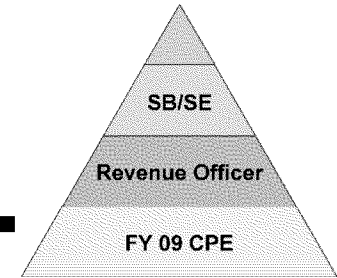


# Global Collection Issues

# Objectives

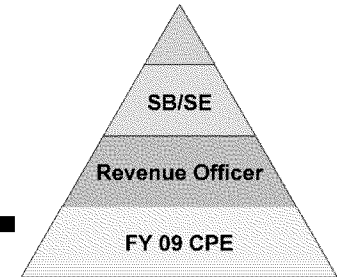
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- **Describe investigative tools available when working cases involving taxpayers with international interests and assets.**

# Objectives

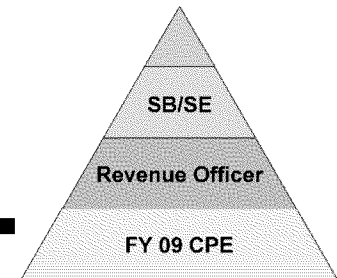
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- **Apply current policy on updating collection statute expiration dates for taxpayers who lived outside the United States.**
- **Determine when to transfer a case to International.**

# Domestic Taxpayers

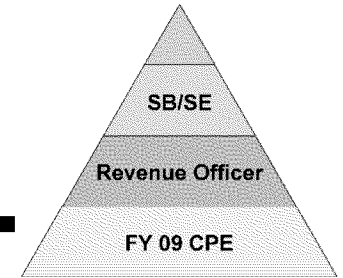
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- **U.S. citizens**
- **Resident aliens**
- **Aliens in U.S. illegally**
- **Nonresident aliens physically present in U.S.**

# Two Types of TECS Records

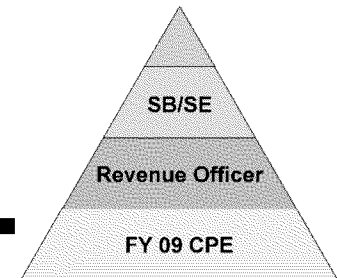
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- **Current Travel**
- **Historical Travel**

# TECS Current Travel Information

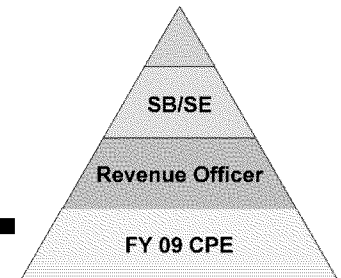
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- **Bal Due case with a filed NFTL can be placed on TECS**
- **The Service receives notification a taxpayer is traveling into the U.S.**

# Placing a Taxpayer on TECS

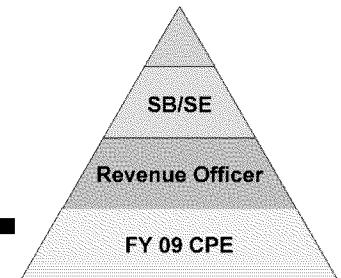
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- **Bal Due cases only**
- **NFTL filed before TECS request**
- **Bankruptcy and some CNC closing codes not eligible**
- **Do not use term “TECS” with TP**

# Placing a Taxpayer on TECS

---

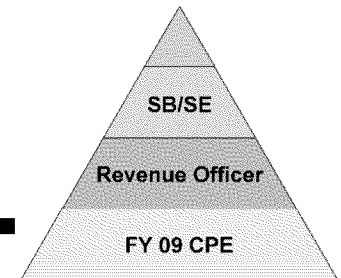


- **Use Form 6668 to request TECS listing**
- **Be aware of the LEM criteria**
- **Send Letter 4106 to TP**



# TECS Historical Travel Information

---

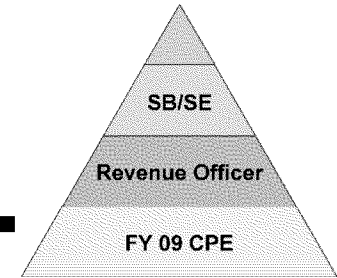


## Can provide:

- **Address information**
- **Status regarding U.S. residency or non-residency**
- **Validity of information on taxpayer's returns or CIS**

# TECS Reminders for Historical Travel

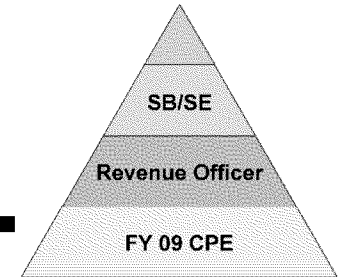
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- **Results not always a total record of taxpayer's travels**
- **Can be used for Del Ret only as well as Bal Due cases**
- **Use Form 13931 to request**

# **Outgoing Mutual Collection Assistance Requests**

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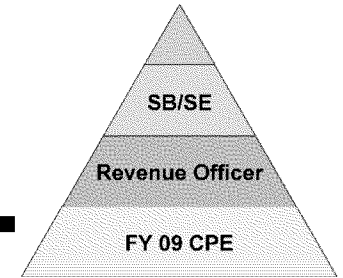


## **Five Countries with MCAR Agreements:**

- **Canada**
- **Denmark**
- **France**
- **The Netherlands**
- **Sweden**

# Outgoing MCAR

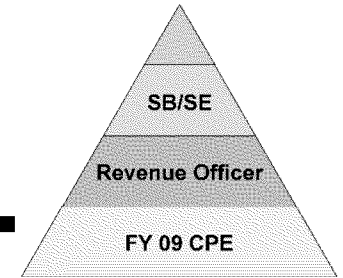
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**Make outbound MCAR requests whenever appropriate – EVEN if you are unsure the request will be accepted**

# Inbound MCAR Requests

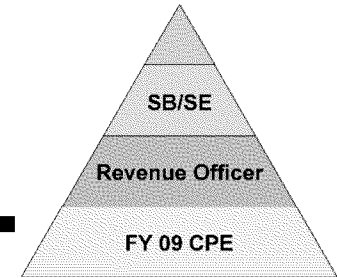
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**Domestic revenue officers could receive an inbound MCAR request OI to work in the U.S.**

# IRC Section 6503(c)

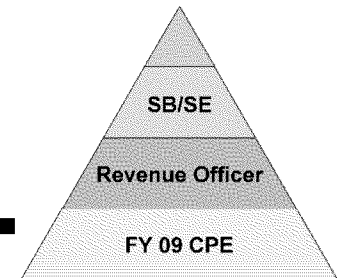
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- **Collection statute is suspended and recalculated**
- **TP abroad at least six months continuously**

# **CSED Policies for IRC Section 6503(c)**

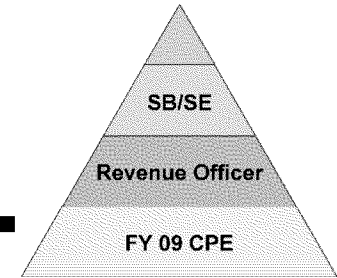
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**Interim Guidance Memorandum  
SBSE 05-0109-004 provides  
policies for how long CSEDs  
should be updated.**

# Maximum Recalculation

---

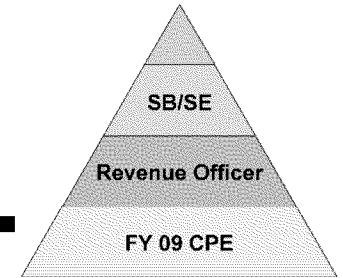


- **Depends on length of time abroad**
- **Maximum of five years**
- **May be recalculated from point of return**



# Basis for Recalculating

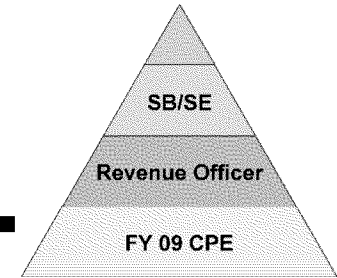
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**The Interim Guidance  
Memorandum SBSE 05-0109-004  
provides guidance on information  
needed to support recalculation**

