

## Section 3 - Tax Return Information

### 1 Nature of Changes

| Description                               | Page No. |
|---|----------|
| New Computer Condition Codes beginning on | 3-3      |
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### 2 Employee Disclosure Responsibilities

Employees may not access or disclose any tax return or information pertinent to a tax return related to their personal accounts, those of family, friends, or public figures.

IRM 11.3, Disclosure of Official Information Handbook, states in part:

Service employees may access returns and return information when there is a “need to know” the information for their tax administration duties. This is important in maintaining the confidentiality of information in the custody of the Service.

Before disclosing returns or return information to other Service personnel, employees should satisfy themselves that the recipient has an official need for the information. A supervisor should be consulted if there is doubt that disclosures are proper.

### 3 Master File Returns

Delinquent returns of the type and periods listed below are processed under regular ADP Master File procedures in all regions.

| Form     | First Valid Period Ending | Form        | First Valid Period Ending |
|----------|---------------------------|-------------|---------------------------|
| CT-1     | 03-31-1962                | 945         | 12-31-1994                |
| 11C      | 01-01-1961*               | 990         | 12-31-1970                |
| 706      | All ADP                   | 990C        | 12-31-1961                |
| 706GS(D) | All ADP                   | 990-EZ      | 12-31-1989                |
| 706GS(T) | All ADP                   | 990PF       | 01-31-1970                |
| 706NA    | All ADP                   | 990T        | 12-31-1961                |
| 709      | 12-31-1961                | 1040        | 12-31-1962                |
| 709A     | 12-31-1980                | 1040A       | 12-31-1972                |
| 720      | 03-31-1962                | 1040, Sc H  | 03-31-1995                |
| 730      | 01-01-1961*               | 1040EZ      | 12-31-1982                |
| 940      | 12-31-1961                | 1040NR      | 12-31-1962                |
| 940-EZ   | 12-31-1989                | 1040PR      | 12-31-1962                |
| 940PR    | 12-31-1961                | 1040PC      | 12-31-1992                |
| 941      | 03-31-1962                | 1040NR      | 12-31-1962                |
| 941E     | 03-31-1962                | 1040SS      | 12-31-1962                |
| 941PR    | 03-31-1962                | 1041        | 12-31-1961                |
| 941SS    | 03-31-1962                | 1041A       | 12-31-1970                |
| 942      | 03-31-1962- 12-31-1994    | 1041PF/5227 | 01-31-1970                |
| 943      | 12-31-1961                | 1041QFT     | 12-31-1998                |
| 943PR    | 12-31-1961                | 1042        | 12-31-1985                |
| 944      | 12-31-2006                | 1065        | 12-31-1961                |

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| Form        | First Valid Period Ending |  | Form    | First Valid Period Ending |
|-------------|---------------------------|--|---------|---------------------------|
| 944PR       | 12-31-2006                |  | 1066    | 12-31-1987                |
| 944-SS      | 12-31-2006                |  | 1120    | 12-31-1961                |
| 1120A       | 12-31-1984                |  | 5329    | 12-31-1975                |
| 1120C       | 12-31-2006                |  | 5330    | 12-31-1969                |
| 1120F       | 12-31-1961                |  | 5500    | 12-31-1975                |
| 1120FSC     | 01-31-1985                |  | 8038    | 01-31-1985                |
| 1120H       | 01-31-1974                |  | 8083-B  | 12-31-2008                |
| 1120IC-DISC | 12-31-1961                |  | 8038-CP | 01-01-2009                |
| 1120L       | 12-31-1961                |  | 8038-T  | 01-31-1985                |
| 1120M       | 12-31-1961                |  | 8038-TC | 12-31-2008                |
| 1120ND      | 12-31-1984                |  | 8038-G  | 01-31-1985                |
| 1120PC      | 01-31-1987                |  | 8038-GC | 01-31-1985                |
| 1120POL     | 12-31-1975                |  | 8288    | 12-31-2005**              |
| 1120REIT    | 01-31-1987                |  | 8328    | 01-31-1985                |
| 1120RIC     | 01-31-1987                |  | 8609    | 12-31-1996                |
| 1120S-K1    | 12-31-1961                |  | 8610    | 12-31-1996                |
| 1120S       | 12-31-1961                |  | 8693    | 12-31-1996                |
| 1120SF      | 08-31-1984                |  | 8703    | 12-31-2007                |
| 2290        | 01-01-1961*               |  | 8752    | 03-31-1991                |
| 3520        | 12-31-1996                |  | 8804    | 12-31-2004                |
| 3520-A      | 12-31-2000                |  | 8823    | 12-31-1996                |
| 4720        | 01-31-1970                |  | 8871    | 06-30-2000                |
| 4720-A      | 01-31-1970                |  | 8872    | 06-30-2000                |
| 5227        | 08-31-1969                |  |         |                           |

• Period Beginning

\*\* With a Date of Transfer of 12-31-2005 or later

Amended returns relative to the above periods and type, when received for periods prior to the original implementation date of the processing region, are manually processed in either the Area Office or Campus, depending on the date prescribed for transfer of manual processing operations to the Campus.

## 4 Processing Codes

These codes are applicable only to IMF returns and are entered by the examiners in the Returns Analysis Branch.

### A. Filing Status Codes (IMF)

| Code | Filing Status (1040,1040A,1040EZ)   |
|------|---|
| 0    | Single, filing declaration of estimated income tax  |
| 1    | Single taxpayer.  |
| 2    | Married taxpayer filing joint return.   |
| 3    | Married taxpayer filing a separate return and spouse is also filing a return (spouse exemption not claimed). Both must file using this status |
| 4    | Unmarried Head of household.  |
| 5    | Widow(er) with dependent child.   |
| 6    | Married filing separate return and spouse is not required to file a return (spouse exemption is claimed).                                     |
| 7    | Head of household (dependent exemption is not claimed).   |

| Code | Filing Status (1040ES)                                      |
|------|---|
| 0    | One name in name line.                                      |
| 7    | Married filing a joint declaration of estimated income tax. |

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**B. Exemption Codes (IMF)**

Only one exemption will be allowed for each primary and secondary taxpayer. Therefore up to six positions will be coded on the input return, starting from the position representing "Children at Home". Master File output will continue to reflect values 1-4 in positions 1 and 2.

| Coding Pos. | IMF Pos. | Range | Applicable to  |
|-------------|----------|-------|--|
| —           | 1        | 1–4   | Primary Taxpayer (Regular, age 65 and over, or blind).   |
| —           | 2        | 1–4   | Secondary Taxpayer (Regular, age 65 and over, or blind).   |
| 1           | 3        | 0–9   | Number of Exemptions for Children who live at home.  |
| 2           | 4        | 0–9   | Number of Exemptions for Children living at a different address due to divorce or separation.  |
| 3           | 5        | 0–9   | Number of Parents claimed as dependents.   |
| 4           | 7        | 0–9   | Number of Other Dependents.  |
| 5           | 6        | 0–9   | Taxpayer claims Earned Income Credit, and dependents living at home do not include sons or daughters (i.e. input position 1 equals 0). |
| 6           | 8        | 0–9   | Overflow for Exemptions for Children living at home exceeding 9  |

**C. Age/Blind Indicator**

(Form 1040, line 33a; Form 1040A, line 18a)

| Pos. | Range | Applicable To                  |
|------|-------|--------------------------------|
| 1    | 0–1   | Primary Taxpayer 65 or over.   |
| 2    | 0–1   | Primary Taxpayer blind.        |
| 3    | 0–1   | Secondary Taxpayer 65 or over. |
| 4    | 0–1   | Secondary Taxpayer blind.      |

**5 Computer Condition Codes**

These are assigned by tax examiners or are computer generated. Computer programs for the processing and posting of tax returns data are based upon the recognition of these codes within a designated field in the appropriate tape record formats. Abbreviations sometimes used are BMF "B" and EPMF "E".

The IMF condition codes require numeric input, but are posted with the alphabetic codes listed below.

CCC 1-Where Coded>Returns Analysis Branch/Employee Benefits Security Administration (EBSA)-File Using-E-Definition for returns processing- Fact of Filing Record. Only certain fields from Section 01 will be present (punched) for these records.

CCC C-Where Coded>Returns Analysis Branch-File Using-E-Definition for returns processing- Substitute return prepared by IRS or secured return secured by EP/EO or Collection.

CCC X-Where Coded>Returns Analysis Branch-File Using-E-Definition for returns processing- Form 5500-EZ has missing information.

