) **Policy Owner:** Director, Collection Inventory Delivery and Selection (CIDS).
- (4) **Program Owner:** Director, Collection Inventory Delivery and Selection (CIDS), ACSSI.
- (5) **Primary Stakeholders:** Automated Collection System (ACS), ACS Support (ACSS) and Compliance Services Collection Operation (CSCO),
- (6) **Program Goals:** This IRM provides the fundamental knowledge and procedural guidance for identifying and processing international taxpayer balance due and delinquent return responses. By following the processes and procedures provided by this IRM, employees will process international responses in adherence with international legal regulations in a manner that follows IRS policy and procedures while maintaining the best interests of the Government.

5.19.19.1.1  
(03-17-2023)  
**Background**

- (1) This IRM provides directions and guidelines for working international balance due and delinquent return cases in Campus Collection, Automated Collection System (ACS), ACS Support (ACSS) and Compliance Services Collection Operation (CSCO).
- (2) Specific international account characteristics, regulations, Campus Collection policies and procedures are contained throughout the IRM

5.19.19.1.2  
(03-17-2023)  
**Authority**

- (1) CFR 5 Part 2635, Standards of Ethical Conduct for Employees of the Executive Branch.
- (2) IRM 1.2.1.6, Policy Statements for the Collecting Process, related to this section include:
  - Policy Statement 5-1 Enforcement is a necessary component of a voluntary assessment system
  - Policy Statement 5-2 Collecting Principles
  - Policy Statement 5-71, Reporting accounts receivable as currently not collectible - General
  - Policy Statement 5-133 Delinquent returns - enforcement of filing requirements
- (3) The IRS Restructuring and Reform Act of 1998 (IRS RRA 98), Section 3705(a), provides identification requirements for all IRS employees working tax related matters.
- (4) The IRS adopted the Taxpayer Bill of Rights (TBOR) in June 2014. Employees are responsible for being familiar with and acting in accordance with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see *TBOR*.

5.19.19.1.3  
(03-17-2023)

**Roles and Responsibilities**

- (1) The Director Collection Inventory Delivery Systems (CIDS) is responsible for all policy and procedures related to campus collection international case processing
- (2) Operations managers are responsible for managing campus collection international case processing including telephone, and correspondence transactions, following the procedures in this IRM. They oversee department, team and employee responses to taxpayer inquiries and responses concerning balances due and return delinquencies and their resolution.
- (3) Campus managers and leads are responsible for ensuring compliance with the guidance and procedures described in this IRM for international balance due and return delinquencies
- (4) Campus employees who work international balance due and return delinquency cases are responsible for responding to taxpayer inquiries and taking appropriate actions as defined in this IRM

5.19.19.1.4  
(03-17-2023)

**Program Management and Review**

- (1) **Program Reviews:** Operational and program reviews are conducted to ensure that case actions taken are in accordance with the procedures in this IRM.
- (2) **Program Reports:** The following weekly, monthly and/or ad-hoc reports are generated by management, and can assist with evaluating the performance of the Campus Collection International Case Processing program
  - Embedded Quality Review System (EQRS) Reports.
  - National Quality Review System (NQRS) Reports.
  - Accounts Management Services (AMS) Reports.
  - ACS Reports.
  - Work Planning & Control (WP&C) Reports.
  - Case Control Activity System (CCA) Reports.
- (3) **Program Effectiveness:** Evaluative (EQRS) and national (NQRS) quality reviews are routinely conducted to ensure case actions are timely and in accordance with the procedures in this IRM.
  - a. Phone and paper cases are routinely reviewed by Centralized Quality Review System (CQRS) to ensure case actions are timely and in accordance with the procedures in this IRM.
  - b. Case reviews are conducted by managers to ensure compliance with this IRM.
  - c. Operational reviews are conducted by the Department and Operation Managers annually to evaluate program delivery, conformance to administrative requirements and ensure compliance with this IRM.

5.19.19.1.5  
(03-17-2023)

**Program Controls**

- (1) Incoming telephone calls are distributed to internationally trained telephone representatives in Philadelphia using the Unified Contact Center Environment (UCCE) system.
- (2) Taxpayer responses and other inventory are loaded to AMS and then distributed to internationally trained correspondence tax examiners in CSCO and ACSS. AMS tracks employee actions and is monitored by Operation, Department, and front-line managers

- (3) Employees ensure that international rules and regulations are considered and applied when handling international taxpayer phone calls and working written responses regarding balance due and delinquent returns
- (4) Managers are required to follow program management procedures and controls addressed in IRM 1.4.20 Filing & Payment Compliance Managers Handbook
- 5.19.19.1.6  
(03-17-2023)  
**Terms and Acronyms**
- (1) Refer to IRM 5.19.5-4, Standard Abbreviations for Use in Account Management Services, AMS and/or ACS.
- (2) For a list of balance due acronyms, refer to IRM 5.19.1-1), Acronyms and Explanations for IRM 5.19.1
- (3) For a list of delinquent return acronyms, refer to IRM 5.19.2.1.6, Acronyms
- (4) Additional acceptable acronyms and abbreviations can be found in the section *ReferenceNet Acronym Database*.
- 5.19.19.1.7  
(03-17-2023)  
**Related Resources**
- (1) When using this chapter to perform your daily duties, it may be necessary to use other resources listed below:
- IRM 5.19.1, Balance Due
  - IRM 5.19.2, Individual Master File (IMF) Return Delinquency
  - IRM 5.19.4, Enforcement Action
  - IRM 5.19.6, ACS Support
  - IRM 5.19.13, Campus Procedures for Securing Financial Information
  - IRM 5.19.17, Campus Procedures for Currently Not Collectible and Offers in Compromise
  - IRM 5.19.19, Campus Collection International Case Processing (CCICP)
  - IRM 5.19.21, Campus Procedures for Handling Identity Theft
  - IRM 5.19.22, Business Master File (BMF) Return Delinquency
- (2) Employees may also find the following information helpful:
- *Servicewide Electronic Research Program (SERP)*
  - *Integrated Automation Technologies (IAT)*
  - *e-ACSG*
  - *ACS Support e-Guide*
  - *CSCO e-Guide*
- 5.19.19.2  
(03-17-2023)  
**Overview**
- (1) This manual provides guidance to the Campus Collection function when working international accounts. This IRM is to be used in conjunction with the rest of IRM 5.19, Liability Collection when working international cases. The goal is to improve taxpayer service to international taxpayers and to ensure that Campus Collection is able to assist the taxpayer in resolving their balance due and delinquent investigations accurately.
- 5.19.19.2.1  
(03-17-2023)  
**Taxpayers and Accounts Meeting International Criteria**
- (1) This section identifies specific criteria of an international taxpayer and/or account.

- (2) A U.S. citizen's or resident alien's worldwide income is generally subject to U.S. income tax, regardless of where the taxpayer is living. A taxpayer living overseas is subject to the same rules for filing income, estate, and gift tax returns and for paying estimated tax that apply to a U.S. citizen or resident alien living in the United States.
- (3) Generally, resident aliens are those persons who enter the U.S. with the intention of establishing a U.S. residence.
  - A resident alien taxpayer is entitled to all deductions, exclusions, and credits under the same rules as a U.S. citizen.
  - An alien is a resident, for U.S. tax purposes, if he/she is admitted to the U.S. for permanent residence, is considered substantially present in the U.S. for the year, or makes an election to be considered a U.S. resident. For additional information on resident aliens refer to Pub 519, U.S. Tax Guide for Aliens.
- (4) U.S. citizens and resident aliens who qualify can file Form 2555, Foreign Earned Income , to exclude foreign earned income and to exclude and deduct housing costs.
- (5) A resident alien is an immigrant to the U.S., or a non immigrant who meets certain residency requirements or makes a special election to be taxed as a resident.
- (6) A nonresident alien is in the U.S. only temporarily. For example, this person may be a tourist, a student or a temporary worker under a qualifying visa.
- (7) Below are examples of cases that meet international criteria:
  - Claims referencing a Tax Treaty
  - Claims referencing IRC 911, Citizens or residents of the United States living abroad
  - Claims referencing IRC 931, Income from sources within American Samoa
  - Claims referencing IRC 932, Income From Sources Within the U.S. Virgin Islands
  - Claims referencing IRC 933, Income from sources within Puerto Rico
  - Claims referencing IRC 935, Income From Sources Within the Northern Mariana Islands or Guam
  - Correspondence received from taxpayers claiming they are nonresident aliens
  - Correspondence stating that the taxpayer is a treaty trader or a Fulbright grantee
  - Dual citizenship status issues
  - Correspondence requesting a tax adjustment that references the following forms: Form 1116, Foreign Tax Credit, Form 2555, Foreign Earned Income, Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa, Form 5074, Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands, Form 8689, Allocation of Individual Income Tax to the U.S. Virgin Islands, Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), Form 8804, Annual Return for Partnership Withholding Tax (Section 1446), Form 8805, Foreign Partner's

Information Statement of Section 1446 Withholding Tax, or Form 8288-A, Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests

5.19.19.2.2  
(03-17-2023)  
**Available International  
Tools and Research  
Engines**

- (1) There are various IRS publications available to assist campus collection employees and international taxpayers with determining liability for filing U.S. tax returns, due dates, where to file, etc.
- (2) The following websites can be used to research various international issues:

Question/Issue	Website Address
Tax Code, Regulations and Official Guidance	<a href="https://www.irs.gov/privacy-disclosure/tax-code-regulations-and-official-guidance">https://www.irs.gov/privacy-disclosure/tax-code-regulations-and-official-guidance</a>
United States Income Tax Treaties - A to Z	<a href="http://www.irs.gov/Businesses/International-Businesses/United-States-Income-Tax-Treaties---A-to-Z">http://www.irs.gov/Businesses/International-Businesses/United-States-Income-Tax-Treaties---A-to-Z</a>
U.S. Citizenship and Immigration Services	<a href="http://uscis.gov/">http://uscis.gov/</a>
Social Security Administration	<a href="https://www.ssa.gov/">https://www.ssa.gov/</a>
United States Department of State	<a href="https://www.state.gov/">https://www.state.gov/</a>
International Telephone Country Codes	<a href="http://countrycode.org">http://countrycode.org</a>
ReferenceNet Legal and Tax Research Services	<a href="https://portal.ds.irsnet.gov/sites/raas/spder/rnet/Pages/default.aspx">https://portal.ds.irsnet.gov/sites/raas/spder/rnet/Pages/default.aspx</a>

- (3) Other types of internal and external research tools available for employees are:
  - IDRS
  - AMS (Accounts Management System)
  - Corporate Files On Line (CFOL) command codes
  - ADR (Address Research)
  - Document 6209, IRS Processing Codes and Information
  - IRM 2.3.1, IDRS Terminal Responses
  - Accurant
  - RTR (Remittance Transaction Research)
  - www.411.com
- (4) Electronic payments can be researched and verified via IDRS command code (CC) Electronic Federal Tax Payment System (EFTPS). See IRM 2.3.70, Command Code EFTPS, for guidance on using this CC to verify if payments were applied correctly.
- (5) The Transcript Delivery System (TDS) can be used to send Wage and Income information documents to the taxpayer.