# Request Update CSED on ICS or Form 8620

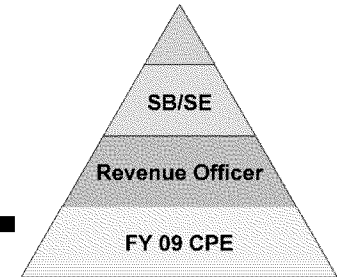
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- **Open modules in ICS require managerial approval on ICS**
- **Update modules not in ICS using Form 8620**

# Exchange of Information (EOI)

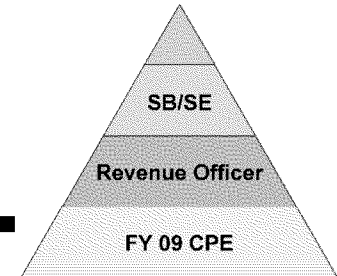
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**Taxpayers may have assets, business locations and bank accounts in other states or outside the U.S.**

# EOI That May be Available

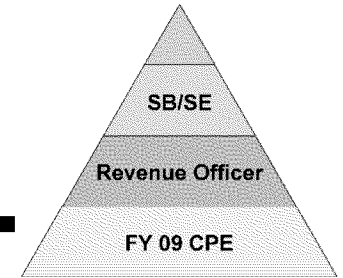
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- **Tax returns**
- **Tax return information**
  - **Filing status**
  - **Citizenship or residency**
  - **Income**
  - **Expenses**
  - **Tax liability**

# Other Available Information

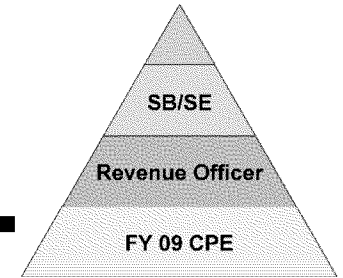
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- **Third party information**
- **Bank records**
- **Public records**
- **Witness interviews**

# How to Submit an EOI Request

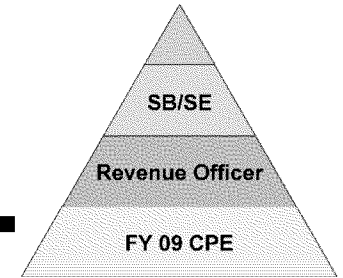
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- **Another state government**
- **U.S. Territory (or Possession)**
- **Foreign country**

# Other Special Requests

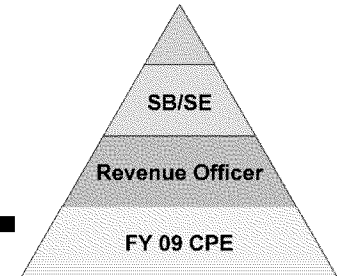
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- **Consent Directive**
- **Letter of Request**

# Passport Information

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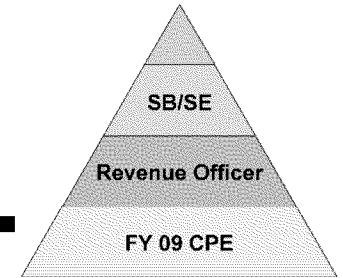


**Another possible source of information to help locate a taxpayer**



# Passport Information

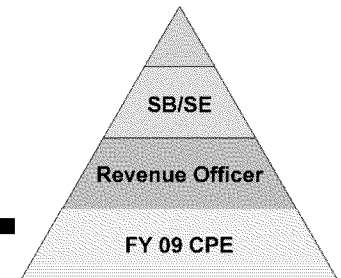
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- **Last known address**
- **Next of kin**

# Transferring Cases to International

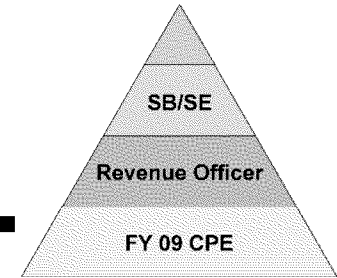
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**When the taxpayer is not domestic, the case needs to be transferred if it meets the criteria**

# Criteria for Case Transfer

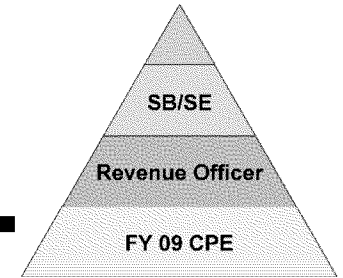
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- **Aggregate balance meets LEM**
- **CSED – At least one year left**
- **Case status**
- **Foreign address documented**
- **U.S. assets/levy sources documented**

# International Includes

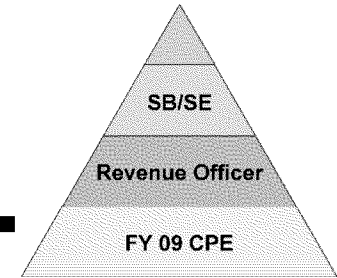
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- **APO and FPO addresses**
- **Puerto Rico**
- **U.S. Territories (Possessions)**
- **Foreign countries**

# International Components

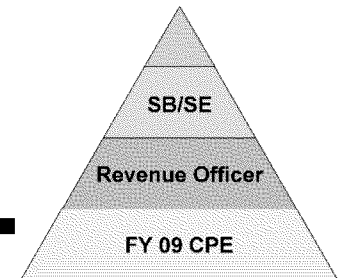
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- **SB/SE North Atlantic, Territory 2**
- **Advisory – Plantation, FL**
- **LMSB website**

# Central Withholding Agreements

---



- **Foreign entertainers and athletes working in the U.S.**
- **Withholding of 30% of gross**
- **IRS may agree to lesser amount**

# Global Collection Issues

**Module Length  
Two Hours**

<b>Lesson</b>	<b>See Page</b>
Global Collection Issues	3

# Global C collection Issues

## Instructor Information

### Introduction



Show slide GC -1 and introduce the lesson title and topic.

This module provides an awareness of tools largely used by international revenue officers. With a global economy, these tools may prove useful in working domestic Collection cases. A appropriate use of these tools will enhance compliance enforcement in certain cases.

### Lesson Data

The following table provides helpful information.

Estimated Time	<ul style="list-style-type: none"> <li>• Two hours</li> </ul>
Participant Material	<ul style="list-style-type: none"> <li>• Participant Guide</li> <li>• Handout GC-1, <i>Determining Alien Status</i></li> </ul>
Instructor Material	<ul style="list-style-type: none"> <li>• Instructor Guide</li> </ul>
References	<ul style="list-style-type: none"> <li>• IRC sections 1441 and 6503(c)</li> <li>• IRM 5.1.8, <i>Courtesy Investigations</i></li> <li>• IRM 5.1.12, <i>Cases Requiring Special Handling</i></li> <li>• IRM 5.1.18, <i>Locating Taxpayers and Their Assets</i></li> <li>• IRM 5.1.19, <i>Collecting Process, General Collecting Procedures, Collection Statute Expiration</i></li> <li>• IRM 5.21, <i>International and Insular Issues</i></li> <li>• Interim Guidance Memorandum, SB SE 05-0109-004, <i>Interim Guidance on the Suspension of the Collection Statute Expiration Date as Provided by Internal Revenue Code 6503( c) When a Taxpayer is Outside the United States</i></li> <li>• Interim Guidance Memorandum, SB SE 05-1208-060, <i>Account Transfer to International</i></li> <li>• LEM 5.1.8, <i>Courtesy Investigations</i></li> <li>• LEM 5.1.12, <i>Cases Requiring Special Handling</i></li> </ul>
Supplies	<ul style="list-style-type: none"> <li>• Whiteboard and markers</li> <li>• Flipchart and markers</li> <li>• Computer projection system and screen</li> <li>• Slides</li> </ul>

*Continued on next page*



## Instructor Information, Continued

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### Objectives



Show slides GC -2 and GC-3. Present the lesson objectives.