Presence of condition codes initiates action as explained on the following pages:

| Code on Return | Where Coded             | File Using | Definition for Returns Processing   | Action Initiated  |
|----------------|-------------------------|------------|---|---|
| A              | Returns Analysis Branch | B          | (1) Indicates that a non-penalty Form 2220 was submitted with a Form 1120/990C/990T/990PF/8804. | (1) If pre-computed penalty amount differs from computer calculated penalty by more than tolerance amount CP 234 will be generated. |
|                |                         |            | (2) Reserved  | (2) Reserved  |

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| Code on Return | Where Coded                                      | File Using | Definition for Returns Processing  | Action Initiated   |
|----------------|--|------------|--|--|
|                |  |            | (3) Indicates Date Business Started was not provided on Forms 1065/1065B   | (3) Bypass check for DOB (Date of Business)                                    |
| A              | Employee Benefits Security Administration (EBSA) | E          | Used when a 1988 short year return is filed and processed on a 1987 form   |  |
|                |  |            | SSA Edit test(s) unresolved after correspondence.  |  |
| B              | Employee Benefits Security Administration (EBSA) | E          | Indicates Schedule B (Form 5500) missing.  | Bypasses check for Schedule B.   |
| B              | Returns Analysis Branch                          | B          | (1) Form 1041/1066/990C/990T. Taxpayer is electing out of the installment sales method (Form 6252) for sales made after October 19, 1980.  |  |
|                |  |            | (2) Form 941/944. Total Compensation field is significant but Social Security Wage/Medicare fields are insignificant.  |  |
|                |  |            | (3) Form 1120 series, returns prior to 2003 a CCC of B means that taxpayer was electing out of the installment sales method (Form 6252) for sales made after Oct, 29 1980. Also applies to Form 1065 series for 2006 and subsequent. |  |
|                |  |            | (4) Form 1120 series, returns prior to 2003 to present a CCC of B means that this is an LB&I Form 1120 with Schedule M-3 attached. Also applies to Form 1065 series for 2006 and subsequent.   |  |
| C              | Returns Analysis Branch                          | E          | Substitute return prepared by IRS or secured return secured by EP/EO or Collection.  |  |
| C              | Returns Analysis Branch                          | B          | <b>Effective January 1, 2011:</b> Used by Code and Edit to force the return to Error Resolution System (ERS) when a Form 8834, Form 8910 or Form 8936 includes an invalid vehicle year or an invalid service date.                   |  |
| C              | Returns Analysis Branch                          | B          | Indicates a sequestered Form 8038-CP or Form 990-T   |  |
| D              | Returns Analysis Branch                          | B          | Reasonable cause for waiver of Failure to Pay Penalty. IMF input: 30.  | Freezes computer generation of Failure to Pay Penalty on the unpaid liability. |
| D              | Employee Benefits Security Administration (EBSA) | E          | Damaged Document Received  |  |

| Code on Return | Where Coded  | File Using | Definition for Returns Processing  | Action Initiated  |
|----------------|--|------------|--|---|
| E              | Returns Analysis Branch  | B          | Identifies a taxpayer who has indicated on his/her return that excess deposits are to be applied to next return (Forms 940, 941, 943, 944, 945, 720 or 1042/CT-1), or has failed to indicate whether excess deposits should be applied to the next return. | In the cycle the return posts, applies excess deposits to the same class of tax for the subsequent period.  |
| E              | Employee Benefits Security Administration (EBSA)                         | E          | Entity test failure on return.   |   |
| F              | Returns Analysis Branch/Employee Benefits Security Administration (EBSA) | B/E        | Indicates final return filed (applies to all BMF returns except 706). IMF input: 31  | Generated for 5500, 5500EZ when return meets the conditions that indicate a final return. Deletes Filing Requirements for the particular return.  |
| G              | Returns Analysis Branch  | B/E        | Indicates an amended, corrected, supplemental, tentative, or revised return. (Applies to all BMF returns except setting of freeze on Form 1065). IMF input: 32.  | Posts remittance, if any, to module and freezes refund. Generates a DO Notice if original return does not post within 4 weeks for BMF return due date. TC 976 generated to replace "G" coded TC 150 on the BMF. EPMF: TC977 and sponsors entity information are posted to indicate an amended return has been filed |
| H              | Returns Analysis Branch  | B          | Non-Campus document with remittance deposited for the Campus   | No action—info only.  |
| H              | Returns Analysis Branch  | B          | The description on Form 8038-G, line 18 other reads "Tribal Economic Development Bond"   | The description on Form 8038, line 11Q-other reads "Recovery Zone Facilities Bonds".  |
| H              | Employee Benefits Security Administration (EBSA)                         | E          | PBGC edit test(s) unresolved after correspondence.   |   |
| I              | Returns Analysis Branch  | B          | Form 6781.Regulated futures contracts and tax straddles (Forms 1120, 1120-C, 1120-F, 1120-L, 1120-PC, 1120S, 990C, 990T, 1065, 1041).  | No action—info only.  |
| I              | Employee Benefits Security Administration (EBSA)                         | E          | Indicates an incomplete return. Penalty may be assessed.   | No action—info only.  |
| J              | Returns Analysis Branch  | B          | Returns are not subject to or are to be excluded from FTD penalty processing. Forms 720, 940, 941, 943, 945, 1042.   | Bypass the FTD Penalty program  |
| K              | Returns Analysis Branch  | B          | Forms 1120 and 1120A (Identifies Interest Computations under the Look Back Method of completed Long Term Contracts (Form 8697).  | No action—info only.  |
|                |  |            | For Form 1041 – Indicates a qualifying Small Business taxpayer for ES Penalty purposes for tax periods 200912 thru 201011.   | No action—info only.  |

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| Code on Return | Where Coded                                      | File Using | Definition for Returns Processing   | Action Initiated  |
|----------------|--|------------|---|---|
| L              | Code and Edit/Error Correction                   | B          | (1) Rejected application for extension of time for filing 706-NA, 709/990/990C/990EZ/990T 1041, 1041-N, 1041QFT, 1042, 1065, 1065-B, 1120 series, 3520-A, 8804 return.<br><br>(2) Treaty overrules or modifies tax law (IRC 6114) or Form 8833. | (1) Posts 7004 application and any remittance with no extension of RDD.   |
| L              | Employee Benefits Security Administration (EBSA) | E          | Late Correspondence   |   |
| M              | Returns Analysis Branch                          | B          | Indicates interest free adjustments for Forms 941/942/943/CT-1 label as "misclassified Employees" across the top of the returns.  |   |
| N              | Returns Analysis Branch                          | B          | Joint Committee Case sent to Examination Division (Form 1120, Form 1120-L, Form 1120-PC, Form 1120-FSC, and Form 1120-SF  | Freezes module from off-setting or refunding. Freeze is released upon posting of an Audit or DP Tax Adjustment. |
| N              | Returns Analysis Branch                          | B          | Used to identify a certain type of bond was filed on the following forms for tracking purposes.   | The description on Form 8038, line 11Q-other reads "Recovery Zone Facilities Bonds".                            |
| N              | Returns Analysis Branch                          | B          | Used to identify a Form 8939 that was filed with a Form 1041.   | No Action – Information Only  |
| O              | Returns Analysis Branch                          | B          | Identifies a return for which a pre-settlement manual refund was paid.  | Freezes affected Tax Module unless or until a TC 840 transaction is posted.                                     |
| O              | Employee Benefits Security Administration (EBSA) | E          | Used to indicate 1 day, or less than 1 month return - When day of Plan Year Beginning Date does not equal 01. (Form 5500).  | Generates the next consecutive month as the tax period on the tax module transcript.                            |
| P              | Error Correction                                 | B          | Accept input figures for Alternative Minimum Tax on Form 1041.  | Bypass check on Alternative Minimum Tax and continue computation.   |
| P              | Returns Analysis                                 | B          | The description on Form 8038, line 20C - other reads "Qualified School Construction Bonds"<br>For Form 5227 indicates Business Mail File Indicator.   | The description on Form 8038, line 11Q-other reads "Recovery Zone Facilities Bonds".                            |
| P              | Employee Benefits Security Administration (EBSA) | E          | EBSA Failed Edit Checks   | Generated when a return is not perfected for a DOL item.  |
| Q              | Error Correction                                 | B          | Forces Math Error Condition. Indicates manual computation return with a math error (Forms 1041 (except 1120S), 706, and 709).   |   |
| Q              | Returns Analysis                                 | B          | Indicates Form 1065/1065B filed to claim Federal Telephone Excise Tax Paid refund only.   |   |