**Note:** See IRM 21.2.3, Transcripts, for procedures on using TDS for researching tax account and return information. TDS delivers tax account and return information to the user with an appropriate cover letter (when applicable).

5.19.19.2.2.1  
(03-17-2023)  
**General Information**

- (1) The purpose of this section is to provide guidance when working international balance due accounts, including those for taxpayers in U.S. territories, for both Individual Master File (IMF) and Business Master File (BMF) as well as working delinquent return (DelRet) cases.
- (2) Assisting taxpayers in resolving their balance due or DelRet is the responsibility of all campus collection representatives or tax examiners, whether speaking with a taxpayer or responding to taxpayer correspondence.
- (3) A balance due, or Tax Delinquent Account (TDA), account occurs when the taxpayer has an outstanding liability for taxes, penalties and/or interest.
- (4) A DelRet, or Tax Delinquent Investigation (TDI), occurs when the taxpayer has an outstanding tax return(s).
- (5) Be sure to prevent unauthorized disclosures of taxpayer information at all times. For additional guidance see IRM 5.19.1.2.3, Disclosure Overview: Verifying Identity of Contact Party.
- (6) All actions taken on taxpayer accounts and/or actions promised by the taxpayer must be documented on AMS. For additional guidance see IRM 5.19.1.2.4, Documenting Account Actions.
- (7) For additional information regarding acronyms, abbreviations used throughout various IRMs, see IRM 5.19.1-1, Acronyms and Explanations for IRM 5.19.1.
- (8) When referring or redirecting accounts to other functions or areas, follow IRM 5.19.1.3, Referrals or Redirects.
- (9) For non toll free telephone numbers to be provided to international taxpayers living abroad **ONLY**, use the table below:

Function	Telephone	Fax Number
Accounts Management	267-941-1000	681-247-3101
Automated Collection System (ACS)	267-941-1004	267-941-1031
Automated Underreporter (AUR)	267-941-1026	267-466-1023
FIRPTA	267-941-1000	681-247-3101
International Examination	267-941-1037	681-247-3129

Function	Telephone	Fax Number
Taxpayer Advocate Service - Pacific US Territories (American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam)	808-466-6375	855-819-5024
Taxpayer Advocate Service - Caribbean US Territories and International (English) (Puerto Rico and the U.S. Virgin Islands)	787-522-8601	855-818-5697
Taxpayer Advocate Service - Caribbean US Territories and International (Spanish) (Puerto Rico and the U.S. Virgin Islands)	787-522-8600	855-818-5697
Taxpayer Protection Program	267-941-1083	N/A

- (10) For information regarding **account actions on referrals/redirects** refer to IRM 5.19.1.4.1, Account Actions on Referral/Redirects.
- (11) For information regarding **taxpayer information** refer to IRM 5.19.1.4.2, Taxpayer Information.
- (12) For ACS employees see IRM 5.19.18.4, FERDI General Case Processing, for information on Federal Employee/Retiree Delinquency Initiative (FERDI) account transfer to the FERDI unit in the ACS Call Site in Jacksonville, Florida. Use telephone transfer number 1082, or if prior to 8 a.m. EST complete a Form 4442, Inquiry Referral, and fax to the Jacksonville FERDI unit. See IRM 5.19.18.2, Identifying FERDI Cases, for information on how to identify a FERDI taxpayer.

5.19.19.2.2.2  
(03-17-2023)  
**Identity Theft**

- (1) Identity theft occurs when someone illegally uses another person's information such as their name, social security number, or other identifying information to file tax returns or derive other financial benefits by posing as the legitimate information owner.
- (2) If an international taxpayer makes an allegation of identity theft, or if an employee suspects that identity theft has occurred, follow the guidance in IRM 5.19.21, Campus Procedures for Handling Identity Theft:

5.19.19.2.2.3  
(03-17-2023)  
**International Address  
Changes**

- (1) When considering inputting address changes, refer to IRM 3.13.5.29, Oral Statements/Telephone Contact Address Change Requirements, and IRM 3.13.5.51, Information Required to Complete Address Changes. Once it is determined that the taxpayer resides overseas and the address is validated, update CC ENTITY to reflect the foreign address and location code. Input transaction code (TC) 030 with Document Code 63 on CC ENREQ to identify the taxpayer as living outside the U.S.
- (2) The format of a foreign address will differ depending on the postal system of the country. In general, a foreign address consists of a street address, city or town name, other administrative divisions and postal code. A postal code can be a series of letters, digits, or a combination of letters and digits depending on the postal system. Due to limitation of characters, the address may need to be altered so that the mail can still be delivered.
- (3) File Location Codes 21, 66, and 78 contain all returns with a U.S. territory address with a 5-digit zip code, which include Puerto Rico, American Samoa, Guam, U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands.
- (4) File Location Codes 20, 60, and 98 are used for returns with:
  - A foreign country address
  - Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, Form 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, or Form 8288-A, Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests
  - Form 2555
  - Dual Status Notification
  - Form 1040NR, U.S. Nonresident Alien Income Tax Return
- (5) Abbreviation for U.S. territories and countries that have entered compacts of free association with the United States.

Country or U.S. Territory	Abbreviation
American Samoa	AS
Federated States of Micronesia	FM
Guam	GU
Marshall Islands	MH
Palau	PW
Puerto Rico	PR
Northern Mariana Islands	MP
Virgin Islands (U.S.)	VI

**Note:** Any address change for U.S. territory countries must include the zip code. For additional guidance refer to IRM 2.4.9.9, Codes and Abbreviations, and IRM Exhibit 2.4.9-18, BMF Foreign Address Change.

5.19.19.2.3  
(03-17-2023)

**Determine Correct Filing Requirement and/or Tax Liability**

- (1) This section provides guidance in identifying correct filing requirements and determining the correct tax liability.
- (2) The taxpayer may indicate verbally or in writing the tax liability is questionable, such as:
  - They do not owe the balance due.
  - They dispute the amount owed.
  - They do not know why they have a balance owed.
- (3) Taxpayer may indicate verbally or in writing they are not required to file specific tax returns, for example, they are bona fide residents of another country, they have renounced their U.S. citizenship or residency and/or they have already filed the return(s) in question.
- (4) If the taxpayer states they no longer reside in the U.S. and no longer receive U.S. source income or are no longer self employed, ask the following questions:
  - a. Is the taxpayer a U.S. citizen or resident?
  - b. Is the taxpayer employed in the country where they are residing? If so, U.S. citizens and/or residents are taxed on worldwide income; it does not matter whether the income is U.S. sourced.
- (5) If the taxpayer states they are no longer a U.S. citizen or resident, but are working in their home country or overseas and had a balance owed or delinquent return prior to renouncing their U.S. citizenship or residency, you must obtain all earned income information, regardless of whether it is a U.S. source or not. See IRM 21.8.1.12.20, IRC 877A, Mark-To-Market Exit Tax.
- (6) When speaking or corresponding with the taxpayer do not pursue collection if you are not able to determine the correct tax liability. However, you must address any delinquent returns, refer to IRM 5.19.2.6.4.6, IMF - Determining Liability.

5.19.19.3  
(03-17-2023)

**Balance Due Overview**

- (1) Balance due accounts and return delinquencies are systemically monitored through computer analysis (weekly TDA/TDI analysis) and placed in a specific status based on risk categories, repeater codes, selection codes and/or other characteristics of the specific account or delinquency.
- (2) Several notices are generated to the taxpayer informing them of their outstanding liability.
- (3) When a taxpayer balance due inquiry is received, it is important to be aware of the Master File and Collection Status Codes and Definitions to determine whether you should work the account or refer it to another office for additional guidance.
- (4) For ACS Incoming Calls, see the electronic ACS Guide (e-ACSG) on SERP under “e-guides” for procedures and telephone techniques to utilize in addressing all compliance issues and controlling the conversation.
- (5) Written requests received in CSCO and ACS Support Operations must be controlled within 14 days and acknowledged within 30 days from IRS received date if the case cannot be closed. Sites using AMS for controlling and monitor-

ing inventory follow AMS guidelines for case control and acknowledgment of taxpayer correspondence. If correspondence is received from a previous area after the 30 days expires and no interim letter was issued, you must send an interim letter within five business days of receipt in your area. Follow all other IDRS control procedures in IRM 21.5.1.4.2.2, Integrated Data Retrieval System (IDRS) - Control Procedures.

5.19.19.3.1  
(03-17-2023)  
**Payment Options and  
Ability to Pay**

- (1) There are several methods of payment that allow taxpayers to pay their liabilities over time. Refer to IRM 5.19.1.6, Methods of Payment.
- (2) Taxpayers unable to pay their balance due may qualify to be reported currently not collectible (CNC) or may submit an OIC. Refer to IRM 5.19.17, Campus Procedures for Currently Not Collectible and Offers in Compromise.
- (3) Follow the instructions below if you determine the tax liability is questionable and a referral to another office is appropriate. Input CC STAUP to suspend further notices for nine cycles prior to referring the balance due inquiry to another office/area.

IF	THEN
The taxpayer states liability previously paid.	See IRM 5.19.1.4.3.1, Tax Liability Previously Paid.
The taxpayer requests an installment agreement (IA) and the account meets pending IA criteria.	See IRM 5.19.1.6.4.7, Pending IA Criteria.
The account meets Taxpayer Advocate Service (TAS) criteria.	See IRM 21.1.3.18, Taxpayer Advocate Service Guidelines, and IRM 13.1.7.2, TAS Case Criteria.
The taxpayer is requesting innocent spouse relief.	See IRM 5.19.1.5.18, Innocent Spouse.
The taxpayer is requesting information on collection appeal rights.	See IRM 5.19.8, Collection Appeal Rights.
The balance owed requires an adjustment.	See IRM 5.19.1.4.3.2, Adjusting Tax for a Balance Due.
The balance owed is due to an Automated Substitute for Return (ASFR) assessment.	See IRM 5.18.1, Automated Substitute for Return (ASFR) Program.