At the end of this lesson, the participants will be able to:

- Describe investigative tools available when working cases involving taxpayers with international interests and assets.
  - Apply current policy on updating collection statute expiration dates for taxpayers who lived outside the United States .
  - Determine when to transfer a case to International .
- 

**In This Lesson** This lesson contains the following topics:

<b>Topic</b>	<b>See Page</b>
Treasury Enforcement Communications System (TECS)	5
Outgoing Mutual Collection Assistance Requests (MCAR)	8
Suspension of the Collection Statute Expiration Date (CSED) for Overseas Taxpayers	10
Exchange of Information (EOI)	14
Passport Information	17
Transferring Cases to International	18
Central Withholding Agreements	20
Determining Alien Status	22

---

# Treasury Enforcement Communications System (TECS)

---

## Domestic Taxpayers



Show slide GC -4 and explain who is considered a domestic taxpayer. Introduce the Treasury Enforcement Communication System (TECS).

---

## Treasury Enforcement Communications System (TECS)

Explain that TECS is a tool that can help domestic revenue officers find taxpayers, assets and levy sources. Some domestic revenue officers have used this tool with success. Emphasize to the participants this is a tool they can use when appropriate. It is not just for use by revenue officers in International.

---

## Information Available



Show slide GC -5 and explain that there are two types of TECS records, current travel and historical travel.

---

## Current Travel Information



Show slide GC -6 and discuss obtaining current travel information. Explain TECS includes Bal Due taxpayers with Notices of Federal Tax Lien (NFTLs) on file.

---

## Example – Unable to Contact Taxpayer

Review the example.

Review the background of the case and that the taxpayer was placed on TECS. Review Exhibit 1 – Letter 4106, *Letter Advising Taxpayer of Department of Homeland Security Notification*, pointing out the section that informs the taxpayer this information is being sent to the Department of Homeland Security. The actual process to place a taxpayer on TECS is covered later in the lesson.

Point out how the TECS listing resulted in contact being made with the taxpayer, even though the case had been closed as “Currently Not Collectible” (CNC).

---

*Continued on next page*

# Treasury Enforcement Communications System (TECS),

Continued

---

## Example – Open Case

Follow the progress of the case in the example, pointing out how the TECS listing assisted the revenue officer in resolving the open case.

Discuss how the TECS listing probably made a beneficial difference in the ultimate resolution of the cases. Without the TECS listing the first case would have remained closed and the second case might have had a different resolution.

---

## Placing a Taxpayer on TECS



Show slides GC -7 and GC-8. Discuss the considerations listed in the Participant Guide.

Emphasize that only Bal Due cases with NFTLs can be placed on TECS. Briefly review Exhibit 2 – Form 6668, *TECS Entry Request*.

---

## Removal from TECS



Review when a taxpayer should be removed from TECS. Emphasize to the participants that taxpayers must be removed from TECS promptly when their case status changes due to the circumstances listed.

---

## TECS Historical Information on Past Travel



Show slide GC -9 and explain the historical travel information available from TECS.

Explain this is different from the TECS listing where the Department of Homeland Security notifies the IRS when a person on TECS has entered the U.S. The historical travel information provides the revenue officer with a history, or list, of the taxpayer's past entrances into the United States.

Review the examples with the participants.

Ensure that the participants understand the potential benefits of securing TECS historical information when appropriate.

Explain to the participants they will learn later in the lesson they may be able to request seizure of the property in the second example.

---

*Continued on next page*

# Treasury Enforcement Communications System (TECS), Continued

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## Reminders for TECS Historical Travel Information



Show slide GC -10 and discuss how to obtain historical travel information .

There is no LEM limitation on requesting the TECS historical information .



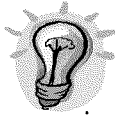
Emphasize this information should not be requested unless there is some indication the taxpayer has been traveling in and out of the U.S. and the information will move the case towards resolution.

---

# Outgoing Mutual Collection Assistance Requests (MCAR)

---

## Mutual Collection Assistance Request (MCAR)



Stress that if taxpayers have assets located in one of five particular countries, revenue officers may be able to request the foreign government collect the United States tax liability by taking enforcement on those assets. In our global economy, domestic revenue officers may find the taxpayers have assets in these countries and may not have known they can take actions on those assets.

Explain these actions are requested by a mutual collection assistance request (MCAR).

---

## MCAR Countries



Show slide GC -11 and introduce the five countries with MCAR agreements. Point out that some countries will not collect from their own citizens under certain circumstances.

---

## MCAR Tax Collection

Discuss with the participants the types of taxes in each country that may be collected under MCAR. Point out most taxes that can be collected are only on individuals.

---

## Requesting an Outgoing MCAR



Show slide GC -12 and discuss outgoing MCAR requests.



Emphasize to the participants an outbound request should be made whenever appropriate, even if the revenue officer is not sure the request will be accepted.

Outbound investigations may take a long time to complete.

Stress that revenue officers do not have to wait for resolution of the MCAR referral before closing the Bal Due case.

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*Continued on next page*

# Outgoing Mutual Collection Assistance Requests (MCAR) ,

Continued

---

## Inbound MCAR Requests



Show slide GC -13 and discuss inbound MCAR requests.

Some participants may have worked an inbound MCAR request, which would have been an other investigation (OI) for one of the MCAR countries. This tool does not help the participants collect a U.S. tax liability, but describes the other side of the MCAR process. The revenue officer will be taking collection action to collect the foreign country's taxes using our procedures.

---

# Suspension of the Collection Statute Expiration Date (CSED) for Overseas Taxpayers

---

## CSED



Show slide GC -14 and introduce IRC section 6503(c).

Explain the Collection statute is suspended under IRC section 6503(c) if a taxpayer was abroad for at least six months.

---

## Collection Information Statement



Explain to the participants the collection information statement (CIS) now contains a question concerning past foreign residency. When working Bal Due cases on taxpayers who previously have been outside the U.S., participants may not be aware the CSED may have been suspended.

---

## IRC Section 6503(c)



Continue to show slide GC -14 and review the contents of IRC section 6503(c).

Ensure that the participants understand the taxpayer must have been continuously outside the United States for at least six months in order for the provisions of IRC section 6503(c) to apply.

---

*Continued on next page*

# Suspension of the Collection Statute Expiration Date (CSED) for Overseas Taxpayers, Continued

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## CSED Policies



Show slide GC -15 and explain the policies regarding CSED extensions.

Refer the participants to Exhibit 3 – Interim Guidance Memorandum SBSE 05-0109-004, *Interim Guidance on the Suspension of the Collection Statute Expiration Date as Provided by Internal Revenue Code 6503(c) When a Taxpayer is Outside the United States*, in the Participant Guide.

Explain to the participants these policies were developed to ensure application of the CSED suspension is consistent for all taxpayers.

Briefly review the policies pertaining to international taxpayers.

This lesson focuses on domestic revenue officers using and considering global issues pertinent to domestic cases. Therefore, this lesson only deals with those taxpayers who have been out of the U.S. and the Commonwealth Territories in the past, but who are now back in the U.S.

---

## Maximum Recalculation



Show slide GC -16 and explain how the CSED is determined and the maximum recalculation.

---

*Continued on next page*



# Suspension of the Collection Statute Expiration Date (CSED) for Overseas Taxpayers, Continued

---

## Exercises



Ask the participants to individually work the exercises, and then discuss the correct answers. You may wish to show the answers on the whiteboard or have a participant do so.

### 1. Answer to Exercise:

Tax assessed: 05/10/2001

Taxpayer outside the United States 02/12/2002 until 07/18/2008. This is 6 years, 5 months and 6 days.