| Code on Return | Where Coded  | File Using | Definition for Returns Processing  | Action Initiated   |
|----------------|--|------------|--|--|
| Q              | Returns Analysis   | B          | <b>For 200612 through 200711: Form 8913, Credit for Federal Telephone Excise Tax Paid</b> , filed to claim Telephone Excise Tax Refund (TETR) and attached to Forms 1120, 1120-A, 1120-C, 1120-F, 1120-FSC, 1120-H, 1120-ND, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-SF, and 1120S. |  |
| Q              | Returns Analysis   | B          | The description on Form 8038, line 20C-other reads "Qualified School Construction Bonds (Indian Schools)"  | The description on Form 8038, line 11Q-other reads "Recovery Zone Facilities Bonds". |
| Q              | Employee Benefits Security Administration (EBSA)                         | E          | Indicates 5500 returns referred from DOL/EBSA.   | No action—info only  |
| R              | Returns Analysis Branch/Employee Benefits Security Administration (EBSA) | B/E        | Delinquent return with reasonable cause established or applicability of FTF penalty not determined. IMF input: 33  | Invalid to input Delinquency penalty.  |
| S              | Returns Analysis Branch  | B          | (1) Form 940<br>a) Prior to 1/1/83, indicates a missing "Tentative Credit" computation (Columns 1-9)   | Bypasses Credit Elect processing.  |
|                |  |            | b) For tax periods 8512 and subsequent, applies to overpaid returns that do not specify application of the overpayment to the subsequent period (non-Credit Elect Returns).  |  |
|                |  |            | (2) Forms 941/942/943/ - For tax periods 7712 or earlier, the code indicated a missing Schedule A condition. Prior to 1/1/83, the presence of this code caused issuance in certain cases of CP 178/879.  |  |
|                |  |            | (3) Forms 941/943 - For tax periods 8412 and subsequent, applies to overpaid returns that do not specify application of the overpayment to the subsequent period (non-Credit Elect returns.)   |  |
|                |  |            | (4) Form CT-1 - For tax periods 8512 and subsequent, applies to overpaid returns that do not specify application of the overpayment to the subsequent period (non-Credit Elect returns.)   |  |
|                |  |            | (5) Form 945 - For tax periods 9412 and subsequent, applies to overpaid returns that do not specify application of the overpayment to the subsequent period (non-Credit Elect returns.)  |  |

| Code on Return | Where Coded                                      | File Using | Definition for Returns Processing   | Action Initiated  |
|----------------|--|------------|---|---|
|                |  |            | (6) <b>For 201201 and after:</b> Form 8883, <i>Asset Allocation statement under Section 338</i> , is attached to Forms 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC and 1120S   |   |
| S              | Employee Benefits Security Administration (EBSA) | E          | Used to indicate short period return.   | Bypasses unpostable check on plan year ending and allows return to post.  |
| T              | Returns Analysis Branch                          | B          | Seasonal or Intermittent filer (valid on 941, 941E, 941SS and 941PR)  |   |
| T              | Returns Analysis Branch                          | B          | <b>For 2011 and prior:</b> Form 8271, Investor reporting of Tax Shelter Registration (valid on Forms 1120, 1120S, 1120A, 1065, 1041, 990, 990C, 990PF, 990T)<br><br><b>For 201201 and after:</b> Form 8886, <i>Reportable Transaction Disclosure Statement</i> , is attached to Forms 1120, 1120-C, 1120-F, 1120-FSC, 1120-H, 1120-L, 1120-ND, 1120-PC, 1120-REIT, 1120-RIC, 1120-SF and 1120S. | No action—information only on Forms 1120, 1120S, 1120A, 1065, 1041, 990, 990C, 990PF, and 990T).  |
| U              | Returns Analysis Branch                          | B          | Transaction unprocessable.  | If possible, document is perfected and reinput; if necessary, document is eliminated. Transaction is written on the SC Controls Data Tape and printed on the Reject Register. |
| V              | Returns Analysis Branch                          | B          | A return was filed claiming the Qualified Therapeutic Credit. It applies to the following BMF Forms: 1041, 1120, 1120-F, 990-T.   | Does not generate \$20 daily delinquency penalty.   |
| V              | Returns Analysis Branch                          | B          | Used to identify 1041 filer claimed Qualifying Therapeutic Credit on Form 3468, line 8 and on Form 3800 on line 1a.   | No Action   |
| V              |  | E          |   | Reserved  |
| W              | Code and Edit/Error Correction                   | B          | Acceptable reason for change of Accounting Period on Form 7004/2758/8736 (TC620).   | Overrides ERS accounting period mismatch check on Form 7004/8868.   |
| W              | Returns Analysis Branch                          | B          | Return cleared by Statute   | Bypasses statute checks on original input.  |
| X              | Returns Analysis Branch                          | E          | Form 5500-EZ has missing information.   |   |
| Y              | Returns Analysis Branch & Error Correction       | B          | Accept tax return as submitted (Forms 1041, 1065, 1120, 1120-A, 1120-C, 1120-F, 1120-FSC, 1120-H, 1120-L, 1120-ND, 1120-PC, 1120-REIT, 1120-RIC, 1120-SF, 1120S, <del>Series</del> , 990, 990C, 990PF, 5329, 1041A, 4720, 990EZ, 2290, and 5227). IMF input: 36   | Computer accepts, posts, and settles on return as submitted on the MF; changes accounting period if appropriate.  |
| Y              | Employee Benefits Security Administration (EBSA) | E          | Indicates that the filer is a 52-53 week filer on 5500 and 5500EZ   | Bypass UPC 812 check and change the plan year ending to that shown on the input return  |



| Code on Return | Where Coded             | File Using | Definition for Returns Processing   | Action Initiated  |
|----------------|-------------------------|------------|---|---|
| Z              | Returns Analysis Branch | B          | 720 return with amounts not identified with abstract or category numbers. (Assigns temporary abstract No 80)  | Generates taxpayer notice to submit missing abstract or category numbers. |
|                |                         |            | Indicates Schedule UTP is attached to a Form 1120, Form 1120-F, Form 1120-L or Form 1120-PC.  | Information only  |
| 1              | Returns Analysis Branch | B          | (1) Indicates that Form 8824 is attached and Box A is checked   |   |
|                |                         |            | (2) For Forms 1041, 1065, 1065B - Form 8824 attached.   |   |
|                |                         |            | (3) For Forms 1120, 1120-FSC, 1120-ND, 1120-SF, and 1120S – Form 8824 attached.   |   |
| 2              | Returns Analysis Branch | B          | (1) Indicates that Form 8824 is attached and Box B is checked.  |   |
|                |                         |            | (2) <b>For 200312 and prior:</b> Indicates that Form 8824 is attached and Box B is checked for Forms 1120, 1120-A, 1120-F, 1120-FSC, 1120-H, 1120-L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 1120-SF, and 1120S.                   |   |
|                |                         |            | (3) For Forms 1120, 1120-C, 1120-F, 1120-H, 1120-L, 1120-ND, 1120-PC, 1120-REIT, 1120-RIC, and 1120-SF - Form 8938, Statement of Foreign Financial Assets, is attached (starting January 1, 2013).  |   |
|                |                         |            | (4) For Form 1120S - Form 8938, Statement of Foreign Financial Assets, is attached (starting January 1, 2013).  |   |
| 3              | Returns Analysis Branch | B          | Identifies taxpayers who should not receive credit interest. For the Form 940 Indicates No reply to Correspondence.   |   |
| 4              | Returns Analysis Branch | B          | Indicates IRS prepared returns under IRS 6020(b) for Forms 720, 940, 941, 942, 943, 945 and CT-1; 2290, 11C, 730, 1041, 1042 and 1065.  |   |
| 5              | Returns Analysis Branch | B          | (1) Established for Form 1120 to indicate the election of installment payments under the Bank Holding Company Tax Act of 1976; also indicates Tax Straddles (Forms 1120, 1041, 990C and 990T).  |   |
|                |                         |            | (2) Common Trust filing Form 1065.  |   |
|                |                         |            | (3) For the Form 940 Indicates – Successor Employer   |   |
| 6              | Returns Analysis Branch | B          | For 200512 and prior: Campus programs generate a "Possession Tax Credit Indicator" of 1 on trans tape and then drop CCC 6. (Forms 1120/F/L/M/H/POL/PC). Sup-presses failure to file on correct media penalty on Forms 1065 (short records). |   |

| Code on Return | Where Coded  | File Using | Definition for Returns Processing  | Action Initiated |
|----------------|--|------------|--|------------------|
| 7              | Reasonable cause denied during return analysis.            | B          | Identifies Reasonable Cause statement for failure to file or pay tax timely was considered and denied. (Do not use CCC "D" or "R").  |                  |
| 8              | Suppress computation of ES penalty and generation of CP234 | B          | (1) Indicates taxpayer filed Form 2220, Underpayment of Estimated Tax by Corporations, requesting waiver of Estimated Tax Penalty for Forms 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-SF, and 1120S |                  |
|                |  |            | (2) Form 1065 Identified as a Section 761(a) return and/or election  |                  |
|                |  |            | (3) Indicates taxpayer filed Form 2210/ 2210-F requesting waiver of ES Penalty for Form(s) 1041, 1041-N, and 1041-QFT.   |                  |
| 9              | Returns Analysis Branch                                    |            | (1) Indicates the presence of Low Income Housing Credit, Forms 8586, 8609, 8611 and/or 8693.   |                  |
|                |  |            | (2) Indicates a foreign partnership return.  |                  |
|                |  |            | (3) For the Form 940 - No payments to Employees in 2006, 2007, 2008, 2009.   |                  |
|                |  |            |  |                  |