**Note:** If the taxpayer requests an IA, and the account does not meet pending IA criteria, see IRM 5.19.1.6.4.7.1, Requests Not Meeting Pending IA Criteria.

5.19.19.3.1.1  
(03-17-2023)  
**Financial Analysis**

- (1) This section provides additional guidance for conducting financial analysis on international accounts. Refer to IRM 5.19.13, Campus Procedures for Securing Financial Information, for general guidance when conducting financial analysis.
- (2) Before closing accounts as CNC or granting an IA, you must secure financial information.

**Note:** Accounts for certain individuals may be reported as CNC hardship if a Collection Information Statement can be verified, even if there are unfiled returns. See IRM 5.19.17.2.4 , CNC Unable to Pay - Hardship. This applies to accounts on individual or joint IMF assessments, sole proprietorships, partnerships where a general partner is personally liable for the partnership taxes, and LLCs, where an individual owner is identified as the liable taxpayer.

- (3) Secure substantiation on expenses that are questionable.
- (4) Any verbal/internal verification or paper substantiation received from the taxpayer must be clearly documented. Substantiation of income and/or expenses can include, but is not limited to:
  - Bank statements or cancelled checks providing proof of payments being made
  - Credit card statements
  - Rent/Lease receipts and lease agreements
  - Payment receipts
  - Court order; must provide proof of payments
  - Contracts

5.19.19.4  
(03-17-2023)  
**International Return  
Delinquency Process  
Overview**

- (1) This section provides a general overview on international accounts (including the U.S. territories), taxpayer filing requirements, types of returns to file, income, exemptions, deductions, and credits.
- (2) U.S. citizens and resident aliens living or traveling outside of the U.S. generally are required to file income tax returns and pay estimated taxes in the same way as taxpayers residing in the U.S.
- (3) Taxpayers outside the U.S. are allowed an automatic two month extension to file an income tax return. However, if they pay the tax after the regular due date, interest and penalties will be charged from the regular due date until the date the tax is paid.
- (4) The taxpayer cannot use the automatic extension of time to file if they:
  - Want the IRS to figure the tax, or
  - Are under a court order to file by the regular due date.
- (5) Taxpayers outside of the U.S. can also file Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, for a six month extension of time to file.
- (6) If the taxpayer outside the U.S. has a two month extension, the six month extension only gives the taxpayer an additional four month extension. Both extensions start at the same time.
- (7) The taxpayer does not have to file Form 4868 until the new due date allowed by the first extension.
- (8) Follow the guidelines below for taxpayers residing outside of the U.S.

**Note:** If the taxpayer is given a deadline and warned of enforcement action by telephone, a letter is not required to be sent.

If	And	Then
<p>Taxpayer is not a U.S. citizen or green card holder.</p>	<p>Income is from</p> <ol style="list-style-type: none"> <li>1. Interest paid by U.S. Obligors - General</li> <li>2. Interest on Real Property Mortgages</li> <li>3. Interest paid to a Controlling Foreign Corporation</li> <li>4. Dividends                             <ol style="list-style-type: none"> <li>a. Paid by U.S. Corporation</li> <li>b. Qualifying for Direct Dividend Rate</li> </ol> </li> <li>5. Capital Gains</li> <li>6. Industrial Royalties</li> <li>7. Copyright Royalties-Motion Pictures and Television, or other</li> <li>8. Real Property Income and Natural Resources Royalties</li> <li>9. Pensions/Annuities</li> <li>10. Social Security Payment AND TP's country of citizenship was verified.</li> </ol> <p><b>Note:</b> Refer to Publication 901, U.S. Tax Treaties, , for guidance.</p>	<ul style="list-style-type: none"> <li>• If the taxpayer is “<b>Not Liable:</b>”  <b>CSCO employees:</b> Input TC 590 cc 76 using CC FRM49.  <b>ACS employees:</b> Input TC 590 cc 26 using CC FRM49. Enter ACS history code.“TOC0,21,59026”.</li> <li>• If the taxpayer is “<b>Liable to file:</b>”  <b>CSCO/ACS/ACSS employees:</b> Send a 2269C letter, with the appropriate paragraphs, advising taxpayer that failure to file within 75 days could subject the taxpayer to a fine and/or criminal penalties and of possible Substitute for Return (SFR) processing. If account on ACS, enter ACS history code “TOI5,75,2269C”.</li> </ul>

If	And	Then
<p>Taxpayer is a U.S. citizen or green card holder.</p>	<p>Income is from:</p> <ol style="list-style-type: none"> <li>1. Interest paid by U.S. Obligors - General</li> <li>2. Interest on Real Property Mortgages</li> <li>3. Interest paid to a Controlling Foreign Corporation</li> <li>4. Dividends - Paid by U.S. Corporation Qualifying for Direct Dividend Rate</li> <li>5. Capital Gains</li> <li>6. Industrial Royalties</li> <li>7. Copyright Royalties - Motion Pictures and Television, or Other</li> <li>8. Real Property Income and Natural Resources Royalties</li> <li>9. Pensions/ Annuities.</li> <li>10. Social Security Payment AND taxpayer's country of citizenship was verified</li> </ol> <p><b>Note:</b> Refer to Publication 901, <i>U.S. Tax Treaties</i>, for guidance.</p>	<ul style="list-style-type: none"> <li>• Input appropriate history items on IDRS and enter history on AMS documenting all actions taken.</li> </ul>

If	And	Then
Taxpayer is not a U.S. citizen or green card holder and does not reside in the U.S.	Income is from Form W-2 wages and/or Form 1099 (non-employee compensation).	<ul style="list-style-type: none"> <li>• If taxpayer states not liable and does not indicate whether work was performed in the U.S., send a 2269C letter, indicating earnings reported on IRPTRL and request additional information regarding where the work was performed. <b>Note:</b> Send the taxpayer a Wage and Earnings TDS transcript.</li> <li>• If taxpayer states not liable and indicates the work was performed outside of the U.S., then:               <ol style="list-style-type: none"> <li>1. For CSCO employees: Input TC 590 cc 76 using CC FRM49.</li> <li>2. For ACS employees: If account on ACS, input TC 590 cc 26 using FRM49 and input ACS history code "TOC0,21,59026".</li> <li>3. Input appropriate history items on IDRS and enter comments on AMS documenting all actions taken.</li> </ol> </li> </ul>

5.19.19.4.1  
(03-17-2023)  
**International Filing Requirements (Miscellaneous)**

- (1) This section provides information on joint filers (citizen, resident with a non-citizen/resident, Earned Income Tax Credit (EITC) and the overseas taxpayer).
- (2) Individual taxpayers identified as living in a U.S. territory (Guam, U.S. Virgin Islands, American Samoa, Commonwealth of the Northern Mariana Islands or Puerto Rico), have different filing requirements than domestic taxpayers. See Publication 570, Tax Guide for Individuals With Income From U.S. Possessions.
- (3) International taxpayers can elect to exclude some or all of the income in a foreign country if they meet the criteria. The income exclusion is provided under IRC 911. Refer to the instructions of Form 2555 for the amount of foreign income that may be excluded for the given tax year. To claim this exclusion, the taxpayer must file Form 2555 , with Form 1040. The computation of Form 2555 is based on foreign income. For this purpose, foreign earned income is the income the taxpayer received for services performed in a foreign

country during a period their tax home is in a foreign country and they meet either a bona fide residence test or the physical presence test.

a. Earned income is pay for personal services performed, such as:

- Salaries and wages
- Commissions
- Bonuses
- Professional fees
- Tips

- (4) Current tax forms 1040NR are filed in Austin, TX. Returns with payment are filed in Charlotte, NC. A taxpayer can claim itemized deductions only if they have effectively connected income. See IRM 21.8.1.12.10, Effectively Connected Income.
- (5) Generally, the rules for filing income, estate and gift tax returns, including paying estimated tax, are the same whether the taxpayer lives abroad or in the United States. If the taxpayer lives overseas they are given an automatic two month extension to file. However, any tax due must be paid by April 15th to avoid interest and penalty. This also applies to taxpayers in the military service on duty outside the U.S. and Puerto Rico, unless the taxpayer is in combat zone. See IRM 5.19.2.6.4.2.1, Combat Zone IMF Procedures, for additional guidance.
- (6) Nonresident aliens may not be liable for filing a return when investing in the U.S. (stocks, bonds, etc.). To be eligible, taxpayers must complete Form W-8 BEN, Certificate of Foreign Status of Beneficial Owner for U.S. Tax Withholding. Taxpayers should use this form if they are claiming treaty benefits or are providing the form only to claim they are a foreign person exempt from backup withholding. They should also complete Form 8233, Exemption from Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Non-resident Alien Individual, and submit to their broker who will submit to the IRS. Many times they do not complete these forms and their income is reported to the IRS.
- (7) Taxpayers are considered a U.S. resident for tax purposes if they are in the United States for at least 31 days in the current year and meet the substantial presence test. This test is met if the total number of days present in the year in question, plus 1/3 of the days present in the preceding year, plus 1/6 of the days present in the second preceding year add up to 183 days or more. See the example below:

**Example:** The delinquent tax year (TY) is 2019 (you will only consider 1/3 of days present for TY 2018 and only 1/6 for tax year 2017).

TY 2019 - 120 days present (120 days)

TY 2018 - 120 days present (40 days= 1/3 of actual days)

TY 2017 - 120 days present (20 days= 1/6 of actual days)

**Total days above = 180 days. In this example the taxpayer would *not* be considered a resident under the substantial presence test.**

- (8) For additional information on the substantial presence test see IRM 21.8.1.12.2, Test for Resident Alien and Nonresident Alien Status.

- (9) All international taxpayer income must be reported in U.S. dollar equivalents. Taxpayers may use the yearly average exchange rate; however, the daily rate may be used for specific transactions. Exchange rates can be found on the “Foreign Currency and Currency Exchange Rates” page at *www.irs.gov*; key-word search term “exchange rates”.

5.19.19.4.2  
(03-17-2023)  
**Processing IMF Responses**

- (1) This section provides guidance on working responses received from the taxpayer either through correspondence or calls.
- (2) Research all IDRS command codes and available resources to determine taxpayer income sources. Once the taxpayer information has been verified, follow the guidelines stated in this section.

**Note:** If the taxpayer is given a deadline and warned of enforcement action by telephone, a letter is not required to be sent.