According to IRC section 6503(c), the suspension would be 6 years, 5 months and 6 days. However, the Policy statement limits the recalculation to a total of 5 years. Therefore, the new CSED is 5/10/2016.

Original CSED: 05/10/2011

Add 5 years: New CSED: 05/10/2016

### 2. Answer to Exercise:

Tax assessed: 08/18/1993

Taxpayer outside the United States 01/10/1995 until 07/18/2006. This is 11 years, 6 months and 8 days.

According to the IRC, the CSED can be extended to 02/26/2015 as would be appropriate in these circumstances.

---

## Basis for Recalculation



Show slide GC -17. Continuing to use Exhibit 3, review the information to support a recalculation of the CSED. These methods are also listed in the Participant Guide.

Stress a statement from the taxpayer or the power of attorney (POA) concerning how long the taxpayer lived abroad is the best basis for recalculation.

---

*Continued on next page*

## Suspension of the Collection Statute Expiration Date (CSED) for Overseas Taxpayers, Continued

---

Requesting the  
Recalculation  
Update



Show slide GC -18 and discuss requesting the recalculation.

If a module is on ICS , the CSED recalculation can be submitted on ICS.

Refer the participants to Exhibit 4 located at the end of the lesson. Explain that if a module is not on ICS , Form 8620, *Statute Extension: IRC 6503(c)* , is submitted to the group manager for approval.

At the time this material was written, Form 8620 was being revised and renamed. Review the form for any changes before teaching this lesson.

---

# Exchange of Information (EOI)

---

## Exchange of Information (EOI)



Show slide GC -19 and introduce Exchange of Information (EOI).

Point out that it is not uncommon for taxpayers to have business interests or assets in other states or even in other countries. Stress there may not be information found with the routine ACCURINT check or review of the taxpayer's U.S. income tax return.

Explain some of this information may be secured with an exchange of information (EOI).



Emphasize these are not tools the participants will use in every case. However, when appropriate, these tools are available.

---

## EOI Request



Show slides GC -20 and GC -21 and discuss information that may be available.

As you progress through the slides, point out that most of the information revenue officers can secure from local sources may also be available to them from other states and foreign countries.

---

*Continued on next page*

## Exchange of Information (EOI), Continued

---

### When to Submit an EOI Request

Explain to the participants they will only use an EOI if the information needed:

- is necessary to resolve the collection case.
- cannot be obtained from local sources .
- is available from the non -local source.

Review the first example. Point out that since the information RO Eaton needs is available by a summons to the bank office located in the United States, no EOI request should be submitted.

Review the second example. Point out the revenue officer was unable to secure any income information from the taxpayer or from local sources, so an EOI request to France would be appropriate.

---

### How to Submit an EOI Request



Show slide GC -22 and explain there are different methods for submitting an EOI request depending on the source of information.

---

### State Government

Point out revenue officers routinely secure information from the government of the state where they work. Similar information is frequently available from other states.

Briefly review Exhibit 5 – Form 8796, *Request for Return/Information*.

Explain that Disclosure is available to assist the revenue officer in completing the form.

Review the example. Point out this was a two-step process:

- RO Adams determined the state had the information he needed.
  - The request for the information was submitted through Disclosure .
- 

### U.S. Territory

Explain the Governmental Liaison can help determine if the information is available and assist in preparing Form 8796.

---

*Continued on next page*

## Exchange of Information (EOI), Continued

---

### Foreign Countries

Point out there has to be a treaty allowing for the exchange of information before the revenue officer can secure information from a foreign country.

Briefly review the steps in the EOI process.

Explain that it can take several months before any information may actually be secured.

---

### Other Special Requests



Show slide GC -23 and discuss the special requests.

Point out that these two types of information requests are used in very special circumstances.

---

### Consent Directive

Emphasize this is only a last resort in summons enforcement situations.

---

### Letter of Request

Point out that this only applies when there is court action or pending court action.

---

# Passport Information

---

## Background



Show slide GC -24 and introduce passport information.

Point out this is another possible source of information the participants may be able to use in working some of their cases.

---

## Passports



Show slide GC -25 and briefly review the information available from passports . Explain it can benefit the participants when working their cases, especially when they are unable to locate the taxpayer.

Advise the participants of the LEM 5.1.18.6.1 *United States Passport Office* requirements.

---

## Request Passport Information

Refer the participants to Exhibit 6 – Letter 4263, *Passport Letter Request* , in the Participant Guide. Briefly review.

Advise the participants that the procedures to prepare and forward the request are in IRM 5.1.18.16.

---

# Transferring Cases to International

---

## Background



Show slide GC -26 and explain to the participants we live in a very mobile society and more and more U.S. citizens are moving outside the country.

---

## Transfer to International – Address Confirmed

Explain that the participants must confirm the taxpayer's foreign address before transferring the case to International.



Emphasize that if a foreign address is confirmed for the taxpayer, the case can be transferred. Mention there are a few situations, which will be addressed later in this lesson, when the case will not be transferred.

In the lesson we are addressing only Ba 1 Due cases. Transfer of Del Ret only cases is discussed in IRM 5.1.11.4.8, *Del Ret Transfers*.



Show slide GC -27 and review the criteria with the participants.

Provide the LEM 5.1.8.1.4 limitations to the participants.

Point out that the case statuses prohibiting transfer to International are, in general, statuses that prevent any collection action. Therefore, there would be no purpose in transferring cases with those statuses to International as the revenue officers in International would not be able to take any action on those cases.

Point out to the participants that they need to document assets and levy sources, but they are not required to take enforcement action on those items before transferring the case to International.

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## Transfer to International – Address Not Confirmed

Point out that if the participants discover a foreign address for the taxpayer but are unable to verify it, they can issue an other investigation ( OI) to International.

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*Continued on next page*

## Transferring Cases to International , Continued

---

### How to Transfer



Show slide GC -28 and point out that it is not just taxpayers in foreign countries that can be transferred to International.

Review the list with the participants.

Explain that APO (Army post office) and FPO (Fleet post office) numbers are generally for U.S. military overseas, although some civilians also have APO/FPO addresses.

Guam, American Samoa, Northern Marianas Islands and the Virgin Islands are all U.S. Territories (Possessions).

Point out that IRM 5.1.8.1.4 contains the procedures for transfer of cases to International.

Refer the participants to Exhibit 7 – Internal Guidance Memorandum SBSE 05-1208-060, *Accounts Transfers to International* , in the Participant Guide. Explain the interim guidance changed some IRM procedures.

---

### International Components



Show slide GC -29 and point out that once the case is transferred, it will be worked by the revenue officers in Territory 2 of the North Atlantic Area.

Revenue officers in International can assist domestic revenue officers with international issues.

The participants can also contact Advisory in Plantation, FL for assistance in cases with international issues.

The LMSB website also provides helpful information.

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# Central Withholding Agreements

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## Central Withholding Agreement (CWA)



Show slide GC -30 and explain to the participants that more and more foreign entertainers and athletes come to the United States to earn money. That income is subject to withholding at the rate of 30 percent of the gross income.

Point out the IRS sometimes agrees to withholding at a lower rate.

This section is more for the participant s' information and awareness. There is not the level of direct applicability that was present in earlier parts of the lesson.

---

## Taxpayer Expenses



Ask the participants :

Do you know how taxes are collected from foreign athletes and entertainers working in the U.S.?

### *Possible Responses:*

- *Withholding*
- *Flat Rate*

Explain that necessary expenses and a 30 percent tax rate may not allow a positive cash flow.

Review the example to show why it was decided that the IRS should agree to a CWA. Point out that in the example, the IRS would probably agree to withholding based upon the net income of \$365,000.

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*Continued on next page*

## Central Withholding Agreements , Continued

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### **Securing a CWA**

Point out that the CWA is a formal contract binding upon all parties involved .

Explain the taxpayer must request the CWA and provide all the information the IRS needs to make a decision on the request.