## 6 IMF Computer Condition Codes

Computer Condition Codes (CCC) are used to identify a special condition or computation for the computer which posts to the Master File. They are entered in the upper portion of the filing status area of Form 1040/1040A, Form 1040EZ; to the left of the wages line and in the lower left corner of the entity information box on Form 1040PC. When CCC "3" is entered, it must be first.

| Code | Explanation  |   |
|------|--|---|
| 1    | [REDACTED]   | # |
| 2    | Tax Shelter Detection Team non-selected return.  |   |
| 3    | For C/GEN of Transaction Code 570 which freezes release of overpayment of account at the Master File.                                |   |
| 4    | Edited by Exam on an original return secured after a Substitute For Return (SFR) has been filed in place of the return.              |   |
| 5    | Form 1040X showing one "yes" box checked for Presidential Election Campaign Fund.  |   |
| 6    | Form 1040X showing two "yes" boxes checked for Presidential Election Campaign Fund.  |   |
| 7    | Denial of Reasonable Cause for IDRS processing.  |   |
| 8    | Refund and only a single W2 is attached that is altered, typed, a substitute or hand written.  |   |
| 9    | Secondary taxpayer deceased—Generate module for primary taxpayer.  |   |
| A    | Primary and secondary taxpayers deceased, generate and post TC 540, turn on 54 hold and update the filing requirement to 8.          |   |
| B    | Taxpayer has computed tax liability of "ZERO".   |   |
| C    | 1040NR with IRC 6114   |   |
| D    | Designates military personnel eligible for an Extension to File. Used to generate 8 month extension to file. Causes TC 460           |   |
| E    | Delete Filing requirements for taxpayers who are not deceased.   |   |
| F    | To delete primary taxpayers filing requirements. On a joint return, generates module for secondary taxpayer. Indicates final return. |   |

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| Code | Explanation  |
|------|--|
| G    | Return is tentative, amended, corrected, revised, superseding.   |
| H    | Form 8938, Statement of Foreign Financial Assets, attached to the return.  |
| J    | Filing Status Code 2, 3, or 6 with secondary SSN missing and "Amish/Mennonite" or "Form 4029" notated.   |
| K    | Operation Enduring Freedom Combat Zone   |
| L    | Refund on an overpaid decedent return is to be issued with the NAME-FIRST and NAME-SECOND lines interchanged on the refund check.  |
| M    | Reasonable cause established by taxpayer for not paying the tax balance due. Suppresses FTP Penalty  |
| N    | Generates TC 460 for two month extension in filing.  |
| O    | Identifies a return for which a pre-settlement manual refund was paid; also C/GEN another code which freezes account from refunding.   |
| P    | Generated estimated tax penalty suppressed. Taxpayer has met an exception on Form 2210/2210F or meets reasonable cause criteria.   |
| Q    | Form 8939 is attached to the return.   |
| R    | Delinquency cause is reasonable and acceptable; this code suppresses the C/GEN of delinquency penalty.   |
| S    | Indicates a return processed through RPS. Generated at MF from an indicator on SCRS.   |
| U    | Indicates no reply to correspondence and prevents generation of credit interest.   |
| V    | Indicates SE income has been reduced by at least \$100 or net earnings reduced below the minimum \$400.  |
| W    | (For an overpaid decedent return) Refund is to be issued to the NAME-SECOND LINE beneficiary or person or the state-side spouse (on joint return) of Armed Forces personnel or others serving overseas. NAME-FIRST line is suppressed on the Refund check only.  |
| X    | Indicates no account is present at the Master File or mismatch Name Control at Master File or No Match on DM-1 file and either the NAP was inoperational or the EIF was inoperational and the NAP was operational and accessed.  |
| Y    | For any circumstance or condition which may cause the computer determined TOTAL TAX to be different from the taxpayer determined tax despite no taxpayer error; or when used in conjunction with Code F, it can change the accounting period.  |
| Z    | For generating Transaction Code 340, which restricts the computation of interest for both balance due, or a refund return, and to identify certain combat zone taxpayers entitled to an automatic statutory extension of time for filing a return. Causes TC 500 to generate. Also note that Returns processing Code R also causes TC 500 to generate. |

## 7 Returns Processing Codes (EPMF)

| Code | Explanation  | Code | Explanation                                |
|------|--|------|--|
| A    | Generated when Policy dates on Schedule(s) A match primary return. | M    | Master Trust Direct Filing Entity (DFE)    |
| B    | Potential Pure Fringe Plan.  | N    | Certain pension plans                      |
| C    | IRS secured/substitute return; Not liable to file.                 | O    | CCT/PSA DFE                                |
| D    | Generate to indicate true fringe plan.                             | P    | Certain pension plans                      |
| E    | Generate when Type Plan Entity Indicator contains E.               | S    | Short plan year.                           |
| F    | Non-US plan.   | T    | Terminated plan.                           |
| G    | Group Insurance Arrangement  | U    | Reserved.                                  |
| I    | Fully insured welfare plan.  | W    | Generated when there is a Welfare plan.    |
| J    | Small plan   | X    | Generated when return is Form 5500-EZ plan |
| K    | One-participant plan   | Z    | Generated when return is DFE.              |
|      |  | 1    | Fact of Filing Form 5500-EZ                |

\*These codes do not print on MFTRA or IDRS Transcripts

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## 8 Returns Processing Codes – Form 1040 (IMF)

Returns Processing Codes (RPC) are used to identify a special condition or computation for the computer which does not post to the Master File.

They are entered on page 1, form 1040, 1040A, and 1040PC to the right of the total income line and to the right of box 5 of Form 1040EZ. Enter all codes in sequence found.

| Code | Explanation   |
|------|---|
| A    | Forces computer to accept EIC amount.   |
| B    | Forces computer to compute EIC to zero. Also edited when taxpayer indicates they do not want or qualify for EIC.  |
| C    | "Community Property" taxpayer who does not enter any of the income items but claims the benefit of Community Property and reports prorated share of community income as AGI. The community property states are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. Forces computer to accept taxpayers Adjusted Gross Income. |
| D    | Qualified Hurricane Retirement Plan Distribution and Repayments, attached.  |
| E    | A taxpayer with a potentially invalid SSN/Name Control combination has provided documentation that indicates he/she is the individual listed on the return.   |
| F    | Form 5074 attached. Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands.  |
| G    | Forces Campus computer to bypass generation of the error code 118 check.  |
| H    | Taxpayer notes the name of a National Disaster on his/her return.   |
| I    | Taxpayer enters "Died" in the SSN area for a dependent or EIC child and a supporting birth certificate (or death certificate with a date of birth) is present.  |
| J    | Total Tax exceeds 50% of AGI.   |
| K    | Potential statute return cleared by Statutory Clearance Group.  |
| L    | Tax return is blank (other than entity information) or contains all zeros or insignificant entries.   |
| M    | Indicates Form 2555EZ is attached.  |
| N    | Identifies non-employee compensation on Form 1040 or 1040A for Examination to assess self-employment tax liability.   |
| O    | Primary taxpayer TIN invalid (not the same taxpayer as the person on the valid TIN) - do not allow primary taxpayer's personal exemption or EIC on the return.  |
| P    | Indicates Form 2106or 2106-EZ is attached.  |
| Q    | Primary taxpayer TIN invalid, but is the same taxpayer that exists on the valid TIN (name changed without notifying SSA). CC IRCHG done to make taxpayer "IRS valid" and merge valid and invalid accounts.  |
| R    | For tax years 1997 through 1995, "Former Yugoslavia a.k.a. Bosnia" is noted on the return.  |
| S    | Taxpayer not subject to self-employment tax.  |
| T    | Capital Gain Distribution is claimed on the Schedule D line of Form 1040. The taxpayer used the Schedule D worksheet to compute tax.  |
| U    | Error code 193 bypass   |
| V    | Edited by Code & Edit on Form 1040 and 1040A TY1999 return determined to be a computer generated paper return.  |
| W    | 1040NR with Schedule SE attached.   |
| X    | Indicates allowable withholding is present on Form 1040NR   |
| Y    | "LOOSE" Schedule H filed. Dummy 1040 is prepared  |
| Z    | Taxpayer not liable for Alternative Minimum Tax.  |
| 2    | Form 8843 attached. Statement for Exempt Individuals and Individuals with a Medical Condition.  |
| 3    | Form 5329 not required.   |
| 4    | Forces the Service Center Computer to accept the taxpayer's Credit for Federal Telephone Excise Tax amount.   |
| 5    | Alternative Minimum Tax reported on Form 1040   |
| 6    | 1/2 SE Deduction bypass (1/2 SE Deduction is not valid for TY97 and prior).   |
| 7    | Indicates an IRA conversion or contribution has been re-characterized (reversed).   |
| 8    | Additional Child Tax Credit claimed with Puerto Rico address (ELF only).  |
| 9    | Form 8833 attached. Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b).  |