- (3) If the taxpayer states that he is not liable for U.S. tax because he is a nonresident alien, or not a U.S. citizen, verify his income via CC IRPTR. Follow the table below for guidance:

If	And	Then
Income is from stocks and bonds and the taxpayer was present less than 183 days in the U.S.,	Research of CC IRPTR indicates income from stocks and bonds,	<ul style="list-style-type: none"> <li>• Taxpayer is not liable to file U.S. tax return.</li> <li>• CSCO employees - Input TC 590 cc 75. Update AMS of actions taken.</li> <li>• ACS employees: Input TC 590 cc 26. For stand-alone TDIs input history item RD 90,026 then“TOCO,21,59026”. For mixed modules input history item RD590,26 then <b>TO14,,59026</b>. Update AMS of actions taken.</li> </ul>
Income is from stocks and bonds and the taxpayer was in the U.S. 183 days or more,	Research of CC IRPTR indicates income from stocks and bonds,	<ul style="list-style-type: none"> <li>• Taxpayer is liable as they meet the substantial presence test. Send taxpayer 2269C, with appropriate paragraphs to advise that failure to file within 60 days will subject them to a fine and/or criminal penalties or possible ASFR.</li> <li>• If account on ACS, enter history code “TO15,75,2269CSNT”.</li> </ul>

If	And	Then
Taxpayer states they do not have U.S. income, and they are not U.S. citizens or residents,	CC IRPTR indicates that the income is reported from capital gains for U.S. source,	<ul style="list-style-type: none"> <li>• Verify the country of citizenship. Refer to Publication 901 for additional guidance on treaty information.</li> <li>• Send taxpayer 2269C or appropriate letter. If country on Tax Treaty table, advise the taxpayer that they are taxed at a flat rate of 30%.</li> <li>• If the account is on ACS, enter history code "TOI5,75,2269CSNT".</li> </ul>
Taxpayer is not a U.S. citizen and the income is from sale of U.S. home/ property and the agent withheld taxes at the time of sale,	CC IRPTR indicates income is from sale of home,	<ul style="list-style-type: none"> <li>• Verify if Form 8288, U.S. Withholding Tax Return for Disposition by Foreign Persons of U.S. Real Property Interests, , was filed.</li> <li>• If no information is available, refer to IRM 21.8.5, Miscellaneous Foreign Investment In Real Property Tax Act (FIRPTA) Related Issues, or IRM 21.8.5.4, Form 8288-B, Withholding Certificate Background, for guidance.</li> </ul>
Taxpayer is not a U.S. citizen,	CC IRPTR indicates income is from pensions/ annuities, and: <ul style="list-style-type: none"> <li>• Income was earned in the U.S.</li> </ul>	<ul style="list-style-type: none"> <li>• Inform taxpayer they are required to file a return. Follow the procedures in IRM 5.19.2.6.4.6.4, <b>IMF Taxpayer Liable</b>.</li> <li>• CSCO employees - Send 2269C letter. If W-8BEN received input TC 590 cc 76 or TC 590 cc 26. (Route W-8BEN to AM per maildex)</li> </ul>

If	And	Then
Taxpayer is not a U.S. citizen,	CC IRPTR indicates income is from pensions/ annuities, and: <ul style="list-style-type: none"> <li>Income was not earned in the U.S.</li> </ul>	<ul style="list-style-type: none"> <li>Advise taxpayer to file Form W-8BEN.</li> </ul> <p><b>Note:</b> If the taxpayer had withholding taken, advise the taxpayer they need to file a return to receive a refund of the credits.</p>
Taxpayer is not a U.S. citizen,	Non employment compensation income (NEC) was reported on CC IRPTR, and the work was performed in the U.S.,	<ul style="list-style-type: none"> <li>Advise the taxpayer they are required to file a return.</li> </ul>
Taxpayer is not a U.S. citizen,	Non employment compensation income (NEC) was reported on CC IRPTR, and the work was performed outside the U.S.,	<ul style="list-style-type: none"> <li>Advise the taxpayer to request that their employer send an amended Form 1099, and close the module as not liable.</li> <li>Update AMS of actions taken.</li> <li>For CSCO employees: Input TC 590 cc 76.</li> <li>For ACS/ACSS: Input history code RD90,026, "TOCO,21,59026".</li> </ul>

If	And	Then
Taxpayer is not a U.S. citizen,	CC IRPTR indicates taxpayer received a prior year state refund,	<p>Review the taxpayer's prior year return via CC IRPTR to verify if they filed Schedule A:</p> <ul style="list-style-type: none"> <li>• If taxpayer filed Schedule A, and listed state income tax, then they must file a U.S. return for the tax on the prior year. Send taxpayer a 2269C or another appropriate letter advising taxpayer to file Form 1040NR.</li> <li>• If research of CC RTVUE indicates taxpayer used the standard deduction on the previous year's federal U.S. tax return, income does not have to be claimed.</li> </ul> <p>For ACS/ACSS employees: Input history RD90,026 then "OADT, 75, 2269CSNT". For CSCO employees: Input TC 590 cc76.</p>
Taxpayer is not a U.S. citizen,	CC IRPTR indicates mortgage interest paid,	<ul style="list-style-type: none"> <li>• Send 2269C letter requesting explanation from taxpayer whether the interest paid for a home is their residence or rental income.</li> <li>• Update AMS of actions taken</li> <li>• For ACS employees: Input 590,26 history "TOC0,21,59026".</li> </ul>

If	And	Then
Taxpayer is a U.S. citizen, living overseas,	Verified via CC IRPTR the type of income or no income reported,	<ul style="list-style-type: none"> <li>• Whether there is or is not any income reported on CC IRPTR, then the taxpayer must be informed that U.S. citizens are taxed on their “worldwide” earned income.</li> <li>• Send taxpayer 2269C or any other appropriate letter. See Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad, .</li> <li>• Update AMS of actions taken.</li> <li>• If account on ACS, input history “TOI5,75,2269C”.</li> </ul>
Taxpayer is a U.S. citizen and they state they reported their income to the foreign country where they reside,	N/A	<ul style="list-style-type: none"> <li>• Taxpayer must be informed that U.S. citizens are taxed on their “worldwide” earned income.</li> <li>• Refer taxpayer to Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad, .</li> <li>• Send taxpayer 2269C or any other appropriate letter.</li> <li>• Update AMS of actions taken.</li> <li>• If account on ACS, input history “TOI5,75,2269C”.</li> </ul>

5.19.19.4.2.1  
(03-17-2023)  
**U.S. Nonresident Alien Income Tax Return**

- (1) Form 1040NR is filed by nonresident aliens who have U.S. source income. The Master File Tax (MFT) code is 30, and the document locator number (DLN) will start with 20, and contains document code 72 or 73. Form 1040NR, U.S. Nonresident Alien Income Tax Return, is used by all nonresident alien individuals whether or not engaged in trade or business within the United States; it is required for filing nonresident alien fiduciary (estates and trusts) returns.

**Note:** The form can be viewed on CC TRDBV/RTVUE.

5.19.19.4.3  
(09-03-2014)  
**U.S. Territories’ Tax Systems**

- (1) U.S. territories operate their own independent tax systems, which are partly based on the same tax laws as the U.S., but also incorporate tax laws particular to the territory. Below are the five U.S. territories:
- American Samoa
  - The Commonwealth of the Northern Mariana Islands

- Guam
- Puerto Rico
- U.S. Virgin Islands

(2) Individuals born in the U.S. territories are U.S. citizens, except in the case of American Samoa, where such individuals are U.S. Nationals who are treated as U.S. citizens for tax purposes.

5.19.19.4.3.1  
(03-17-2023)

**U.S. Territorial  
Categories of Taxpayers**

(1) Special filing requirements apply to taxpayers who reside in and/or earn income in any U.S. territory.

(2) The types of tax return(s) and other tax forms a territorial resident must file depends upon several factors:

- Whether or not the taxpayer is a bona fide resident of the territory for the entire year.
- Whether the taxpayer is a U.S. citizen (or national), resident alien, or nonresident alien.
- The income source (effectively or non-effectively connected) to the territory or the U.S.
- Individual tax laws of the territory.

(3) If the taxpayer has income from a territory, the taxpayer may either have to file a U.S. tax return or territorial tax return or both.

**Note:** The American Jobs Creation Act of 2004 (AJCA) clarified and supplemented the U.S. tax rules dealing with U.S. territories for determining if a person is a bona fide resident of a territory and whether income is territory sourced or effectively connected with conduct of a territorial trade or business. Refer to IRC 937 and Pub 570, Tax Guide for Individuals With Income From U.S. Possessions, for additional information.

(4) In order to determine whether a taxpayer is a bona fide resident of a U.S. territory, the taxpayer must satisfy the following three tests:

- Presence Test
- Tax Home Test
- Closer Connection Test

(5) Territorial residents may not use Form 2555 to claim foreign earned income exclusion of territorial income.

(6) EITC may not be claimed on a U.S. income tax return by a taxpayer whose main home, and the home of the qualifying child, is in a territory.

(7) All employers in the territories pay their social security tax and Medicare tax to the U.S. government on Form 941-SS, Employer's QUARTERLY Federal Tax Return (American Samoa, Guam, the Commonwealth of Northern Mariana Islands, and the U.S. Virgin Islands), Form 941-PR, Employer's Quarterly Federal Tax Return (Puerto Rico Version), or Form 944, Employer's Annual Federal Tax Return. See Pub 80, Federal Tax Guide for Employers in US Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

5.19.19.4.3.2  
(03-17-2023)**American Samoa**

- (1) American Samoa has its own separate and independent tax system. American Samoa's income tax system is based partly on the same income tax laws and tax rates that apply to the United States.
- (2) If the taxpayer is a U.S. citizen or resident alien and a bona fide resident of American Samoa during the entire tax year, they generally must file the following returns:
  - a. An American Samoa tax return reporting their gross income from worldwide sources.
  - b. A U.S. income tax return reporting income from worldwide sources but excluding income sourced within American Samoa.
- (3) Amounts received for services performed as an employee of the U.S. or any of its agencies cannot be excluded and is deemed U.S.-source income.
- (4) To exclude American Samoa source income attach a completed Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa, to the U.S. tax return.
- (5) Taxpayers filing a U.S. income tax return and excluding American Samoa source income will not be allowed any deductions from gross income or credits against tax that directly or indirectly relate to excluded income.
- (6) If the taxpayer is a bona fide resident of American Samoa during the entire tax year, but a nonresident alien of the U.S., they must file the following returns:
  - a. An American Samoa tax return reporting worldwide income.
  - b. A U.S. tax return reporting income from worldwide sources, excluding American Samoa source income other than amounts for services performed as an employee of the U.S. or any of its agencies.