Refer the participants to the CWA website. Mention that the senior tax specialists with International and Insular Compliance Policy negotiate the CWAs.

Explain to the participants that details of applying for a CWA are not discussed in this class. The CWA website provides contacts if information is needed.

---

### **Impact on ROs**

Explain to the participants they will probably not be involved directly with CWAs.

However, they may receive an “Other Investigation” (OI) from International to serve levies on income sources for foreign entertainers or athletes. The taxpayer or withholding agent might then raise the issue of a CWA.

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# Determining Alien Status

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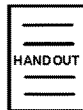
## Background

Non-U.S. citizens (aliens) are, for tax purposes, either resident aliens or nonresident aliens.

---

## Determining Status

Briefly point out that domestic revenue officers working Del Ret cases may need to help their taxpayers determine which return should be filed.



Distribute Handout GC -1, *Determining Alien Status* , to each participant.

This is an awareness item.

Explain that the handout can be used to help determine an alien taxpayer 's status.

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# Global Collection Issues

Lesson	See Page
Global Collection Issues	3

# Global Collection Issues

## Overview

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### Introduction

Commissioner Douglas Shulman pointed out that international tax administration is becoming increasingly important in today's global economy. In recent remarks he said, "Tax administrators and tax professionals find themselves with a new, heightened and highly visible global role."

Taxpayers continue to develop and maintain financial interests outside the United States and Commonwealth Territories. As a result, all revenue officers, not just international revenue officers, may find global collection techniques and investigative tools useful and an enhancement in case investigations and resolutions.

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### Lesson Materials

- Participant Guide
  - Handout GC-1, *Determining Alien Status*
- 

### References

- IRC sections 1441 and 6503(c)
  - IRM 5.1.8, *Courtesy Investigations*
  - IRM 5.1.12, *Cases Requiring Special Handling*
  - IRM 5.1.18, *Locating Taxpayers and Their Assets*
  - IRM 5.1.19, *Collecting Process, General Collecting Procedures, Collection Statute Expiration*
  - IRM 5.21, *International and Insular Issues*
  - Interim Guidance Memorandum, SBSE 05-0109-004, *Interim Guidance on the Suspension of the Collection Statute Expiration Date as Provided by Internal Revenue Code 6503(c) When a Taxpayer is Outside the United States*
  - Interim Guidance Memorandum, SBSE 05-1208-060, *Account Transfer to International*
  - LEM 5.1.8, *Courtesy Investigations*
  - LEM 5.1.12, *Cases Requiring Special Handling*
- 

*Continued on next page*

## Overview , Continued

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### Objectives

At the end of this lesson, you will be able to:

- Describe investigative tools available when working cases involving taxpayers with international interests and assets.
  - Apply current policy on updating collection statute expiration dates for taxpayers who lived outside the United States.
  - Determine when to transfer a case to International.
- 

### In This Lesson

This lesson contains the following topics:

Topic	See Page
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Outgoing Mutual Collection Assistance Requests (MCAR)	11
Suspension of the Collection Statute Expiration Date (CSED) for Overseas Taxpayers	14
Exchange of Information (EOI)	18
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Transferring Cases to International	24
Central Withholding Agreements	27
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Exhibit 1 – Letter 4106, <i>Letter Advising Taxpayer of Department of Homeland Security Notification</i>	31
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Exhibit 3 – Interim Guidance Memorandum Interim Memo SBSE 05-0109-004	35
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# Treasury Enforcement Communications System (TECS)

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## Domestic Taxpayers

As general program revenue officers, you work cases on domestic taxpayers. However, domestic taxpayers are not limited to U.S. citizens. They include:

- U.S. citizens
- Resident aliens
- Aliens present in the U.S. without legal permission
- Nonresident aliens physically present in the United States

Many domestic taxpayers have interests outside the United States (U.S.) and often travel abroad. This makes locating and contacting them ever more challenging. The Treasury Enforcement Communications System (TECS) can help you locate many of these taxpayers and their assets.

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## Treasury Enforcement Communications System (TECS)

TECS is a database maintained by the Department of Homeland Security and used extensively by the law enforcement community. It can help you find and contact taxpayers. It can also lead you to assets and levy sources.

TECS guidance is provided in:

- IRM 5.1.8, *Courtesy Investigations*
  - IRM 5.1.12, *Cases Requiring Special Handling*
  - IRM 5.1.18, *Locating Taxpayers and Their Assets*
- 

## Information Available

TECS provides two types of information.

- Current travel information on where a taxpayer will be staying when they arrive in the U.S.
  - Historical information on past travels
- 

## Current Travel Information

Bal Due taxpayers can be entered into TECS. Notices of Federal Tax Lien (NFTLs) must be filed on all periods. The Service will receive information when these taxpayers travel into the U.S. for business, employment or personal reasons. International uses TECS to receive information when foreign resident taxpayers came into the U.S. This section focuses on how you can use TECS for cases involving global travelers.

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*Continued on next page*

# Treasury Enforcement Communications System (TECS),

Continued

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**Example –  
Unable to  
Contact  
Taxpayer**

You have a Bal Due on Fannin Gilmer. The address of record is in Tyler, Texas, which is your post of duty . While Mr. Gilmer’s address appears to be valid, you are not able to make contact or locate any assets. You learn from third parties Mr. Gilmer is presently out of the country and is often abroad. After filing a Notice of Federal Tax Lien (NFTL), you request Mr. Gilmer be placed on TECS as the Bal Due meets the LEM criteria for doing so. You also mail Letter 4106 to Mr. Gilmer advising him his name is being placed on a Department of Homeland Security (DHS) watch list. See Exhibit 1 – Letter 4106, *Letter Advising Taxpayer of Department of Homeland Security Notification* .

Letter 4106 does not mention TECS by name. If you had actual discussions with the taxpayer, you would not mention TECS by name but instead would follow the language in Letter 4106.

Six months after you reported the case as unable to contact, DHS advises the IRS’ TECS Coordinator in SBSE that Mr. Gilmer has just arrived at an airport in New York and will be traveling on to St. Louis for a two-week stay. DHS provides the name and telephone number of the hotel where Mr. Gilmer will be staying and a cell phone number for him.

The TECS Coordinator notifies your group manager (GM) Mr. Gilmer is in the U.S. A courtesy investigation is issued by your GM to the appropriate GM in St. Louis.

Ron Baxter, a revenue officer in St. Louis, is assigned the courtesy investigation . He meets with Mr. Gilmer and secures a financial statement. RO Baxter learns Mr. Gilmer is planning to move from Texas to St. Louis due to involvement in a business based in St. Louis, but with activity in several foreign countries. R O Baxter advises Mr. Gilmer, based on assets revealed in the CIS and located in various U .S. cities, he has the ability to full pay. RO Baxter provides a 45 -day deadline for payment . You request the case be taken out of the unable to contact status and assigned to you as the taxpayer still resides in Texas.

Mr. Gilmer pays the Bal Due in full. You request his name be removed from TECS.

Without TECS, this case would have probably remained in unable to contact status for some time and perhaps for its duration.

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# Treasury Enforcement Communications System (TECS),

Continued

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**Example –  
Open Case**

You are working a Bal Due case on Nolan Lamb, who lives in Connecticut. He is an author with a website. He has not responded to any of your contact requests. You levied the book publisher, but were advised there are presently no profits above an advance paid while the current book was being written. The website also suggests the author may be moving into self-publishing and print-on-demand orders in the future.

You noticed on the website Mr. Lamb is about to begin personal appearances to promote the new book in England, where he is more popular. You decide to place Mr. Lamb on TECS. A NFTL has already been filed. You send Letter 4106 and follow the process to request DHS include Mr. Lamb on TECS.

When Mr. Lamb returns to the U.S. and is stopped at the airport, DHS learns Mr. Lamb is heading to Chicago for another personal appearance that had not been listed on the website.