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| Code  | Explanation |
|---|-------------|
| *These codes do not print on MFTRA or IDRS Transcripts. |             |

## 9 Special Processing Codes

Reference: IRM 3.12.3-6

A Special Processing Code (SPC) is an alphabetic or numeric character entered by a Code & Edit examiner, except for SPC T, to alert the computer to a special condition or computation. The number of SPCs in a return may not exceed ten. These codes are used for campus processing and do not post to the Master File. These codes were created as an overflow for Return Processing Codes and are meant for short-lived conditions.

| Special Processing Code | Valid TYs | Definition  |
|-------------------------|-----------|---|
| A                       | all       | Taxpayers attach Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents, Form 2120, Multiple Support Declaration, or a copy of a Divorce Decree stating their entitlement to claim an exemption for the child who did not live with them because of divorce or separation.   |
| B                       | 06        | Taxpayer's note that only Educator Expenses are present on line 23, Form 1040.  |
| B                       | 10        | Return identified as Identity theft.  |
| C                       | 06        | Taxpayer's note that only Tuition and Fees are present on line 35, Form 1040.   |
| C                       | 09 and 10 | The taxpayer claims the Residential Energy Credit, and the claim for the Nonbusiness Energy Property Credit, from line 11 of Form 5695, doesn't exceed \$1,500.   |
| D                       | 06        | Taxpayers note that State and Local Sales Tax is present on Schedule A line 5.  |
| D                       | 09        | Taxpayers waive the general computation and figure the Hope Credit for students who attended school in a Midwestern disaster area (Part II of Form 8863). Those students are ineligible for the Refundable American Opportunity Credit.   |
| E                       | 06        | Taxpayers note that both Educator Expenses and the Archer MSA Deduction are present on Form 1040 line 23.   |
| E                       | 09        | Taxpayers claim the Telephone Excise Tax Credit on the tax return for 2006.   |
| F                       | 06        | Taxpayers note that both Domestic Production Activities and the Tuition and Fees Deduction are present on Form 1040 line 35.  |
| F                       | 10        | ERS bypass computation of Child Tax Credit.   |
| G                       | 08 and 09 | Taxpayers using the filing status married filing separately calculate the IRA deduction by using the same method as taxpayers using the filing status single or head of household.  |
| H                       | 08        | Taxpayer bought a house in 2009 and is eligible for up to \$8,000 in the First-Time Homebuyer Credit, from Form 5405.   |
| K                       | 09 and 10 | Taxpayer checks the box on line 13 (line 15 TY09), Form 8863, to declare ineligibility for the refundable American Opportunity Credit.  |
| L                       | 09        | Form 8824, Like-Kind Exchanges, is filed with the return.   |
| M                       | 09        | Taxpayers who received a pension or annuity from the federal or a state or local government and did not receive the economic recovery payment in 2009 claim the Government Retiree Credit (line 11 of Schedule M).  |
| N                       | 09 and 10 | Taxpayer checked the Yes box on line C of Form 5405, <i>First-Time Homebuyer Credit</i> . The Primary taxpayer states thereby that he/she: <ul style="list-style-type: none"> <li>1) bought the house after 4/30/2010 and before 10/01/2010, and</li> <li>2) Entered into a binding contract before 5/01/2010 to buy the house by 7/01/2010.</li> </ul> |

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| Special Processing Code | Valid TYs | Definition   |
|-------------------------|-----------|--|
| O                       | 09 and 10 | Taxpayer checked the box on line D of Form 5405, <i>First-Time Homebuyer Credit</i> . The Primary taxpayer—or, if they are married, their spouse—is a member of the uniformed services or Foreign Service, or an employee of the intelligence community who was on qualified extended duty outside the U.S. for at least 90 days from 12/31/2008 to 5/01/2010, and bought a qualifying house either: <ul style="list-style-type: none"> <li>1) after 11/30/2009 and before 5/1/2011, or</li> <li>2) after 4/30/2011 and before 7/01/2011 and entered into a binding contract before 5/01/2011 to buy the house before 7/01/2011.</li> </ul>  |
| P                       | 07 and 08 | Taxpayers are a non-requirement filer who file a return solely for the purpose of claiming the Economic Stimulus Payment (TY07) or the Recovery Rebate Credit (TY08).  |
| Q                       | 09 and 10 | The taxpayer is a small-business owner who checks box F of Form 2210.  |
| R                       | 08        | Taxpayers claim, by filing status, an additional \$500 or \$1,000 in standard deduction for real estate taxes or a disaster loss.  |
| S                       | 09        | The students for whom the Lifetime Learning Credit is claimed attended school in a Midwestern disaster area and are eligible for the special computation of the credit (Part III of Form 8863).  |
| T                       | 08        | Taxpayers' claim for the Recovery Rebate Credit requires an entry in field 05RAV, which overrides the computer-figured credit. Note: Error resolution alone enters this SPC.   |
| U                       | 09 and 10 | Taxpayer checked the Yes box on line E of Form 5405, <i>First-Time Homebuyer Credit</i> . The Primary taxpayer states thereby that they bought the house from a person related to them or their spouse and for that reason are not eligible for the credit.  |
| V                       | 07 and 08 | Taxpayers have non-combat pay or veterans benefits of \$3,000 or more, for the purpose of figuring the Economic Stimulus Payment for TY07 and the Recovery Rebate Credit for TY08.   |
| W                       | 09 and 10 | Taxpayer checked box on line F of Form 5405, <i>First-Time Homebuyer Credit</i> . Primary taxpayers state thereby that they choose to claim the credit on the tax return for the year before they bought the house.  |
| X                       | 09 and 10 | The purchase price of the house stated by the primary taxpayer on line 1 of Form 5405, <i>First-Time Homebuyer Credit</i> , is more than \$800,000. The house is not eligible for the credit.  |
| Y                       | 09 and 10 | Taxpayer checked the long-term resident box on line 3 of Form 5405, <i>First-Time Homebuyer Credit</i> . Primary taxpayers state thereby that they and, if they were married, their spouse owned and used the same house as their main home for any five consecutive years in the eight-year period ending on the purchase date of the new main home.  |
| Z                       | 09 and 10 | Taxpayer checked the box on line 12 of Form 5405, <i>First-Time Homebuyer Credit</i> . Primary taxpayers—or, if they are married, their spouse— <ul style="list-style-type: none"> <li>1) are a member of the uniformed services or Foreign Service or an employee of the intelligence community and</li> <li>2) Sold the house for which they claimed the First-Time Homebuyer Credit in consequence of government orders for qualified official extended duty. They do not have to repay the credit.</li> </ul>  |
| 1                       | 09 and 10 | Taxpayer checked the Yes box on line C of Form 5405, <i>First-Time Homebuyer Credit</i> . The Secondary taxpayer states thereby that he/she: <ul style="list-style-type: none"> <li>1) bought the house after 4/30/2010 and before 10/01/2010 and</li> <li>2) Entered into a binding contract before 5/01/2010 to buy the house by 7/01/2010.</li> </ul>   |
| 2                       | 09 and 10 | Taxpayer checked the box on line D of Form 5405, <i>First-Time Homebuyer Credit</i> . The Secondary taxpayer—or, if they are married, their spouse—is a member of the uniformed services or Foreign Service or an employee of the intelligence community who was on qualified extended duty outside the U.S. for at least 90 days from 12/31/2008 to 5/01/2010 and bought a qualifying house either: <ul style="list-style-type: none"> <li>1) after 11/30/2009 and before 5/01/2011, or</li> <li>2) after 4/30/2011 and before 7/01/2011 and entered into a binding contract before 5/01/2011 to buy the house before 7/01/2011.</li> </ul> |

