Internal Revenue Manual 5.16.1.6.1 (12-08-2014)

Mandatory Follow-Up

1. Systemic follow-up is limited to hardship, unable to locate, and unable to contact cases. The systemic process for reactivating hardship CNC cases relies on an increase in Total Positive Income (TPI) above a predetermined amount based on the hardship closing code when the case is closed as CNC. The TPI is reviewed annually when a taxpayer files an income tax return. For BMF cases on sole proprietorships, partnerships (where a general partner is personally liable for partnership liabilities), and LLCs (where the owner is identified as the liable taxpayer) the TPI is determined by the annual income of the individual, general partner or member. The Social Security Number (SSN) of the individual, general partner or member of an LLC (where the owner is identified as the liable taxpayer) must be cross-referenced on IDRS. These cases do not require a mandatory follow-up.

2. In some circumstances a mandatory follow-up action is requested to ensure protection of the revenue potential on a CNC case including specific assets such as investment funds or full payment of an encumbrance of real property.

3. Request mandatory follow-up only when required or when there is a likelihood that revenue will be collected by taking the requested action.

4. **Do not request a mandatory follow-up** in the following instances:
   A. To update and review a CIS on the chance that a taxpayer's financial condition will change.
   B. If follow-up will occur in less than 90 days; these cases should be held in the RO inventory.
   C. To check on future compliance with filing requirements.
   D. To verify that payments are being made on an installment agreement.
   E. To verify that estimated tax payments are being made.
   F. To determine offset of a potential refund.
   G. To attempt to locate a taxpayer whose accounts were reported CNC with closing code 03, 06 or 19.
   H. If the aggregate account balance, including accruals, is less than the following Bal Due deferral levels:
      IMF - ≡ ≡ ≡ ≡ ≡ (except MFT 55 - ≡ ≡ ≡ ≡ ≡ ≡)
      BMF - ≡ ≡ ≡ ≡ ≡ (except MFT 13 - ≡ ≡ ≡ ≡ ≡)
      NMF - ≡ ≡ ≡ ≡ (except ≡ ≡ ≡ ≡ ≡ for NMF accounts on telephone excise tax when the SSN is determined)
      IRAF - ≡ ≡ ≡

Example:

Financial information shows the taxpayer's allowable expenses exceed income and there is **no equity** in assets. The taxpayer has fallen on hard times but expects to be back to work in a year and able to pay the tax debt. Allowable expenses are $22,000.00 Report the account CNC using cc 25. Do not request a mandatory follow-up. The account will be reissued systemically when the taxpayer files a return with income of $28,000.00 or more.

Example:

Financial information shows the taxpayer's allowable expenses exceed income and no equity in assets. The taxpayer is incarcerated and his/her release date is two years from today's date. Report the account CNC using cc 24.

5. Request mandatory follow-up when there is evidence that the taxpayer's ability to pay will improve and either computer-generated reactivation is not available or the improvement will happen significantly sooner than systemic reactivation can occur. Generally, the expectation is that revenue will be collected as a result of the follow-up request. Circumstances include:
   A. IMF accounts where the taxpayer will pay off a debt which creates positive cash flow for payment of the tax.

Financial information shows the taxpayer's allowable expenses equal income. The taxpayers have **equity** in their home but already have a second mortgage and **cannot qualify** at this time for a third. The second mortgage will be paid in ten months. Allowable expenses are $42,000.00 Report the account CNC using cc 27 with a mandatory follow-up in twelve months to see whether, based on the current equity in assets, the IRS may be able to secure payment from the taxpayer through either a new second mortgage and/or an installment agreement.

B. In-business corporation cases and other employment tax cases (proprietorship, partnership, or LLC) where the taxpayer is still in business in accordance with IRM 5.16.1.2.7(8).
C. BMF or IMF accounts for which the primary taxpayer files as the secondary SSN on a joint income tax return.

Example:

If a couple files jointly under the wife's SSN, and the husband owes on a sole proprietorship that is reported uncollectible, the BMF case would have the husband's SSN as the cross reference. Since reactivation is determined by an annual review of TPI on the cross reference SSN and the husband is filing under the wife's SSN, this case would not reactivate.

D. The account is reported CNC using cc 12 or cc 18 and there is a definite indication contact should be made in the future.

Example:

The taxpayer is out of the country or temporarily cannot be reached.

E. The taxpayer is reported CNC as a defunct business (other than a sole proprietorship) but requires a follow-up because there is an indication that the business will be due funds in the future.
F. The taxpayer is a seasonal worker, and the tax would be collectible if the taxpayer is contacted when working.
G. Non-master file accounts, where appropriate.
H. Cases in which the 65 cycle suppression of reactivation built into the systemic follow-up program would prevent timely action.
I. Cases where a notice of levy was issued to attach retirement income and assets or income from a law suit which the taxpayer is not yet eligible to receive.
J. Cases that require a NFTL refile.
K. Cases where a court orders restitution paid to federal as well as nonfederal victims, and the Service cannot pursue enforced collection actions until the nonfederal victims are paid in full. In those instances, the account may be closed as a CNC hardship using a closing code calculated in accordance with IRM 5.16.1.2.9(13), with a mandatory follow-up date based on information contained in the court order.

6. For cases not processed on ICS, document the specific follow-up actions and the date required in the Mandatory Follow-up Action section of Form 53, (or equivalent) in sufficient detail to ensure appropriate follow-up. Also document the case history to permit review of the follow-up action after part 4 of Form 53 is detached. As each follow-up action is completed, update part 4 to show the date of the next follow-up.
7. When a CNC case is closed through ICS with a mandatory follow-up request, after managerial approval, ICS systemically creates a Non-Field OI and assigns it to CCP. The RO then sends the paper file to CCP to monitor the follow-up action. Form 3210, *Document Transmittal*, and the CNC case file should be annotated in bold or red "Mandatory Follow-up 53" . See the Who/Where tab on SERP for the CCP addresses or click on this link http://mysbse.web.irs.gov/collection/ccpcoll/mailingprocedures/21073.aspx.
8. CCP will maintain a file for mandatory follow-up requests. These files will *not* be retired to the federal records center. CCP will:
   - File the cases by month and year of the requested action as determined by the originator.
   - File the cases alphabetically if a systemic monitoring program is used.
   - Generate and control subsequent actions with an ICS OI.

Note:

CCP will monitor in-business CNC cases for compliance. If the taxpayer incurs additional liabilities, an OI will be issued to resolve the liabilities. If the additional liabilities are not resolved, the CNC accounts will be reactivated for collection action.

9. If the account remains in CNC after a follow-up, update the closing code to reflect current conditions. If a new closing code is needed request input of TC 530 with the new closing code on the CNC modules. Indicate on the request document, Form 4844, that the modules are not on IDRS. Forward Form 4844 to CCP after securing the required managerial approval.

Example:

If a case was closed as Unable to Contact using cc 12, and the taxpayer is subsequently contacted and determined to be a hardship, the closing code for the CNC periods should be updated to a hardship closing code.

Example:

If the case was closed as an in-business corporation using cc 13, and the follow-up determines the taxpayer is now defunct, the closing code for the CNC periods should be updated to cc 10 for a defunct corporation.