**Note:** To exclude income from sources within American Samoa, attach a completed Form 4563.

**Note:** Individuals in the other territories do not qualify for the exclusion under IRC 931. See Pub 570, Tax Guide for Individuals With Income From U.S. Possessions.
- (7) Special rules apply to certain types of income and employment connected with American Samoa:
  - U.S. armed forces – military personnel whose official state of legal residence is American Samoa are treated as bona fide residents of American Samoa, their military wages are treated as sourced in American Samoa, and that income is excluded from U.S. gross income by Section 931.
  - U.S. government employees – If the taxpayer is employed in American Samoa by either the U.S. government or any of its agencies, or by the government of American Samoa, they are subject to tax by American Samoa on their pay from either government.
  - Wages and salaries paid to U.S. government employees are subject to U.S. federal income tax, except see the preceding rule relating to members of the U.S. armed forces. These payments do not qualify for the exclusion of income from sources within American Samoa.

- If a taxpayer is a U.S. government employee and a bona fide resident of American Samoa, the taxpayer will report the wages from that employment on a return filed with both the United States and American Samoa. On the taxpayer's U.S. income tax return, they will get a credit for taxes withheld and paid to the United States on those wages; on their American Samoa income tax return, they will get a foreign tax credit for the net income taxes paid to the United States on that income.
- (8) If the taxpayer is not required to file a U.S. tax return but has income that is effectively connected with a trade or business in American Samoa, they must file Form 1040-SS with the U.S.
- (9) Form 1040-SS, U.S. Self-Employment Tax Return, will be used to report their self-employment income to the U.S. and pay self-employment tax.
- (10) Procedures to settle cases of double taxation are provided in bilateral agreements between the U.S. and the territories. See Pub 570, Tax Guide for Individuals with Income from U.S. Possessions.
- (11) To determine whether certain pensions, annuities, etc. are taxed and at what rate, see IRM 21.5, Account Resolution.

5.19.19.4.3.3  
(03-17-2023)

**Commonwealth of the  
Northern Mariana  
Islands (CNMI)**

- (1) The CNMI has its own separate and independent tax system based partly on the same laws and tax rates that apply to the U.S. and partly on local taxes imposed by the CNMI government.
- (2) U.S. citizens who are bona fide residents of CNMI during the entire tax year must report their gross income from worldwide sources on their Northern Mariana Islands tax returns.
- (3) If the taxpayer is a U.S. citizen, resident alien or nonresident alien and a bona fide resident of CNMI during the entire tax year, they must file their tax return with CNMI.
  - The taxpayer must include income from worldwide sources.
  - In determining their total tax payments, they must include all income tax withheld by either CNMI or the U.S.
  - They must include any credit for an overpayment of income tax to either CNMI or the U.S.
  - They must pay any balance of tax due with their tax return.
- (4) If the taxpayer properly files their return with, and fully pays their income tax to CNMI, then they are not liable for filing an income tax return with, or for paying to the U.S. for the tax year.
- (5) If the taxpayer is a bona fide resident of CNMI for the entire year, they should send their CNMI income tax return to:

Department of Finance, Division of Revenue and Taxation, Commonwealth of the Northern Mariana Islands, P.O. Box 5234, CHRB, Saipan, MP 96950
- (6) If the taxpayer has income sources with CNMI and is a U.S. citizen or resident alien, but they are not a bona fide resident of CNMI during the entire tax year, they must file their income tax return with the U.S. The taxpayer will not be

liable for filing an income tax return with, or paying tax to CNMI for the tax year. The taxpayer must send his or her U.S. income tax return to:

Department of Treasury, Internal Revenue Service, Austin, TX 73301-0215

- (7) The taxpayer may also be required to attach Form 5074, Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands, to the income tax return filed with the United States, if the taxpayer has income sourced in the CNMI.
- (8) If the taxpayer has no U.S. filing requirement, but has income that is effectively connected with a trade or business in CNMI, they must file Form 1040-SS with the U.S. to report their self-employment income and, if necessary, pay self-employment tax.
- (9) If the taxpayer must pay estimated tax, they should make their payment to the jurisdiction where they would file their income tax return if their tax year were to end on the date when their estimated tax payment is first due.
- (10) The remaining quarterly payments of estimated tax are to be made where they made their first payment.

**Note:** Estimated tax payments to either jurisdiction will be treated as payment to the jurisdiction with which they file the tax return.

- (11) Joint payments of estimated tax are made to the jurisdiction where the spouse who has the greater estimated adjusted gross income would have to pay (if a separate payment were made).
- (12) If the taxpayer makes their first payment early, follow the rules above to determine where to send it. If they sent it to the wrong jurisdiction, all later payments must be made to the jurisdiction to which the first payment should have been sent.
- (13) Credit for income taxes withheld at the source (estimated tax payments and withholding credits) are to be taken into account in determining if the return results in a balance due or overpayment regardless of the jurisdiction in which they were received.

**Caution:** Do not allow credit when the employer's address is outside of the U.S., Guam, CNMI or American Samoa.

- (14) Once payments have been verified, credit the taxpayer's account for the substantiated amount using TC766.
- (15) Mutual agreement procedures exist to settle issues where there is inconsistent tax treatment between the IRS and the taxing authorities of CNMI. The tax coordination agreements contain provisions allowing the competent authorities of the U.S. and the relevant territory to resolve, by mutual agreement, inconsistent tax treatment by the two jurisdictions. See Pub 570, Tax Guide for Individuals with Income from U.S. Possessions.

5.19.19.4.3.4  
(03-17-2023)  
**Guam**

- (1) Guam has its own tax system based on the same tax laws and tax rates that apply in the U.S. Bona fide residents of Guam are subject to special U.S. tax rules. In general, all individuals with income from Guam will file only one return, either to Guam or the U.S.

- (2) If a taxpayer is a bona fide resident of Guam during the entire tax year, they file their income tax return with Guam. This applies to all bona fide residents who are citizens, resident aliens, or nonresident aliens of the U.S.
- (3) If a taxpayer properly files their return and fully pays their income tax to Guam, then they are not liable for filing an income tax return with, or paying tax to the U.S. on their income, other than self employment tax.
- (4) If a taxpayer has income from sources within Guam and is a U.S. citizen or resident alien, and not a bona fide resident of Guam during the entire tax year:
  - They must file their income tax return with the U.S.
  - They must include income from worldwide sources on their U.S. return.
  - They are not liable for filing an income tax return with, or paying tax to, Guam for the tax year.
- (5) If the taxpayer is a nonresident alien of the U.S., who does not qualify as a bona fide resident of Guam for the entire tax year, they must file the following returns:
  - A Guam tax return reporting only their income from sources within Guam.
  - A U.S. Form 1040NR reporting U.S. source income according to the rules for a nonresident alien.
  - The taxpayer may also be required to attach Form 5074, Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands, to the income tax return filed with the United States, if the taxpayer has income sourced in Guam.

5.19.19.4.3.5  
(03-17-2023)  
**Commonwealth of  
Puerto Rico**

- (1) Puerto Rico is a self-governing commonwealth in association with the United States. The major difference between Puerto Rico and the 50 states is that a bona fide resident of Puerto Rico is generally exempt from U.S. income tax on Puerto Rico source income.
- (2) Puerto Rico's tax system is patterned after the U.S. tax system with the exception of differences to their tax rates and laws. See IRM 21.8.1.6, Puerto Rico. For additional guidance refer to Publication 570, Tax Guide for Individuals With Income From U.S. Possessions.
- (3) U.S. citizens who are also bona fide residents of Puerto Rico for the entire tax year generally must include income from worldwide sources on their Puerto Rico return.
- (4) U.S. citizens who are also bona fide residents of Puerto Rico who receive wages paid by the U.S. government for working in Puerto Rico are subject to Puerto Rico tax and U.S. tax. These individuals are required to file both Puerto Rico and U.S. tax returns. However, since wages paid by the U.S. government for working in Puerto Rico are considered Puerto Rico sourced, these individuals will be able to claim a foreign tax credit on their U.S. tax return for income taxes paid to Puerto Rico.
- (5) Puerto Rican citizens and residents with income from a trade or business from sources within Puerto Rico who do not file Form 1040, must file Form 1040PR to report their self-employment (SE) income and pay self-employment tax, if applicable. Form 1040PR is filed to:

- Report self-employment earnings and pay SE taxes
  - Pay household employment taxes
  - Claim excess Social Security tax withheld
  - Pay any employee Social Security and Medicare tax on tips or group term life insurance
  - Claim the Additional Child Tax Credit (ACTC)
- (6) Taxpayers who need to pay household employment taxes need to file Form 1040, Schedule H, Household Employment Taxes, or Schedule H (PR), Household Employment Tax (Puerto Rican Version).
- (7) U.S. government employees in Puerto Rico are allowed to claim the Child Tax Credit (CTC) and the Additional Child Tax Credit on their U.S. income tax return.
- (8) Non U.S. government employees are able to claim the Additional Child Tax Credit only.
- (9) IRC 933 allows individuals who are bona fide residents of Puerto Rico for an entire tax year to exclude their Puerto Rico sourced income (except wages paid by the U.S. government for working in Puerto Rico) from their U.S. tax return.
- (10) IRC 933 allows the same exclusion to those individuals who have been bona fide residents of Puerto Rico for at least two years and later change their residence from Puerto Rico during a tax year.
- (11) Under IRC 933 , income received from Puerto Rico sources during residency in Puerto Rico is exempt from U.S. tax. However, income received for services performed in Puerto Rico as an employee of the U.S. government is not exempt from U.S. tax.
- (12) Individuals who are bona fide residents of Puerto Rico for an entire tax year and only have Puerto Rico sourced income are not required to file a tax return in the U.S.
- (13) Individuals who are bona fide residents of Puerto Rico during the entire tax year, but a nonresident alien of the U.S. must file the following returns:
- Puerto Rico tax return reporting worldwide sources. If the individual has U.S. sourced income on the Puerto Rico tax return they can claim credit against the Puerto Rico tax, up to the allowable amount for taxes paid.
  - A U.S. tax return reporting income from worldwide sources, but excluding Puerto Rico source income other than amounts for services performed as an employee of the U.S. or any of its agencies.
- (14) There is no amended return for a Form 1040PR return. If the taxpayer needs to amend Form 1040PR, they can do so by sending in a corrected Form 1040PR with a notation across the top "CORRECTION".
- (15) Non U.S. government employees are able to claim ACTC only. The ACTC is a refundable credit, claimed on Form 8812, Additional Child Tax Credit .
- (16) The CTC is a credit against tax and claimed on Form 1040.
- (17) EITC may not be claimed by a taxpayer whose main home, and the home of the qualifying child, is in a territory.