| Special Processing Code | Valid TYs | Definition  |
|-------------------------|-----------|---|
| 3                       | 09 and 10 | Taxpayer checked the Yes box on line E of Form 5405, <i>First-Time Homebuyer Credit</i> . Secondary taxpayers state thereby that they bought the house from a person related to them or their spouse and for that reason are not eligible for the credit.   |
| 4                       | 09 and 10 | Taxpayer checked box on line F of Form 5405, <i>First-Time Homebuyer Credit</i> . Secondary Taxpayers state thereby that they choose to claim the credit on the tax return for the year before they bought the house.   |
| 5                       | 09 and 10 | The purchase price of the house stated by the secondary taxpayer on line 1 of Form 5405, <i>First-Time Homebuyer Credit</i> , is more than \$800,000.<br>The house is not eligible for the credit.  |
| 6                       | 09 and 10 | Taxpayer checked the long-term resident box on line 3 of Form 5405, <i>First-Time Homebuyer Credit</i> . Secondary taxpayers state thereby that they and, if they were married, their spouse owned and used the same house as their main home for five consecutive years in the eight-year period ending on the purchase date of the new main home.   |
| 7                       | 09 and 10 | Taxpayer checked the box on line 12 of Form 5405, <i>First-Time Homebuyer Credit</i> . Secondary taxpayers—or, if they are married, their spouse—<br>1) are a member of the uniformed services or Foreign Service or an employee of the intelligence community and<br>2) Sold the house for which they claimed the First-Time Homebuyer Credit in consequence of government orders for qualified official extended duty.<br>They do not have to repay the credit. |
| 8                       | 11        | Form 14039 is attached (do not detach).   |
| 9                       | 11        | Return has a potential OMM condition.   |

## 10 Unallowable Codes

Reference IRMs:

- 3.11.3.3.9
- 3.11.3-6
- 3.11.3.15.1
- 3.12.3.5.3
- 3.22.3.12.3.1
- 4.19.15.18
- 21.8.1.1.20

Unallowable Codes (UA Codes) identify items on the Form for initial processing of 1040 series or document that are of a questionable nature or exceed statutory limitations. The codes are grouped by affected return area as follows.

Unallowable Codes 12 through 20 affect AGI

Unallowable Codes 22 through 66 affect taxable income

Unallowable Code 70 affects total tax

Unallowable Codes 80, 82-86, 88, 98 and 99 require a decision regarding the additional amount of AGI, taxable income and/or total tax.

| UA Code | Explanation   |
|---------|---|
| 16      | Lump Sum Distribution – Since a portion of your lump sum distribution was rolled over, you do not qualify for special tax treatment on the lump sum distribution received.  |
| 17      | You don't qualify for special tax treatment on the lump sum distribution you received. The retired plan participant wasn't age 50 or older on January 1, 1986, and the distribution wasn't from a qualifying pension, profit sharing or stock bonus plan. |

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| UA Code | Explanation   |
|---------|---|
| 18      | Lump Sum Distribution – You do not qualify for special tax treatment on the lump sum distribution received because (1) the lump sum was not paid to a beneficiary of an employee who had just died and (2) you were not a participant in the plan for at least 5 years before the year of distribution.   |
| 19      | Lump Sum Distribution – In order to qualify for special tax treatment on lump sum distributions, one of the following must apply:<br>(1) the distribution was paid to a beneficiary of an employee who had died;<br>(2) you quit, retired, got laid off or were fired from your job before receiving the distribution,<br>(3) you were self-employed or an owner-employee and became disabled or<br>(4) You were older than 59 1/2 at the time of the distribution. |
| 20      | Lump Sum Distribution – You do not qualify for special tax treatment on lump sum distribution because: You have already used Form 4972 for a lump sum distribution received after 1986 by the same plan participant.  |
| 32      | General Sales Tax – The itemized deduction for state and local sales taxes is no longer allowed.  |
| 33      | Your medical expenses on Schedule A have been adjusted because items such as health club dues, diet foods, funeral expenses, maternity clothes and meals or lodgings (unless provided by a hospital or similar institution for medical care) cannot be deducted. (See Publication 502)  |
| 34      | The Federal taxes on Schedule A cannot be allowed. Taxes that cannot be deducted include Federal income tax, Social Security and Railroad Retirement taxes, the Social Security tax you paid for a personal or domestic employee, Federal estate and gift taxes, customs duties and Federal excise taxes on automobiles, tires, telephone service and air transportation.   |
| 35      | The taxes on Schedule A have been adjusted. Utility taxes for sewers, water, phones and garbage collection cannot be deducted.  |
| 36      | The taxes on Schedule A have been adjusted. State and local taxes, such as those for hotel rooms, air fares, inheritances, stamps and mortgage cannot be deducted.  |
| 37      | The deduction for automobile license, registration, tag fees or taxes on Schedule A has been disallowed. These amounts may be shown as personal property taxes only if your state charged them annually and in an amount based on the value of your automobile. Since your state does not charge the fees and taxes this way, they are not personal property taxes and cannot be allowed.   |
| 38      | The expenses for support of children or dependents on Schedule A cannot be allowed because these expenses are not deductible.   |
| 40      | Educational Expenses – you cannot deduct educational expenses for someone other than yourself or your spouse on Schedule A.   |
| 41      | Personal Interest – You can no longer deduct personal interest.   |
| 42      | The charitable contributions on Schedule A have been adjusted because payments to individuals, lobbying organizations, foreign charities (except Canadian Charities) and other non-qualifying recipients are not deductible. (See Publication 526)  |
| 43      | We Changed the Amount of Your Automobile Expenses. The correct mileage rate for business is 36.0 cents a mile. Rural mail carriers are allowed up to 47.25 cents a mile. For more information see Publication 463, Travel, Entertainment and Gift Expenses.   |
| 45      | Sale of Personal Residence – The expenses incurred in the sale or purchase of your residence cannot be deducted on Schedule A. Closing costs (for example, settlement and legal fees) or realtor commissions are not deductible. (See Publication 523)  |
| 46      | Personal Insurance – Premiums you pay for insurance (other than medical insurance) are not deductible on Schedule A.  |
| 56      | Fractional Exemption – The fractional exemption shown on your return cannot be allowed.   |
| 57      | Personal Exemptions – Only one personal exemption may be claimed by a non-resident alien, unless the alien is a resident of Mexico, Canada, Japan, Republic of Korea, or a national of the United States.   |
| 58      | A non-resident alien may not claim deductions for medical expenses, interests or taxes unless the deductions are connected with the conduct of a trade or business within the United States. (See Publication 519)  |
| 60      | We are disallowing the Mortgage Interest Credit claimed on Form 8396. You only qualify for this credit if you were issued a Mortgage Credit Certificate (MCC) by a qualified state or local government unit or agency. Please provide a copy of your MCC and Form(s) 1098 to show that you are eligible for this credit.  |
| 61      | We are disallowing the District of Columbia First Time Homebuyer Credit claimed on Form 8859. You can only claim this credit if you purchased a main home during the tax year in the District of Columbia, and you did not own any other main home in the District of Columbia for at least one year prior to the date of purchase.   |