When you learn this from the TECS Coordinator, you consider sending a levy to the Chicago event holder and a courtesy investigation to the Chicago Collection group to secure a CIS or serve a summons for one. Before these case actions take place, Mr. Lamb calls because of the DHS interview at the airport. You are able to take a CIS by phone and make an appointment for one week later to meet and discuss payment. After meeting with Mr. Lamb, you request that he be removed from TECS.

In this situation, without TECS you may have never known about the Chicago levy source. You may never have been contacted by the taxpayer as the NFTL had not generated a response and there were no levy sources available. The taxpayer called because he had come back into the country with some publishing representatives and did not want to be stopped again while in the company of colleagues.

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# Treasury Enforcement Communications System (TECS),

Continued

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## Placing a Taxpayer on TECS

When you consider placing a taxpayer on TECS so DHS will notify the IRS when the taxpayer enters the country, keep the following things in mind:

- Entering a taxpayer on TECS can only be done for balance due cases. You can place a taxpayer on TECS who has a Del Ret but only when there are also Bal Due cases. If the Bal Due cases are satisfied, but the Del Ret remains open, you will need to promptly request removing the taxpayer from TECS as there would not be any open Bal Due modules reflected on a filed NFTL.
- File a NFTL for all Bal Due periods before requesting a taxpayer be placed on TECS.
- Do not request placing a taxpayer on TECS
  - \* who is in bankruptcy or
  - \* in currently not collectible (CNC) with a hardship or deceased closing code.
- Do not discuss TECS as a specific system with the taxpayer. Use the same language found in Letter 4106.
- Use Form 6668, *TECS Entry Request*, to request placing a taxpayer on TECS. See Exhibit 2. Send the request to your group manager for approval by secure email. LEM 5.1.12.26.3.1, *Entering a Taxpayer on TECS*, provides criteria for placing a taxpayer on TECS, though you can request TECS placement for a lesser amount if your manager approves.
- Send Letter 4106 to the taxpayer after the group manager has approved and forwarded the request to place the taxpayer on TECS.

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## Removal from TECS

Promptly remove a taxpayer from TECS if the balance due liability is paid in full.

Also remove a taxpayer from TECS when:

- an installment agreement is approved.
- you verify the taxpayer is deceased.
- an offer in compromise is accepted.
- the taxpayer files bankruptcy.
- closing the case with a CNC hardship code.

IRMs 5.1.12 and 5.1.8 contain further guidance.

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# Treasury Enforcement Communications System (TECS),

Continued

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## TECS Historical Information on Past Travel

TECS can also be used to obtain historical travel information. This information can assist in locating taxpayers and assets based on prior foreign travel.

Historical information from TECS may help reveal:

- Possible address information to attempt taxpayer contact or identify assets.
- A taxpayer's status regarding their contention regarding their U.S. residency or nonresidency.
- The validity of information on the taxpayer's returns or collection information statement (CIS).

The following examples show when TECS historical travel information may help you in casework:

### Example

You are trying to locate a taxpayer who lives in Minnesota and also find levy sources. You learn in your investigation the taxpayer travels to Japan. You may learn through TECS historical travel information how the taxpayer paid for airline tickets, possibly finding a bank levy source.

### Example

You have a balance due case on Drew Carthage. His address of record is in Florida. You have been unable to make contact and have been advised Mr. Carthage is often in Europe. When you obtain the TECS historical travel information, you find Mr. Carthage has not been in Europe, at least according to TECS records, but has flown to Canada twice in the past year and paid for the tickets from a Canadian bank account. You find the Canadian bank has a branch in the U.S. and you serve a levy. Mr. Carthage contacts you in response to the bank levy. When you secure a CIS, you learn he owns 20 acres of vacant land in Canada. Collection options against foreign property are discussed later in the lesson.

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# Treasury Enforcement Communications System (TECS),

Continued

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## **Reminders for TECS Historical Travel Information**

TECS historical travel records are not necessarily a complete or current history of a taxpayer's travels outside the U.S. The records only go back a few years. They are most likely to contain air travel outside the U.S. They also contain sea travel and other border crossing information, but these travel records may not be as complete.

You can request the historical travel record information even when you only have a Del Ret investigation. You cannot make the request to place a taxpayer on TECS for current travel information unless there are balance due cases for which a NFFL has been filed.

Use Form 13931, *TECS Historical Travel Request*, to request TECS historical travel information. Email the completed form to the TECS Coordinator at: “\*SBSE International TECS Coordinator.”

IRM 5.1.18, *Locating Taxpayers and Their Assets*, and the TECS webpage, <http://sbse.web.irs.gov/Collection/Programs/TECS/Default.htm>, provide additional guidance. Do not request this information on every case. You should request historical travel records only when there is some indication the taxpayer has been traveling in and out of the U.S. and the information will help resolve the case.

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## Outgoing Mutual Collection Assistance Requests (MCAR)

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### Mutual Collection Assistance Request (MCAR)

A theme throughout this lesson is the shrinking globe. Technology and the virtual economy enable taxpayers to travel, purchase assets outside the U.S. and establish foreign bank and investment accounts. You may be able to have foreign governments pursue and levy on assets in five countries with which we have treaties involving Mutual Collection Assistance Requests (MCARs).

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### MCAR Countries

The five countries with MCAR agreements are:

- Canada
- Denmark
- France
- The Netherlands
- Sweden

If you learn a taxpayer has assets located in one of these countries, you may be able to make an outgoing MCAR request to that country. The MCAR country may then take enforcement action on those assets.

In these situations, the foreign country/treaty partner may take whatever actions they would take when collecting on their own country's tax assessments.

Exceptions are:

- The treaties for France, The Netherlands and Sweden provide they will not collect from their own citizens.
  - The treaties for Canada and Denmark provide they will not collect from taxpayers who were citizens of those countries at the time the tax liability arose, regardless of what their citizenship may be now.
- 

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# Outgoing Mutual Collection Assistance Requests (MCAR) ,

Continued

## MCAR Tax Collection

The types of U.S. taxes that may be collected under MCAR are indicated in the table below:

MCAR Referrals to Countries with Treaty Collection Assistance	
Country	Type of Taxes
Canada	Any type of tax (including IMF & BMF) <i>Exception:</i> Do not refer Canadian corporations. In a case involving corporate taxpayers, provide evidence that the corporation is not a Canadian corporation.
Denmark	Income Tax - IMF only
France	Income Tax - IMF only, Estate Tax, and/or Gift Tax
The Netherlands	Income Tax - IMF only
Sweden	Income Tax - IMF only

## Requesting an Outgoing MCAR

Request an MCAR by completing a MCAR Datasheet to send to the appropriate MCAR Coordinator. The Datasheet provides the information needed to consider issuing an outbound request. Specific criteria for outgoing MCAR cases are found in LEM 5.1.12.25.3, *Outgoing Mutual Collection Assistance Requests (MCARs)*.

Do not refer Del Ret accounts. Treaty provisions prohibit the referral of Del Ret accounts that do not meet the referral criteria.

IRM 5.1.12 and the SBSE MCAR webpage (<http://sbse.web.irs.gov/collection/Programs/MCAR/Default.htm>) can guide you in preparing and routing the MCAR request.

Proceed with an outbound MCAR request whenever appropriate, even if you are not sure it will be accepted and worked.

You do not have to hold your case open if you have exhausted all collection efforts other than the outbound MCAR request.

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## Outgoing Mutual Collection Assistance Requests (MCAR) , Continued

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### **Inbound MCAR Requests**

Just as the foreign MCAR countries work our requests, we also work theirs. You could be assigned an other investigation (OI) to investigate an inbound MCAR request.

Procedures for inbound requests are found in IRM 5.1.8.7.7, *Incoming Mutual Collection Assistance Requests*.

The inbound process is not discussed in this lesson, since it is not a tool to help you resolve your domestic case assignments.