- (18) Territorial residents may **not** use Form 2555 to claim a foreign income exclusion of territorial income.
- (19) For BMF international taxpayers: Employers in the territories pay their Social Security tax and Medicare tax to the U.S. government using Form 941PR or Form 944 PR. See IRM 21.8.1.6.4, Self-Employment Tax - Puerto Rico.

5.19.19.4.3.6  
(03-17-2023)  
**U.S. Virgin Islands  
(USVI)**

- (1) The U.S. Virgin Islands (USVI) has its own separate and independent tax system based partly on the same laws and tax rates that apply to the United States and partly on local taxes imposed by the USVI government.
- (2) IRC 932(c) allows a U.S. citizen who has been a bona fide resident of the Virgin Islands for the entire year to file an annual tax return and pay the entire tax liability to the Virgin Islands.
- (3) Taxpayers who are U.S. citizens/residents but not bona fide residents of the USVI during the entire year, and have income from sources in the Virgin Islands or income effectively connected with the conduct of a trade of business in the Virgin Islands are required to file identical returns in both the U.S. and the Virgin Islands. Taxpayers must complete Form 8689 to determine the amount of tax payable to the Virgin Islands when it is determined they need to file both returns.
- (4) Self-employed individuals are subject to federal SE tax, whether they file Form 1040 with the IRS or not. If the taxpayer is not required to file U.S. Form 1040 with the IRS, they must still file Form 1040-SS with the IRS to report and pay tax on self-employment income earned worldwide. The Form 1040-SS is a combination of Form 1040 Schedules C, F, SE, and Form 8812. Citizens and residents of the U.S. Virgin Islands do not pay income tax to the U.S. on earned income while they are in the U.S.
- (5) In addition, USVI taxpayers are not entitled to the Additional Child Tax Credit (ACTC).
- (6) Individual taxpayers may claim estimated tax payments or credit elect on the return they are required to file, regardless of the jurisdiction (U.S. or Virgin Islands) in which the return was filed. See IRM 5.19.19.3.3.6.3, U.S. Virgin Island Cover Over, for additional information on “cover over”.

5.19.19.4.3.6.1  
(09-03-2014)  
**U.S. Virgin Islands Bona  
Fide Residents With  
Self-Employment Income**

- (1) Generally, under IRC 1401 and IRC 1402, U.S. citizens and resident aliens who are bona fide residents of the USVI must pay self-employment tax on their net earnings from self-employment of \$400 or more, regardless of where the income is earned.
- (2) Bona fide residents of the USVI who do not file a U.S. Form 1040 must file Form 1040-SS, U.S. Self Employment Tax Return, with the United States to report their self-employment income to the IRS. Form 1040-SS resembles a combination of Form 1040 Schedules C, F, SE and Form 8812. It also has the provision in Part I, line 4 to enter the total tax from Schedule H. Form 1040-SS is now used for more than just reporting self-employment income and paying SE tax.

- (3) Bona fide residents of the USVI do not generally pay income tax to the U.S. on income earned while in USVI. Their income tax return is filed with the government of the U.S. Virgin Islands, while their SE tax must be reported to the IRS.

5.19.19.4.3.6.2  
(03-17-2023)

**Taxpayers Who Are Not  
Bona Fide Residents of  
the USVI**

- (1) U.S. citizens/residents who derive income from USVI sources or effectively connected with a USVI trade or business and are not USVI bona fide residents must file identical income tax returns with the IRS and USVI and apportion the income tax due to each on Form 8689.
- (2) The original tax return is filed with the U.S. and a copy of the U.S. return, including all attachments, forms and schedules, is filed with USVI Bureau of Internal Revenue by the due date for filing Form 1040.
- (3) If there is a joint return and one spouse is a bona fide resident of USVI and the other spouse is not, the taxpayers should file the return in the jurisdiction of the spouse who had the highest adjusted gross income for the tax year.
- (4) The British Virgin Islands fall within the jurisdiction of the United Kingdom and are in no way connected with the U.S. or its political subdivision or territories. Any returns or inquiries received with addresses from these islands should be handled as an international case.
- (5) Taxpayers must submit Form 8689, Allocation of Individual Income Tax to the U.S. Virgin Islands. Using the form prevents the allocation amount from being more than the amount of payments/credits paid to USVI. The credit for taxes paid to USVI is nonrefundable.

5.19.19.4.3.6.3  
(03-17-2023)

**U.S. Virgin Islands  
Cover Over**

- (1) Under IRC 932 (c)(2), a bona fide resident of the U.S. Virgin Islands is generally required to report worldwide income to the U.S. Virgin Islands. A bona fide resident of USVI who reports and pays tax on his worldwide income to the U.S. Virgin Islands is generally not required to file a return with the IRS.
- (2) A bona fide resident of the U.S. Virgin Islands who has income tax withheld by the U.S. can file a USVI tax return and can claim credit on that return for the tax withheld and paid to the IRS. The amount of U.S. withholding that the U.S. Virgin Islands has allowed their taxpayers to use as a credit can be paid over to USVI through the “cover over” process. For additional information regarding “cover over”, see IRM 21.8.1.7.4, U.S. Virgin Islands Cover Over Processing - Phase One, and following subsections.

**Note:** The transfer of credits to satisfy the U.S. Virgin Islands tax liability is permissible even when the U.S. refund statute has expired. A “cover over” of U.S. withholding is not a refund.

- (3) Taxpayers who are **not** bona fide residents of the USVI are allowed on their U.S. income tax return a credit elect or estimated tax credit for taxes withheld by U.S. Virgin Islands. The procedure relating to the government-to-government cover over of those taxes is contained in IRM 21.8.1.7.4, U.S. Virgin Islands Cover Over Processing - Phase One.
- (4) Taxpayers who are bona fide residents of the USVI are allowed on their USVI income tax return a credit elect or estimated tax credit for taxes withheld by

the United States. The procedure relating to the government-to-government cover of those taxes is contained in IRM 21.8.1.7.4, U.S. Virgin Islands Cover Over Processing - Phase One.

5.19.19.4.3.7  
(03-17-2023)  
**Tax Treaties**

- (1) The U.S. Congress has ratified many income tax treaties with foreign countries. These treaties may reduce or exempt U.S. source income from taxation for the nonresident alien who is a citizen of the treaty country. Most income tax treaties provide at least a partial exemption from tax for compensation for personal services, both independent and dependent, performed in the U.S. by a qualifying individual. Refer to Publication 901, U.S. Tax Treaties.
- (2) The primary purposes of the tax treaties between the U.S. and another country is to avoid international double taxation and prevent tax avoidance and evasion.
- (3) Treaties define:
  - The type of income covered
  - Who has the primary right to tax
  - Under what circumstances taxation can occur
- (4) Refer to <https://www.irs.gov/Businesses/International-Businesses/United-States-Income-Tax-Treaties---A-to-Z> for additional information and links to tax treaties between the U.S. and particular countries.

5.19.19.4.3.8  
(03-17-2023)  
**Foreign Earned Income Exclusion**

- (1) All U.S. citizens and resident aliens living in foreign countries are subject to the same U.S. tax laws as persons living in the U.S. These taxpayers may elect to exclude some or all of their income earned in the foreign country if they meet the qualifications. Listed below are five important facts:
  - a. The Foreign Earned Income Exclusion: Citizens and resident aliens who live and work abroad may be able to exclude all or part of their foreign salary or wages from their income when filing their U.S. federal tax return. They may also qualify to exclude certain foreign housing costs.
  - b. General Rules: To qualify for the foreign earned income exclusion, a U.S. citizen or resident alien must have a tax home in a foreign country and income received for working in a foreign country, otherwise known as foreign earned income. The taxpayer must also meet one of two tests: the bona fide residence test or the physical presence test.
  - c. The Exclusion Amount: The foreign earned income exclusion is adjusted annually for inflation. Refer to Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad, for the maximum exclusion per qualifying person.
  - d. Claiming the Exclusion: The foreign earned income exclusion and the foreign housing exclusion or deductions are claimed using Form 2555, Foreign Earned Income, which should be attached to the taxpayer's Form 1040.
  - e. Taking Other Credits or Deductions: Once the foreign earned income exclusion is chosen, a foreign tax credit or deduction for taxes cannot be claimed on the excluded income. If a foreign tax credit or tax deduction is taken on any of the excluded income, the foreign earned income exclusion will be considered revoked.

In the case of a joint return, each qualifying spouse may elect to exclude some or all of their foreign earned income. Each spouse must file a separate Form 2555

- (2) Refer to the instructions of Form 2555 for the amount of foreign income that may be excluded for the given tax year.
- (3) Taxpayers who paid or accrued foreign taxes to a foreign country on foreign source income, and are subject to U.S. tax on the same income may be able to take either a credit or an itemized deduction for those taxes. If taken as a deduction, foreign income taxes reduce U.S. taxable income; if taken as a credit, foreign income taxes reduces the tax liability.
- (4) In some instances nonresident aliens may also claim a credit for income tax paid to a foreign country on foreign source income that is effectively connected with a trade or business in the U.S., using Form 1116 and Form 1040NR.
- (5) U.S. citizens or resident aliens avoid double taxation by electing, under IRC 901(a), to claim the foreign tax credits using Form 1116.
- (6) IRC 164(A)(3) allows a U.S. citizen or resident alien who itemizes to claim a deduction on Schedule A for foreign income taxes paid or accrued instead of taking the foreign tax credit.
- (7) Taxpayers excluding income from sources within certain territories of the U.S. may not take the foreign tax credit on Form 1116. If a taxpayer is a bona fide resident of American Samoa and excludes income from sources in American Samoa, Guam or CNMI, he/she cannot take a credit for the taxes paid or accrued on the excluded income. Refer to Publication 514, Foreign Tax Credit for Individuals.

5.19.19.4.3.9  
(09-03-2014)

#### Self-Employment Tax

- (1) Generally, under IRC 1401 and IRC 1402, U.S. citizens and resident aliens, including those living abroad, must pay self-employment tax on their net earnings from self-employment of \$400 or more. Residents of the territories who are not U.S. citizens are also subject to self-employment tax.
- (2) The U.S. has social security agreements (“Totalization Agreements”) with many countries to eliminate taxes due under two social security systems. Under IRC 1401(c) self-employment income is exempt from self-employment tax by operation of a Totalization Agreement if such self-employment income is subject to the social security system of a foreign country. Under a Totalization Agreement, a worker generally pays social security and Medicare taxes only to the country in which he or she is working.
  - To be exempt from self-employment tax, a self-employed taxpayer working in a country with which the U.S. has a Totalization Agreement must attach a “Certificate of Coverage” to their U.S. income tax return verifying that his or her income is subject to social security and Medicare coverage in a foreign county. A Certificate of Coverage shows that the U.S. has a Totalization Agreement in effect with the specific country where the taxpayer is working. If a taxpayer is unable to get such a statement from the foreign country, the taxpayer may submit a statement issued by the U.S. Social Security Administration stating that the taxpayer’s wages are not covered by the U.S. Social Security system.