| UA Code | Explanation   |
|---------|---|
| 70      | Surviving Spouse – The tax on your return has been adjusted because the filing status for a qualifying widow(er) can be used only for the two years after the year of death of the spouse and, during that time, the widow(er) must be entitled to an exemption for a son, daughter, or stepchild who lived with him or her during the entire tax year in a household the widow(er) maintained.   |
| 75      | The tax on your Form 1040NR has been adjusted because an incorrect treaty rate was used. You may use only the rate specified in the applicable tax treaty. (See Publications 518, 519 and 901)  |
| 77      | The amount being claimed on your tax return for disabled access credit is being examined. This amount has been frozen and will not be included in any anticipated refund amount. You will receive correspondence when the examination is completed and/or the remainder of the refund amount relating to this issue is released.  |
| 81      | The amount or a portion of the amount being claimed on your tax return for Recovery Rebate Credit is being examined. Therefore we have disallowed this amount and will not be included in any anticipated refund amount. The reason for the disallowance is because the primary or secondary taxpayer, and/or dependent(s) identification number was not issued by the Social Security Administration. You will receive correspondence when the examination is completed and/or the remainder of the refund amount relating to this issue is released.  |
| 82      | The amount or a portion of the amount being claimed on your tax return for Recovery Rebate Credit is being examined. Therefore we have disallowed this amount and will not be included in any anticipated refund amount. The reason for the disallowance is because the primary or secondary taxpayer and/or dependent(s) name and Social Security Number(s) on the return does not match the records provided by the Social Security Administration. You will receive correspondence when the examination is completed and/or the remainder of the refund amount relating to this issue is released.   |
| 83      | The amount of \$8,000 claimed as First-Time Homebuyer Credit on your 2009 tax return can not be allowed. Our records show for Tax Year 2008 the same taxpayer on this return has already received \$7,500 as the amount for the First-Time Homebuyer Credit.  |
| 84      | The amount of \$7,500 claimed as the First-Time Homebuyer Credit on a 2008 tax return can not be allowed. Our records show the taxpayer could not have transferred the home as part of a divorce settlement.  |
| 85      | <p>We are proposing to disallow the Fuel Tax Credit on your tax return. It appears you do not meet the requirements to claim the credit. This credit may not be allowed because:</p> <ol style="list-style-type: none"> <li>(1) No allowable business use of the fuel is evident on your return,</li> <li>(2) You claimed credit for diesel fuel or kerosene use on a farm for farming purposes,</li> <li>(3) Your credit appears to be excessive for the business activity reported on your return,</li> <li>(4) You claimed a credit as a gasoline wholesale distributor, or</li> <li>(5) As a registered ultimate vendor of diesel fuel or kerosene you did not provide the required documentation required with Form 4136, Credit for Federal Tax on Fuel.</li> </ol> |
|         | If you believe you qualify for the fuel credit, please return a copy of this notice with the following: copies of invoices or receipts for the fuel purchases that show the Federal excise tax was paid, a list of vehicles and equipment used and the number of gallons, type of fuel used and the business use of each.   |
|         | <p>If you are claiming credit for sales as a registered ultimate vendor of diesel fuel or kerosene, you must provide:</p> <ol style="list-style-type: none"> <li>(1) The vendor registration (uv) number, and</li> <li>(2) The name and TIN of each farmer or government unit who bought diesel fuel or kerosene from you, and the number of gallons that you sold to each, and</li> <li>(3) A statement that you have: <ul style="list-style-type: none"> <li>Not included the amount of tax in the sales price nor collected the amount of tax from the buyer; or</li> <li>Repaid the amount of tax to the ultimate purchaser of the fuel; or</li> <li>Obtained the written consent from your buyer to take the credit.</li> </ul> </li> </ol>                          |
|         | <p>If you are a seller of kerosene from a blocked pump, you must provide:</p> <ol style="list-style-type: none"> <li>(1) Your vendor registration (up) number, and</li> <li>(2) A statement that: <ul style="list-style-type: none"> <li>No tax has been imposed on the kerosene; and</li> <li>You have not included tax in the sales price nor collected the tax from the buyer.</li> </ul> </li> </ol> <p>Please see Publication 378, Fuel Tax Credits and Refunds, for definitions and rules relating to the Federal Excise Tax.</p>   |

| UA Code | Explanation   |
|---------|---|
| 86      | The amount of First Time Homebuyer Credit claimed on page 2 of your 2009 tax return can not be allowed. Information on your return indicates the credit is being claimed for two homes acquired as a first time homebuyer.  |
| 87      | The amount of Attributed New Motor Vehicle State/Local Sales/Excise Taxes claimed on Schedule L, Standard Deduction for Certain Filers on your tax return can not be allowed. This amount appears to be an excessive amount.  |
| 89      | The amount being claimed on your tax return for Health Coverage Tax Credit is being examined. This amount has been frozen and will not be included in any anticipated refund amount. You will receive correspondence when the examination is completed and/or the remainder of the refund amount relating to this issue is released.  |
| 91      | The tax on your return has been corrected because a deduction, credit or omission of income, or other entry on the return appears to be unreasonable or frivolous and cannot be allowed.  |
| 92      | The loss on the sale of your residence or other property used for personal purposes is not deductible.  |
| 94      | A non-resident alien may not deduct contributions, or casualty or theft losses on non-business property located within the United States, from income not effectively connected with a U.S. trade or business. (See Publication 519.)   |
| 95      | Your expenses have been disallowed because you have not met the time requirements for taking these deductions.  |
| 99      | This Unallowable is to be used only when specifically instructed to in IRM 3.12.3.  |
| V       | We have computed your self-employment tax for you. The amount you reported s other income (\$400 or more) on line 21 of your tax return or as net taxable income on Schedule C, E or F, appears to be self-employment income. This income makes you liable for the self-employment tax under the law. Please see Publication 533, Self-Employment Tax, for definitions and rules relating to self-employment tax. |

## 11 Audit Codes – Form 1040 (IMF)

| Code | Definition  |   |
|------|---|---|
| A    | The long-time resident box is checked on line 3, Form 5405, and the taxpayers did not attach documents to demonstrate residence in the former main home for any five consecutive years in the eight-year period ending on the purchase date of the new main home.   |   |
| B    | Indicates a missing or incomplete Schedule C, D, E, F or Form 4797.   |   |
| C    | 1. Form <u>8283</u> , <i>Noncash Charitable Contributions</i> , is not present and non-cash contributions are greater than \$5,000.<br>2. Form <u>8283</u> is present and shows a charitable contribution of<br>a. art appraised at \$20,000 or more, or<br>b. non-art property or gifts (not cash or check) with an appraised fair market value of \$50,000 or more. |   |
| D    | High Income Non-filer identified by Collection  |   |
| E    | Unallowable Code 01–29, 63–79, or 83–89 is present.   |   |
| F    | Unallowable Code 33–38, 40–47, or 56–58 is present.   |   |
| G    | Unallowable Code 91–94, 98, or 99 is present.   |   |
| H    | Form 926, 3520/A, 5471, or 5472 attached to return or Schedule B, Line 8 box marked “yes”.  |   |
| I    | The Yes box on line C of Form <u>5405</u> is checked, for a house bought after 4/30/2010 and before 10/1/2010 and a binding contract entered into before 5/1/2010.<br>The settlement statement is not attached.<br>The binding contract is not attached.  |   |
| J    | “Special Use Only”.   |   |
| K    |   | # |
| L    |   | # |
|      |   | # |
| M    | Local Option  |   |
| N    | Form 1040NR filer occupation is entertainer or professional athlete   |   |
| P    | Taxpayer did not reply to request to complete Form 6251 when Schedule E is attached to return.  |   |
| Q    | Form 8082 attached to the return  |   |

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| Code | Definition  |   |
|------|---|---|
| R    |   | # |
| S    | RESERVED  |   |
| T    | RESERVED for International Automatics   |   |
| U    | Form 8862 is attached to return   |   |
| V    | Returns reflecting income which may be subject to self-employment tax.                                      |   |
| W    | Alternative Minimum Tax, depreciation other than straight line of \$250,000 or more.                        |   |
| Z    | Form 8919 Uncollected Social Security and Medicare Tax on Wages is filed with the return and is incomplete. |   |

## 12 Audit Codes (BMF)

Reference IRM 3.11.16.9.1)

| Code | Explanation   | Code | Explanation                | Code | Explanation                    |
|------|---|------|----------------------------|------|--------------------------------|
| 1    | Disclosure Statement or Inconsistent Treatment        | 4    | Invalid S Election         | 7    | International (form 1120 only) |
| 2    | International   | 5    | Reserved                   | 8    | Schedule M-3 (form 1120 only)  |
| 3    | Non-Cash Charitable Contributions and Asset Transfers | 6    | Form 3115 (form 1120 only) | 9    | Reserved                       |

## 13 Employment Codes (BMF)

Employment Codes (EC) identify employers who are other than normal business employers.

| EC | Num. Equiv.* | Employer  |
|----|--------------|---|
| F  | 6            | Federal Employer  |
| M  | 4            | Maritime Industry Credit Freeze on refunds and offset out for Form 941 pending receipt of supplemental return recording wages paid to employees at sea. |
| S  | 2            | Foreign Subsidiary having filed Form 2032 to extend SS coverage to certain employees of the subsidiary.   |
| G  |              | State or Local Government Agency  |
| W  | 3            | Non-profit organization exempt from FUTA (Form 940/940-EZ) withholding. (Sec. 501(c)(3)IRC)   |
| C  | 8            | Form 8274 filed by church or church controlled organization to elect not to pay FICA tax for their employees.   |
| T  | 1            | State or local agency that has entered into a 218 agreement with SSA.   |
| N  |              | Non-Profit Organization subject to FICA   |
| -  | 9            | Deletes employment codes.   |
| I  |              | Indian Tribal Governments. The entity is either the tribe itself or one of its subdivisions, instrumentalities, or wholly-owned subsidiaries.           |
| A  |              | Government entity for government fiscal agents.   |

