**Internal Revenue Manual Section 20.1.1.3.6.1 (11-21-2017)**
RCA and First Time Abate (FTA) Consideration

1.    Refer to *IRM 20.1.1.3.3.2.1*, *First Time Abate (FTA)*, for all eligibility criteria for penalty relief under the FTA administrative waiver.

2.    RCA has been programmed to determine if FTA criteria are met under most conditions. However, RCA is unable to review any modules in the 3-year look-back period that have been moved to the retention register. If RCA determines FTA criteria may be met based on any modules that have not been moved to the retention register AND one or more modules in the 3-year look-back period has/have been moved to the retention register, RCA will display a warning message.

A.        As stated on the warning message, modules in the 3-year look-back period that have been moved to the retention register must be reviewed manually to determine if FTA criteria are met.

B.        When the *Ok* button is selected in the warning message, RCA next displays the *First Time Abate* dialog message. *Cancel* must be selected if manual review of the module(s) moved to the retention register shows FTA criteria have not been met.

C.        In cases where at least one module in the 3-year look-back period has been moved to the retention register, RCA has not performed a thorough analysis to determine if FTA criteria are met. If manual review verifies FTA criteria have been met, use Penalty Reason Code (PRC) 020 with the adjustment transaction(s).

3.    As stated in *IRM 20.1.1.3.6*, RCA is currently only programmed to review BMF modules on MFTs 01, 10, 11, 14, and 16 and only if an FTD penalty greater than $0.00 is present:

A.        If an FTD penalty of greater than $0.00 is present AND FTF and/or FTP penalties are also present, the FTA recommendation by RCA applies to all penalties.

**Exception:**
If at least one module in the 3-year look-back period has been moved to the retention register and manual review shows FTA criteria have not been met, no penalties will be removed under the FTA waiver.

B.        If an FTD penalty of greater than $0.00 is NOT present but an FTF and/or FTP penalty is, RCA does not perform the FTA analysis for any user type. However, RCA will allow revenue officer (RO) users to process a penalty abatement transaction, if applicable, through RCA. Although the RCA Adjustment Data screen contains a message indicating RCA does check for FTA criteria under this condition, it does not. The account must be reviewed manually to determine if

FTA criteria are met (see *IRM 20.1.1.3.3.2.1*). If FTA criteria are met, select PRC 018 from the drop-down list. **Do not use PRC 020**.

4. If the MFT reviewed is 30 or 31, RCA will perform an analysis to determine if the tax on the module is fully paid:

- If the tax is fully paid, RCA will use Reason Code (RC) 065 (and PRC 020) with the adjustment and will default either the total amount of the FTP penalty assessed on the module with the TC 271 or it will default TC 270 for $0.00 if the module contains only accrued FTP.
- If the tax is not fully paid, RCA will use RC 062 (and PRC 020) with the adjustment and will default the total FTP penalty computed to the current date for the TC 271.
- If the TC 271 amount defaulted by RCA is incorrect, the amount must be edited before transmitting the adjustment.

**Note:**

If RCA does not display the FTA message but it's subsequently determined FTA criteria have been met, use PRC 018 if the tax on the module is paid in full. Use PRC 020 if the tax is not paid in full. For MFTs 30 & 31, RCA will default RC 062 with PRC 020 if the tax is not fully paid but it is not currently programmed to use RC 062 with PRC 018.

5. If the MFT reviewed is 01, 10, 11, 14, or 16, RCA currently will NOT perform an analysis to determine if the tax on the module is fully paid, nor is RCA programmed to use RC 062 with PRC 018 or 020. If the tax on the module is NOT paid in full and PRC 018 or 020 will be used:

. Users that are NOT profiled as an RO user (CRs, TEs, etc.) - If a TC 271 is added to the RCA Adjustment Data screen, it will be necessary to add 062 to the first RC field on the CC ADJ54 screen in IDRS before transmitting the adjustment.
A. Users profiled as an RO user - At this time, there are no options to add RC 062 to the adjustment either before selecting Ok on the RCA Adjustment Data screen nor by Centralized Case Processing (CCP) prior to the adjustment being transmitted. This section will be updated if programming changes can be input to allow for use of RC 062 with PRC 018 or 020 on BMF modules.

6. Per *IRM 20.1.1.3.3.2.1*, individual taxpayers must be compliant as primary or secondary filers with all required returns in the 3-year look-back period. RCA programming was updated in Jan. 2017 to review the history of 2 or more SSNs under most conditions. However, if RCA displays the **First Time Abate**message when accessed on a module on MFT 30 or 31, it will be necessary to manually review the 3-year history to verify all FTA criteria have been met (see *IRM 20.1.1.3.3.2.1*). If not, select **Cancel** and proceed with RCA for a reasonable cause determination.

7. Per *IRM 20.1.1.3.3.2.1*, penalty abatement under the FTA waiver will only be made if the taxpayer has:

. Filed, or filed a valid a valid extension for, all required returns currently due, AND
A. The taxpayer has paid, or arranged to pay, any tax currently due.

RCA is currently unable to determine if these requirements have been met and the account must be reviewed manually for this determination.

8. Per *IRM 20.1.1.3.3.2.1*, penalty relief under the FTA waiver doesn't apply to any portion of a FTD penalty assessed for EFTPS avoidance. At this time, RCA is unable to determine if only a portion of an FTD penalty was charged for EFTPS avoidance and will not display the **First Time Abate** message if the Penalty Computation Code (PCC) used with the TC 18X is one that indicates an avoidance credit is posted (see IRM 20.1.4.14.3).

- In this situation, RCA will display "EFTPS Avoidance" in the Alerts on the Module Home Screen. The account can be reviewed manually to determine if FTA criteria are otherwise met.

**Note:**
The Penalty History section of the RCA Module Home screen can be used as a quick reference to determine if FTA criteria have not been met as this will reflect any unreversed penalties in the 3-year look-back period for modules that have not been moved to the retention register. Even if all modules in the 3-year look-back period are reflected and all reflect 'No Penalties', the account must be reviewed manually to determine if all FTA criteria have been met.

9. RCA will also display a FTA window on a BMF account when the taxpayer has a change in deposit frequency. Employees need to be aware this is different than a FTA for a good compliance history and use the appropriate PRC when removing the penalty for a first-time change in deposit frequency.