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# Suspension of the Collection Statute Expiration Date (CSED) for Overseas Taxpayers

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**CSED** The Collection statute expiration date (CSED) is suspended under IRC section 6503(c) if a taxpayer is abroad continuously for at least six months. The CSED must be recalculated in these situations.

---

**Collection Information Statement** In the current global economy, you may find yourself If working cases involving taxpayers who have resided overseas. When conducting a taxpayer interview for a collection information statement (CIS), Question 10 will assist you in determining if a taxpayer resided overseas and the dates of such residency.

10	In the past 10 years, has the individual resided outside of the United States for periods of 6 months or longer <i>(If yes, answer the following)</i>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Dates lived abroad: from (mmddyyyy)		To (mmddyyyy)	
www.irs.gov		Cat. No. 20312N	
		Form 433-A (Rev. 1-2008)	

If a taxpayer has lived outside the United States, the CSED may have been suspended.

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**IRC Section 6503(c)** IRC section 6503(c) states “the running of the period of limitations on collection after assessment ... shall be suspended for the period during which the taxpayer is outside the United States if such period of absence is for a continuous period of at least six months...” This means, when interviewing taxpayers who have lived overseas, you may need to update the CSED.

---

**CSED Policies** Because application of IRC section 6503(c) could result in a CSED being suspended for a very long time, policies have been issued regarding the maximum length to update CSEDs. See Exhibit 3, Interim Guidance Memorandum SBSE 05-0109-004, at the end of this lesson. IRM 5.1.19 and current interim guidance provide further guidance on CSED suspensions.

This lesson only focuses on taxpayers who have been out of the U.S. and the Commonwealth Territories in the past, but who now live in the U.S. and the policies concerning those taxpayers.

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## Suspension of the Collection Statute Expiration Date (CSED) for Overseas Taxpayers, Continued

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### Maximum Recalculation

Taxpayers permanently back in the U.S., but who were outside the U.S. since the date of assessment, may fall under IRS section 6503(c) provisions if they were abroad for at least six months.

These taxpayers generally have a maximum of five years added to their CSED for IRC section 6503(c) suspensions.

Under this policy, a taxpayer who lived outside the U.S. for 18 months would have a CSED recalculation for an additional 18 months. A taxpayer who lived outside the U.S. for six years would have a CSED recalculation for five years from the original CSED.

In rare instances, where a taxpayer with significant collection potential had been abroad for decades, recalculate the statute as necessary for the time anticipated to collect the liability up to the maximum time allowed under the Code. Modules which show the CSED expired on IDRS can be reversed and updated for collection action.

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### Exercises

How would you apply the policy in these situations?

1. You are working a Bal Due case with one of the modules assessed on May 10, 2001. When you interview the taxpayer to complete the CIS, you learn they lived in Sri Lanka from February 12, 2002 until July 18, 2008.

How long is the CSED extended? What is the new CSED date?

**Answer:**

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*Continued on next page*

## Suspension of the Collection Statute Expiration Date (CSED) for Overseas Taxpayers, Continued

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### Exercises (continued)

2. You are working a Bal Due case on Oliver Taos. One of the modules was assessed on August 18, 1993. This module is no longer on IDRS due to systemic CSED expiration. In your CIS interview, you learn Mr. Taos lived in Ireland from January 10, 1995 until July 18, 2006. You also learn Mr. Taos has \$700,000 equity in property. Mr. Taos has owned this property since the early 1990s. The property is under a corporate name that you have determined is an alter ego. You are currently seeking approval for an alter ego lien.

You discuss the case with your group manager. You both agree there appears to be significant collection potential situation as cited in the policy on IRC section 6503(c) situations.

What is the new CSED? How did you arrive at this date?

**Answer:**

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*Continued on next page*

## Suspension of the Collection Statute Expiration Date (CSED) for Overseas Taxpayers, Continued

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### Basis for Recalculation

Documentation on the CIS of the taxpayer's living outside the U.S. will support a recalculation of the CSED under IRC section 6503(c). The taxpayer's signature on the CIS establishes they acknowledge the dates are correct.

In addition, you can use any other written information from the taxpayer or their power of attorney (POA) which states the dates the taxpayer was outside the U.S. and Commonwealth Territories.

You may also use a verbal statement from the taxpayer or POA if the information is clearly documented in the case history.

The fact the taxpayer has consistently filed tax returns with a foreign address may also be used as a basis to update the CSED, if you are not able to contact the taxpayer.

When you are not able to secure a statement or a return, check data sources, such as Accurant, Smart.Alx, IRP and third-party testimony, to help determine if a taxpayer was outside the U.S. for a long period. Do not rely solely on these sources to justify updating the statute. The information may be used in later conversation with the taxpayer or POA to confirm the dates of foreign residence.

If unable to contact the taxpayer or POA, confirm the taxpayer has been outside the United States by checking government -based travel or residency sources, such as TECS historical travel records or Department of State records of registration with a U.S. Consulate in a foreign country.

When a case has significant collection potential and the preponderance of information assembled from these sources indicates the taxpayer resided outside the U.S. for the period in question, update the statute for the period. Clearly document the case history to support this determination.

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### Requesting the Recalculation Update

Updates of the CSED date based on IRC section 6503(c) can be done on ICS, with managerial approval, for open modules.

Modules not on ICS are updated using Form 8620, *Statute Extension: IRC 6503(c)*. This form requires managerial approval. See Exhibit 4.

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## Exchange of Information (EOI)

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### Exchange of Information (EOI)

Information is a vital resource for all revenue officers. You need information about taxpayers to resolve your collection cases.

You are familiar with securing collection information from local sources. Taxpayers may have assets or business locations in other states, or even outside the United States, which can make securing information challenging. The information may be located in another state, in a U.S. Possession or in another country.

Important collection information may still be available, even if the information is not available locally. An “Exchange of Information” (EOI) request submitted to the proper authority is used to secure this type of information.

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### EOI Request

There are many types of information that may be secured through an EOI request. These include:

- Tax returns
  - Tax return information
    - \* verification of filing status
    - \* citizenship
    - \* residency
    - \* income
    - \* expenses
    - \* tax liability
  - Third party information
  - Bank records
  - Public records
    - \* deeds
    - \* births
    - \* death
    - \* marriage
    - \* divorce
  - Witness interviews
- 

*Continued on next page*

## Exchange of Information (EOI), Continued

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### **When to Submit an EOI Request**

Issuing an EOI request is not appropriate when the information or documentation can be obtained from local sources, internal sources or the taxpayer. Before an EOI can be submitted to a foreign country, all domestic sources must be exhausted.

#### **Example**

Clare Eaton, a revenue officer working in Phoenix, has a Bal Due case on Cooper Johnson. She discovers Mr. Johnson has a bank account in Canada at the State Trust Savings Bank in Montreal.

RO Eaton wants to obtain copies of bank statements and cancelled checks. She determines State Trust Savings Bank has their main office in Detroit, MI. Instead of submitting an EOI request, RO Eaton issues a summons to the bank at the Detroit address to secure the information she needs.

When the information necessary to resolve a case cannot be obtained from the taxpayer or from other sources in the United States, an EOI request may be submitted.

#### **Example**

Taylor Harper, a revenue officer working in Nashville, is working a Del Ret case on Clare Duval, a U.S. citizen. RO Harper discovers Ms. Duval was living and working in France during the Del Ret periods. Ms. Duval is seldom at home and has not returned his calls. Ms. Duval sent RO Harper a letter stating she had no income during the Del Ret years. RO Harper has not been able to find income information for Ms. Duval for the Del Ret periods from internal and other domestic sources. RO Harper determines a summons to the taxpayer would not be effective. Ms. Duval's income information is necessary to close this particular Del Ret. An EOI to request copies of Ms. Duval's French tax returns or income information from France is appropriate.