\* Internal Use Only

## 14 Social Security Tax Rate Table (Formerly FICA)

| Year  | Wage Limitation | Employee Rate% | Employer Rate% | Total Rate% | Year | Self-Employment On Income From | Rate% |
|-------|-----------------|----------------|----------------|-------------|------|--------------------------------|-------|
| 1993  | 57,600          | 6.2            | 6.2            | 12.4        | 1993 | 400 to 57,600                  | 12.4  |
| *1993 | 135,000         | 1.45           | 1.45           | 2.9         | 1993 | 400 to 135,000                 | 2.9   |
| 1994  | 60,600          | 6.2            | 6.2            | 12.4        | 1994 | 400 to 60,600                  | 12.4  |
| *1994 | unlimited       | 1.45           | 1.45           | 2.9         | 1994 | unlimited                      | 2.9   |

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| Year   | Wage Limitation | Employee Rate% | Employer Rate% | Total Rate% | Year | Self-Employment On Income From | Rate% |
|--|-----------------|----------------|----------------|-------------|------|--------------------------------|-------|
| 1995   | 61,200          | 6.2            | 6.2            | 12.4        | 1995 | 400 to 61,200                  | 12.4  |
| *1995  | unlimited       | 1.45           | 1.45           | 2.9         | 1995 | unlimited                      | 2.9   |
| 1996   | 62,700          | 6.2            | 6.2            | 12.4        | 1996 | 400 to 62,700                  | 12.4  |
| *1996  | unlimited       | 1.45           | 1.45           | 2.9         | 1996 | unlimited                      | 2.9   |
| 1997   | 65,400          | 6.2            | 6.2            | 12.4        | 1997 | 400 to 65,400                  | 12.4  |
| *1997  | unlimited       | 1.45           | 1.45           | 2.9         | 1997 | unlimited                      | 2.9   |
| 1998   | 68,400          | 6.2            | 6.2            | 12.4        | 1998 | 400 to 68,400                  | 12.4  |
| *1998  | unlimited       | 1.45           | 1.45           | 2.9         | 1998 | unlimited                      | 2.9   |
| 1999   | 72,600          | 6.2            | 6.2            | 12.4        | 1999 | 400 to 72,600                  | 12.4  |
| *1999  | unlimited       | 1.45           | 1.45           | 2.9         | 1999 | unlimited                      | 2.9   |
| 2000   | 76,200          | 6.2            | 6.2            | 12.4        | 2000 | 400 to 76,200**                | 12.4  |
| *2000  | unlimited       | 1.45           | 1.45           | 2.9         | 2000 | unlimited                      | 2.9   |
| 2001   | \$80,400        | 6.2            | 6.2            | 12.4        | 2001 | 400 to 80,400**                | 12.4  |
| *2001  | unlimited       | 1.45           | 1.45           | 2.9         | 2001 | unlimited                      | 2.9   |
| 2002   | \$84,900        | 6.2            | 6.2            | 12.4        | 2002 | 400 to 84,900**                | 12.4  |
| *2002  | unlimited       | 1.45           | 1.45           | 2.9         | 2002 | unlimited                      | 2.9   |
| 2003   | \$87,000        | 6.2            | 6.2            | 12.4        | 2003 | 400 to 87,000**                | 12.4  |
| *2003  | unlimited       | 1.45           | 1.45           | 2.9         | 2003 | unlimited                      | 2.9   |
| 2004   | \$87,900        | 6.2            | 6.2            | 12.4        | 2004 | 400 to 87,900**                | 12.4  |
| *2004  | unlimited       | 1.45           | 1.45           | 2.9         | 2004 | unlimited                      | 2.9   |
| 2005   | \$90,000        | 6.2            | 6.2            | 12.4        | 2005 | 400 to 90,000**                | 12.4  |
| *2005  | unlimited       | 1.45           | 1.45           | 2.9         | 2005 | unlimited                      | 2.9   |
| 2006   | \$94,200        | 6.2            | 6.2            | 12.4        | 2006 | 400 to 92,000**                | 12.4  |
| *2006  | unlimited       | 1.45           | 1.45           | 2.9         | 2006 | unlimited                      | 2.9   |
| 2007   | \$97,500        | 6.2            | 6.2            | 12.4        | 2007 | 400 to 97,500**                | 12.4  |
| *2007  | unlimited       | 1.45           | 1.45           | 2.9         | 2007 | unlimited                      | 2.9   |
| 2008   | \$102,000       | 6.2            | 6.2            | 12.4        | 2008 | 400 to 102,000**               | 12.4  |
| *2008  | unlimited       | 1.45           | 1.45           | 2.9         | 2008 | unlimited                      | 2.9   |
| 2009   | \$106,800       | 6.2            | 6.2            | 12.4        | 2009 | 400 to 106,800**               | 12.4  |
| *2009  | unlimited       | 1.45           | 1.45           | 2.9         | 2009 | unlimited                      | 2.9   |
| 2010   | \$106,800       | 6.2            | 6.2            | 12.4        | 2010 | 400 to 106,800**               | 12.4  |
| *2010  | unlimited       | 1.45           | 1.45           | 2.9         | 2010 | unlimited                      | 2.9   |
| 2011   | \$106,800       | 4.2            | 6.2            | 10.4        | 2011 | 400 to 106,800**               | 10.4  |
| *2011  | unlimited       | 1.45           | 1.45           | 2.9         | 2011 | unlimited                      | 2.9   |
| 2012   | \$110,100       | 6.2            | 6.2            | 12.4        | 2012 | 400 to 110,100**               | 12.4  |
| *2012  | unlimited       | 1.45           | 1.45           | 2.9         | 2012 | unlimited                      | 2.9   |
| 2013   | \$113,700       | 6.2            | 6.2            | 12.4        | 2013 | 400 to 113,700**               | 12.4  |
| *2013  | unlimited       | 1.45           | 1.45           | 2.9         | 2013 | unlimited                      | 2.9   |
|  |                 |                |                |             |      |                                |       |
|  |                 |                |                |             |      |                                |       |
| *Medicare hospital insurance (HI) has been separated for 1991 and after.   |                 |                |                |             |      |                                |       |
|  |                 |                |                |             |      |                                |       |
| **When paying taxes on SE earnings, if the taxpayer is also employed and receiving wages, the SE tax is paid only if the wages do not meet or exceed the wage limitation. <b>To help you understand, the three following scenarios are provided below.</b> |                 |                |                |             |      |                                |       |

**Examples:**

1) Tom works for ABC Company earning \$110,000 a year in wages (which exceeds the maximum for Social Security taxes.) ABC Company withholds Social Security and Medicare taxes from the wages they paid him. Tom also has self-employed earnings of \$20,000. Tom does not pay Social Security taxes on his SE earnings because his wages from ABC Company are over the maximum. However, Tom must pay the Medicare tax for all of his SE earnings.

2) Sam works for XYZ Company earning \$40,000 and the company withholds Social Security and Medicare taxes on his wages. Sam also has \$25,000 in SE earnings. Because Sam's wages and SE amounts don't exceed the maximum, he must pay both Social Security and Medicare taxes on his SE earnings of \$25,000.

3) Joe works for MNO Company and earns \$75,000. MNO Company withholds Social Security and Medicare taxes on his wages. Joe also has \$50,000 in SE earnings. Because Joe's wages and SE amounts exceed the maximum,

he will pay Social Security tax on the amount of his SE earnings up to the maximum for the year in question. Joe will pay Medicare tax on the entire SE earnings because there is no maximum for Medicare.

## 15 FUTA Tax Rate Table

| Federal Unemployment Tax—FUTA Year | No. of Employees | Maximum Wages | Rate%                                       |
|------------------------------------|------------------|---------------|---|
| 1973                               | 1 or more        | 4,200         | 3.28  |
| 1974                               | 1 or more        | 4,200         | 3.2   |
| 1976                               | 1 or more        | 4,200         | 3.2   |
| 1977                               | 1 or more        | 4,200         | 3.4   |
| 1978                               | 1 or more        | 6,000         | 3.4   |
| 1979                               | 1 or more        | 6,000         | 3.4   |
| 1980                               | 1 or more        | 6,000         | 3.4   |
| 1981                               | 1 or more        | 6,000         | 3.4   |
| 1982                               | 1 or more        | 6,000         | 3.4   |
| 1983                               | 1 or more        | 7,000         | 3.5   |
| 1984                               | 1 or more        | 7,000         | 3.5   |
| 1985-2010                          | 1 or more        | 7,000         | 6.2   |
| 2011                               | 1 or more        | 7,000         | 6.2 (1/1-6/30/2012)<br>6.0 (7/1-12/31/2012) |
| 2012                               | 1 or more        | 7,000         | 6.0   |
| 2013                               | 1 or more        | 7,000         | 6.0   |

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