- When a U.S. employer sends a U.S. citizen or resident employee to work in a foreign country for less than five years, the employee typically remains covered by the U.S. Social Security system.

- (3) U.S. citizens and residents of Puerto Rico working in the U.S. or in a U.S. territory as employees of a foreign government, an instrumentality wholly owned by a foreign government, or an international organization, are also subject to self-employment tax on their compensation. However, if the taxpayer also worked outside of the U.S. and the territories as an employee of a foreign government, an instrumentality of such government, or an international organization, only the portion of the income earned in the U.S. (or in the territories) is subject to self-employment tax.
- (4) Ministers and members of religious orders who have not taken a vow of poverty are also subject to self-employment tax on the income they earn for ministerial services, unless the Service grants an exemption or the taxpayer is subject to the social security laws of a foreign country under a Totalization Agreement.

5.19.19.4.3.9.1  
(03-17-2023)  
**IMF International  
Individual Tax Returns**

- (1) An international return is one consisting of Forms 1040 with one or more of the following forms attached:

- Form 1116, Foreign Tax Credit, (individual, estate or trust), and/or non-resident alien individual, nonresident alien trust, nonresident alien estate.

**Note:** Reassign all claims for the foreign tax credit to IMF International. Send through the Correspondence Imaging System (CIS) via IMF International, or mail to:  
2970 Market Street  
1 D08.113  
Philadelphia, PA 19104

- Form 2555, Foreign Earned Income
- Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa
- Form 5074, Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands (CNMI)
- Form 8288-A, Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests
- Form 8689-A, Allocation of Individual Income Tax to the Virgin Islands
- Form 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax
- Form 8833, Treaty-Based Return Position Disclosure Under Section 114 or 7701(b)
- Form 8840, Closer Connection Exception Statement for Aliens
- Form 8843, Statement for Exempt Individuals and Individuals with a Medical Condition

- (2) Form 1040 with a foreign address
- (3) Form 1040C, U.S. Departing Alien Income Tax Return
- (4) Form 1040NR, U.S. Nonresident Alien Income Tax Return

- (5) Form 1040PR, U.S. Self Employment Tax Return – Puerto Rico
- (6) Form 1040SS, U.S. Self Employment Tax Return
- 5.19.19.4.4  
(03-17-2023)  
**BMF/NMF International  
Tax Returns**
- (1) Employers in the U.S. territories are required to withhold Social Security and Medicare taxes from their wage earning employees.
- (2) Employers in the U.S. territories are also required to make Federal Tax Deposits (FTD); refer to Document 6209, Section 10 for the FTD requirements.
- (3) See the list below for international BMF returns:
- Corporate income tax returns filed on Form 1120, Form 1120-C with Form 1118, Foreign Tax Credit - Corporations, Form 1120-F, Form 1120-FSC, and Form 8279 (FSC election)
  - Employment tax returns filed on Forms Form 940 - PR, Forms 941PR / SS, Forms 944 PR / SS, and Form 943 PR
  - Foreign withholding tax returns filed on Form 1042, Form 8804, and Form 8288
  - Foreign estate tax returns filed on Foreign and Possession Form 706 and Form 706-NA
  - Foreign trust and estate tax returns filed on Form 1040NR (Fiduciary), Form 3520, and Form 3520-A
  - Foreign exempt organization tax returns filed on Foreign and Possession Form 990, Form 990-PF and Form 990-T with Form 1118, Form 5712 and 5712-A, Form 5735 and Schedule P
  - Foreign information statements filed on Form 8805 and Form 8813
- 5.19.19.4.4.1  
(03-17-2023)  
**Form 1042 and Form  
W-8 Series Withholding**
- (1) To identify the types of income subject to withholding at the source, who is responsible for withholding the tax and at the correct tax rate, refer to the following:
- Pub 515, Withholding of Taxes on Nonresident Aliens and Foreign Entities
  - Pub 901, U.S. Tax Treaties
- 5.19.19.4.4.2  
(03-17-2023)  
**Other BMF Returns**
- (1) Corporate Tax Returns - every foreign corporation must file Form 1120-F, U.S. Income Tax Return of a Foreign Corporation, or Form 1120-FSC, U.S. Income Tax Return of a Foreign Sales Corporation, if the corporation:
- Engaged in a trade or business in the U.S. at any time during the taxable year.
  - Had income from U.S. sources that is not effectively connected with the conduct of a trade or business within the U.S.
  - Had income that is effectively connected with the conduct of a trade or business within the U.S.
  - Overpaid U.S. income tax and is requesting a refund.
- (2) Form 1065, U.S. Return of Partnership Income, is information only. There is no tax reported on this form. Income, losses, expenses, and operation of a partnership are reported on this form.

- (3) Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, is filed by a U.S. person on trust activities and operations to report certain activities, operations or transactions with foreign trusts such as:
- The creation of a foreign trust by the U.S. person.
  - A transfer of any money or property to a foreign trust by a U.S. person.
  - Reporting the death of a U.S. person if they were treated as an owner of a foreign trust, and reporting any portion of a foreign trust that was included in the decedent's estate.
  - A distribution from a foreign trust received by the U.S. person.
  - The transfer of property by a U.S. person, directly or indirectly, to a foreign trust whether or not the trust has one or more U.S. beneficiaries.

5.19.19.5  
(03-17-2023)  
**Case Processing**

- (1) This section provides information on processing ACS cases.
- (2) The Service is only able to collect from taxpayers residing in foreign countries to the extent provided for in tax treaties. See IRM 5.19.19.4.2, Other International Programs/Sources Available, which contains information on Mutual Collection Assistance Requests (MCAR).
- (3) Do complete research and work case to completion addressing and closing all issues at the same time. If contacting the taxpayer by telephone or in writing, wait the allotted time you have given the taxpayer to respond before taking the next appropriate follow-up or closing action.
- (4) Completing locator research on international cases requires you to be more creative in order to locate the taxpayer and/or their assets. You are still required to conduct all required research, such as CC IRPTR, RTVUE, TRDBV and AMDIS, but you should not limit your research to CFOL and Accurint. All research must be completed simultaneously when completing research, to avoid delay of possible contact. Each case is different and the required research is based on the specific issues of the case.
- (5) All information collected by the IRS with regard to collecting a tax liability is protected by IRC 6103 ; and disclosure must meet IRC 6103 standards.
- (6) Ensure any disclosure you make of taxpayer return information conforms to IRC 6103(k)(6) (e.g., name, address and Taxpayer Identification Number to a credit reporting agency to obtain a full credit report).
- (7) Analyze each such disclosure on a case by case basis to ensure the disclosure is necessary to obtain the desired information (e.g., a report from the National Asset Locator Tool or a credit report), as follows:
- Is the specific return information disclosed limited to the minimum information necessary to obtain the report?
  - Is the return information from our balance due or lien files?
  - Is the information in the desired report not otherwise reasonably available from other sources?
- (8) Before initiating any third party contact, ensure that the taxpayer and authorized representative have been notified in writing within the last year and more

than 46 days earlier (unless verbal authorization has been obtained and documented). See IRM 5.19.5.13, Notification of Third Party Contact.

5.19.19.5.1  
(03-17-2023)

**Locator Sources**

- (1) This section will be beneficial to the campus collection employees when attempting to contact or locate the taxpayer and/or third parties, etc. This section will also provide the employees with locator services available to use when working international accounts.
- (2) This section describes the various sources available to campus collection employees to facilitate locating international taxpayers and their assets and also provides procedures to help protect taxpayer privacy when using these sources. As with a domestic account, you should always attempt resolution using internal sources available to you. Refer to IRM 5.19.5.8.1, I2 - Attempts to Locate Taxpayer - Overview.
- (3) If there are usable levy sources, issue an LT11 if the PRI FNL NOT field is blank, otherwise issue levy per IRM 5.19.5.8.2.1, I4 - Routine Processing and IRM 5.19.4.3.1, **Pre-levy Requirements - E2 Processing**. In addition, if there is more than one levy source, issue LP61 and LP62 to all other sources. **Do not issue LP61 and LP62 to sources on which ACS cannot issue a levy.** You must perfect any invalid levy addresses prior to issuing the levy, unless the address is outside of the U.S.
- (4) If there are no usable levy sources, but an unused phone number, you must make the outgoing call, if the time zone warrants. If not, send case to Contact. If contact is made, follow IRM 5.19.1, Balance Due , for BalDues and IRM 5.19.2, Individual Master File (IMF) Return Delinquency, for DelRets.
- (5) In addition to the internal locator services, such as CFOL, IDRS, and the use of third party letters, there are external sources that can be used. Some of these sources may be required depending on specific case issues.
- (6) If attempting to locate an address or phone number for the taxpayer, search appropriate internet sites such as <http://www.411.com/> if the account has a domestic address, <https://411.ca/> if the account has a Canadian address or <http://publicrecords.searchsystems.net/> if the account has a foreign address.
- (7) Use of asset and locator services research (Accurint) is required to verify real property ownership for IA or CNC (unable to locate (UTL), unable to contact (UTC) and hardship) closures.
  - a. This research tool is also required to locate taxpayers and conduct neighbor checks on CNC UTL/UTC closures.
  - b. Check and verify real property ownership on these cases for possible transfer to the field (TFRO).
  - c. At a minimum, use the available service for efficient asset and locator services searches.
  - d. Perform all searches by social security number (SSN), when available. For best results; a unique name search can be utilized if no data is found via an SSN search.
  - e. After you conduct appropriate research and taxpayer ownership remains unclear, perform a property search by address; note other possible addresses, potential for property owned in other states, etc. in the case analysis. Perform property deed and property assessment searches.
  - f. When researching use File Reference **Int'l**.

- (8) One of the most powerful tools for gathering information about an individual or business is the internet. The information found on the internet can assist IRS employees in locating taxpayers and their assets. The decision regarding whether or not you should use the internet to locate taxpayers and their assets must be based on the particular aspects of the case, just as you would make any other decision to use any other collection tool. You can use the internet/intranet to help you locate the taxpayer or their assets.

5.19.19.5.2  
(03-17-2023)  
**Other International  
Programs/Sources  
Available**

- (1) Mutual Collection Assistance Requests (MCAR) - The U.S. has entered into a number of bilateral tax treaties that contain broad provisions for assistance in collection. We currently have six mutual collection income tax treaty partners:
- Canada
  - Denmark
  - France
  - Japan
  - The Netherlands
  - Sweden

**Note:** The MCAR program is worked by field revenue officers in international groups, however, there may be times when a call may be received inquiring about the program. If a call is received contact the MCAR Coordinator immediately. The MCAR Coordinator can be found at the following website <https://portal.ds.irsnet.gov/sites/vl110/lists/mcar/landingview.aspx>.

- (2) Campus Collection does not have the authority to initiate an outgoing MCAR, however, both international and domestic revenue officers who are trying to reach income or assets located in MCAR treaty partner countries can generate outgoing MCAR requests.
- (3) Transfers should be made on a case by case basis taking into consideration case specifics such as; type of taxes owed, type of business, and size of liability.
- (4) Central Withholding Agreements - The Central Withholding Agreement (CWA) program is a pre-filing program for nonresident alien athletes and entertainers performing independent personal services in the U.S. who wish to enter into a withholding agreement. The purpose of the program is to foster compliance and give the nonresident alien athletes and entertainers the opportunity to more accurately project their anticipated tax liability by entering into a CWA.
- (5) The Treasury Enforcement Communications System (TECS) is a database maintained by the Department of Homeland Security that is used extensively by the law enforcement community. It contains information about individuals and businesses suspected of, or involved in, violations of federal law. TECS can provide useful information about taxpayers so employees can attempt taxpayer contact or locate asset information.
- (6) Revenue officers can request that taxpayers with delinquent balances be entered into TECS, and the Service will then receive information when those taxpayers travel into the U.S. for business, employment, or personal reasons. Employees must help maintain the TECS database by requesting that appropriate taxpayers be entered into TECS or be deleted from TECS.

**Note:** It is important for each employee to understand the benefits the Service derives from TECS because such understanding should ensure that each employee will do his/her part in maintaining TECS.

- (7) The taxpayers in TECS are primarily international taxpayers because the cases usually concern persons who reside abroad. However, domestic taxpayers may also be entered into TECS.
- (8) Again, as with the above mentioned programs, before sending an account to the queue consider specifics of the case, or seek guidance from the international TECS Coordinator as to whether the account should be placed on TECS. For additional information on TECS, access the TECS page of the Knowledge Management website at <https://portal.ds.irsnet.gov/sites/vl110/lists/travelrecordtools/tecs.aspx> and IRM 5.1.18.13, TECS.

5.19.19.5.3  
 (03-17-2023)  
**International Account  
 Time Frames**

- (1) Consideration must be given to taxpayers who live abroad. This section provides guidance on time frames for international taxpayers.
- (2) Based on their location, additional time must be allowed for mailing and processing payments, returns and correspondence.

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- (4) Allow 60 day for all LT/OL or LP letters issued to the taxpayer(s) or third parties, **if the account has an international address.**

**Note:** If the taxpayer files an original Form 1040-PR, letters are automatically issued in Spanish. In other situations such as ASFR or returns prepared under IRC 6020(b), it is necessary to check the box in the letter field for a Spanish letter to be issued when the taxpayer resides in Puerto Rico.

- (5) An additional 10 days beyond the deadline must be given for all callbacks.
- (6) Based on the location of the taxpayer, allow up to 25 days for mailing and processing.
- (7) If the taxpayer promises to mail documents, provide twelve days beyond the established deadline if the taxpayer is now residing within the U.S.; if they reside abroad (foreign address), provide 45 days beyond the deadline.
- (8) If a scheduled follow up date expires, correspondence or a telephone call is received, review the case at each event and take all appropriate actions to ensure the case is processed in a timely manner.

5.19.19.5.4  
(03-17-2023)  
**Levy Action on  
International Accounts**

- (1) This section contains information on issuing Notices of Levy on international accounts for ACS.
- (2) IRC 6331 authorizes levies to collect delinquent tax. Unless specifically exempt, any taxpayer property or rights to property can be levied. However, the IRS may generally only levy when the following requirements are met:
  - The IRS assessed the tax and sent the taxpayer a notice and demand for payment.
  - The taxpayer has neglected or refused to pay the tax within 10 days after notice and demand.
  - The IRS sent the taxpayer a Final Notice of Intent to Levy and Notice of Your Right to a Hearing at least 30 days before the levy.
  - Before initiating any third party contact, ensure that the taxpayer and authorized representative have been notified in writing within the last year and more than 46 days earlier (unless verbal authorization has been obtained and documented). See IRM 5.19.5.13, Notification of Third Party Contact.
  - No Collection Due Process (CDP) request is filed in response to the Final Notice of Intent to Levy and Notice of Your Right to a Hearing, or
  - A CDP hearing is conducted sustaining the proposed levy.
- (3) See IRM 5.19.4.2, Levy Enforcement Action and Filing of Notices of Federal Tax Lien Overview, for an explanation of levies and liens.
- (4) See IRM 5.19.4.3.1, Pre-Levy Requirements - E2 Processing, for requirements to consider before issuing a levy.
- (5) **Do not issue levies** to foreign governments, United Nations employees, or companies/banks with addresses outside the U.S. **It does not matter where the taxpayer resides, but where the levy source is located.** Also, never send levies to another country's embassies, consulates, or missions, even if they are within U.S. borders.

**Note:** There are instances where funds held offshore can be reached by a levy if the bank has a branch in the U.S. or a territory of the United States. Refer to *Levy on a Domestic Branch of a Financial Institution*, .

**Example:** The taxpayer has an account at ABC Bank & Trust located in Japan. ABC Bank & Trust is a U.S. based financial institution; a levy can be issued to the bank.

- (6) In addition to (2) above, see IRM 5.19.4.3.7, Choosing a Levy Source.
- (7) Ensure there is a levy source available for ACS to send; see IRM 5.19.4.3.7. If there is no levy source available, do not issue LT11.
- (8) Check Information Returns Program (IRP) for a possible viable levy source. Determine if the taxpayer is employed or has an open account. If a levy source is found that is viable then issue the levy. Document AMS of actions taken and results.
- (9) If the taxpayer is in the military and there is no Combat Zone freeze on the account, then issue a levy. Make sure the levy is sent to the correct address based on the taxpayer's status and branch of service.

- (10) See IRM 5.19.4.3.4, Levy Determination - (E3/E4 Processing) .
- (11) You must verify all levy source information and confirm each levy source on ACS when the confirmed indicator is N or when the confirmed indicator is Y and the confirmed cycle field "CONF CYC" has not been updated in the last 13 cycles. Delete levy sources that are no longer valid or are duplicates. (See IRM 5.19.4.4.8(1) and (2), Next Action After Levy Response, for procedures and levy deletion codes.)
- (12) Once you have determined enforcement action is appropriate, see IRM 5.19.4.3.12, Issuing Levies.

5.19.19.5.5  
(03-17-2023)  
**NFTL Filing on  
International Accounts**

- (1) This section provides guidance when filing notices of federal tax lien on international or U.S. territorial accounts.
- (2) The statutory federal tax lien arises when the tax is assessed, the taxpayer is given notice and demand for payment, and the taxpayer has neglected or refused to pay the tax.
- (3) The purpose of filing the Notice of Federal tax Lien (NFTL) is to protect the government's right of priority against certain third parties, typically a purchaser, holder of a security interest, mechanic's lien holder or judgment lien creditor.
- (4) If the NFTL will not be filed, document the reason for not filing on AMS, such as:
  - Procedural reasons, i.e. no pre-filing (CP504 or LT11) notice has been issued or taxpayer filed bankruptcy.
  - Transferring the account to the field due to an associated case.

**Note:** If no pre-filing notice was sent, issue the ACS Letter 39. If on the phone with the taxpayer/power of attorney, inform them the letter will be issued and the NFTL will be filed 60 days after the issuance of letter. Refer to IRM 5.19.4.5, Notice of Federal Tax Lien Determinations and Filing Criteria, and IRM 5.19.4.6, Procedures for Filing NFTL, for guidance.
- (5) See IRM 5.19.4.5.3.2, **Filing Criteria**, to determine when to file a NFTL.
- (6) A NFTL cannot be filed outside the U.S. or U.S. territories. On international cases the NFTL must be filed at :

LOCATION	REAL PROPERTY	PERSONAL PROPERTY
District of Columbia	Office of the Recorder of Deeds of District of Columbia	Office of the Recorder of Deeds of the District of Columbia

- (7) If the taxpayer owns property within the U.S. or U.S. territories and the location is known, then a second NFTL can be filed in that location.

5.19.19.6  
(03-17-2023)

**Recalculation of the  
Collection Statute  
Expiration Date (CSED)**

- (1) IRC 6503(c) suspends the statutory period for an assessed tax for taxpayers residing outside of the U.S. and territories. It provides a **suspension** of the collection of an assessment during the period the taxpayer is outside of the U.S. for a continuous period of at least six months. The taxpayer will be deemed to be absent from the United States for purposes of this section if he is generally and substantially absent from the United States, even though he makes casual temporary visits during the period. See Treas. Reg § 301.6503(c)-1(b).
- (2) If a situation arises and there is a need to extend the CSED, complete Form 8620, Statute Recalculation: IRC 6503(c), and forward to the Collection Case Processing Unit.
- (3) Since IRC 6503(b) automatically suspends the statute, taxpayer signature is not needed on Form 8620.
- (4) Complete Form 8620 to correct the CSED within the guidelines set under IRM 5.1.19.3.7, Taxpayer Living Outside the U.S., when working international accounts (not territorial ones), and the CSED is about to expire.

5.19.19.6.1  
(09-03-2014)

**IRS Individual Taxpayer  
Identification Number  
(ITIN)**

- (1) For taxpayers who do not qualify for a SSN, but need to file a tax return, IRC 6109 allows for the creation of Individual Taxpayer Identification Numbers (ITIN). This section provides guidelines on how the ITIN is used and how to apply for an ITIN.
- (2) ITINs are used for tax purposes only, and are not intended to serve any other purpose.
- (3) ITINs are issued to help individuals comply with the U.S. tax laws and to provide a means to process accounts, tax returns and payments for those that are not eligible for an SSN.
- (4) Issuance of an ITIN does not entitle the recipient to social security benefits, and it does not change their immigration status or their right to work in the U.S.
- (5) The ITIN is not valid for identification purposes outside the U.S. tax system.
- (6) To obtain an ITIN, an individual must complete Form W-7, Application for IRS Individual Taxpayer Identification Number .

**Note:** All ITIN applications must have an original valid U.S. federal income tax return attached including any supporting documentation.