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## Exchange of Information (EOI), Continued

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**How to Submit an EOI Request** Different methods are used to submit an EOI request, depending on whether the source of information is:

- another state government ,
  - the government of a U.S. Territory (Possession) , or
  - the government of a foreign country .
- 

### **State Government**

A state, other than the one in which you work, may have information you need to resolve the case. You first must determine if the state actually has the information. To determine if the information is available, contact either the IRS Disclosure Office for the state or consult the Governmental Liaison Contact for the state. The Governmental Liaison Contacts website is found at: <http://mysbse.web.irs.gov/CLD/GLD/GL/Contacts/default.aspx> .

#### **Example**

Revenue Officer Lamar Adams works in Rochester, New York. He has a Del Ret case on Lehigh Inc. RO Adams discovers Lehigh, Inc. has an office in Seattle . He wants to determine if Lehigh, Inc. has any payroll in Washington. He uses the “Governmental Liaison Contacts” website to find the Governmental Liaison for Washington. He contacts the liaison who tells him payroll information is available from the Washington State Employment Security Department.

If the information required is held by a state government, complete Form 8796, *Request for Return/Information*, and send it to the IRS Disclosure office for that state. See Exhibit 5, Form 8796, *Request for Return/Information* .

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### **U.S. Territory**

When the information required might be available from the government of a U.S. Territory (sometimes described as a U.S. Possession), consult the Governmental Liaison to determine if the required information can be obtained from the government of the U.S. Territory.

If the information is available, use Form 8796, *Request for Return/Information*, to request the information. The Governmental Liaison contact will be able to provide advice on preparing and routing the form.

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*Continued on next page*

## Exchange of Information (EOI), Continued

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### Foreign Countries

When the information required is held by a foreign country, prepare a memorandum requesting the necessary information. Once the memorandum is approved by your group manager and territory manager, send it to the proper Tax Attache, Revenue Service Representative (RSR) or EOI group.

To process the EOI for a foreign county:

- Determine if there is an Exchange of Information treaty with the foreign country. Check the following website:  
[http://lmsb.irs.gov/international/dir\\_treaty/eoi\\_overseas/eoi/downloads/Country%20List.doc](http://lmsb.irs.gov/international/dir_treaty/eoi_overseas/eoi/downloads/Country%20List.doc)
- If the country is listed as having an Exchange of Information treaty, contact the appropriate person from the following website:  
[http://lmsb.irs.gov/international/dir\\_treaty/eoi\\_overseas/eoi/contact.asp](http://lmsb.irs.gov/international/dir_treaty/eoi_overseas/eoi/contact.asp)
- Discuss the EOI request with the contact. The contact can help with the preparation of the memorandum.
- Prepare the memorandum.
- Submit the memorandum for approval to the territory manager through your group manager.

Forward the memorandum to the appropriate Tax Attache, RSR or EOI group.

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### Other Special Requests

In special circumstances, there may be other information requests. These include:

- Consent Directive
  - Letter of Request
- 

*Continued on next page*

## Exchange of Information (EOI), Continued

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### **Consent Directive**

The Consent Directive is a document authorizing a U.S. court to compel the taxpayer or a third party to disclose certain foreign bank records. It is also known as a Disclosure Directive. Some foreign countries may comply with a Consent Directive. This is only used as a last resort where a court is considering denying the enforcement of a summons on Fifth Amendment grounds.

Consent Directives can be obtained directly from the taxpayer or pursuant to a court order. Consent Directives obtained from the taxpayer generally are viewed more favorably by the foreign government. See IRM 5.21.2.3, *Consent Directives*, for more information.

Consult with Area Counsel when considering a Consent Directive.

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### **Letter of Request**

A Letter of Request is a method of obtaining information from a country which has signed The Hague Evidence Convention. This can only be used when there is a judicial proceeding pending or imminent in the United States. See IRM 5.21.2.4, *Letter of Request*, for more information.

Consult with Area Counsel for guidance with the application for a Letter of Request.

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# Passport Information

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**Background** More and more taxpayers are applying for passports. Passport applications are another source of information to help locate a taxpayer.

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**Passports** Passports establish an individual's identity and are used for travel across national borders. In the past, U.S. citizens were not required to obtain passports when traveling to Canada and several other countries. Passports are now required when returning to the United States from almost all foreign locations. The need for a passport for most foreign travel has resulted in an increase in passport applications.

The application for a U.S. passport requires the applicant to provide:

- Last known address
- Next of kin

If a taxpayer travels overseas frequently, request a passport check if the case meets the Law Enforcement Manual (LEM) 5.1.18.16.1, *Passport Checks*, requirements.

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**Request  
Passport  
Information** To request a passport check, prepare Letter 4263, *Passport Letter Request*. See Exhibit 6.

Send the letter by secure email to your group manager. After approving, the group manager forwards Letter 4263 to the International Passport Coordinator.

The procedures are in IRM 5.1.18.16, *United States Passport Office*.

Additional information, including the name of the Coordinator, is available on the SBSE website dealing with passport information. The link for the website is:

<http://sbse.web.irs.gov/Collection/Programs/Passports/Default.htm>

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# Transferring Cases to International

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## Background

As businesses expand internationally, more U.S. citizens move overseas, either for new jobs, when they are required to by their employer, or when they retire. The chances are increasing that you will encounter a case where the taxpayer is living outside the U.S. This section contains information on the procedures used in these situations.

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## Transfer to International – Address Confirmed

If you determine the taxpayer is now living outside the United States and you are able to confirm the taxpayer's address, transfer the case to International.

Confirm a taxpayer's foreign address by

- contact with the taxpayer, or
- a new address on U.S. tax return filed by the taxpayer.

The following criteria must be met to transfer the case:

- The aggregate balance equals or exceeds the criteria found in LEM 5.1.8.1.4, *Account Transfers to International*.
- The CSED for each module has a year or more remaining. Remember, the CSED may be updated if the taxpayer has been outside the U.S. for at least six consecutive months since the tax was assessed.
- The accounts are not in any of the following statuses:
  - \* offer in compromise (OIC)
  - \* withhold collection
  - \* awaiting adjust action
  - \* military deferment
  - \* recommendation for litigation

The case must be documented to show how it was determined the taxpayer is living outside the U.S. and the address (outside the U.S.) was verified.

All known assets or levy sources in U.S. must be documented in the case history. An actual levy or seizure determination is not required before transferring the case to International.

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## Transfer to International – Address Not Confirmed

If the taxpayer's address cannot be confirmed, the case cannot be transferred to International. However, an "other investigation" (OI) can be sent to International requesting confirmation of a taxpayer's foreign address.

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*Continued on next page*

## Transferring Cases to International , Continued

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### How to Transfer

Cases can be transferred to International for any case address outside the United States.

This includes addresses for:

- Army post office ( APO) or fleet post office (FPO) addresses
- Puerto Rico
- Guam, Saipan and Northern Marianas Islands
- American Samoa
- Virgin Islands
- Foreign countries

The actual procedure for transferring a case to International is in IRM 5.1.8.1.4, *Account Transfers to International* , and in the Interim Guidance Memorandum SBSE 05-1208-060, *Account Transfers to International* . See Exhibit 7.

The case is transferred in ICS to Area 15 (AO 35) with a assignment code 3597-6900 and the taxpayer 's new address as the address change.

Assemble the case file with:

- Copies of any related tax returns and revenue agent reports
- Trust fund recovery penalty (TFRP) file, if appropriate

Ship the case and attached documents on a Form 3210 to:

Internal Revenue Service  
500 N. Capitol St., NW  
Room 1401  
Washington, DC 20001- 1531  
Attn: Collection Automation Coordinator

Follow the Interim Guidance Memo to determine if the case qualifies to be transferred to International, since some of the IRM requirements were changed by the memorandum.

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*Continued on next page*

## Transferring Cases to International , Continued

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### **International Components**

Once the case is transferred on ICS, the case will be assigned to a revenue officer in International.

The International revenue officers are assigned to the North Atlantic Area, Territory 2.

Advisory support for International ROs is provided by the Advisory office in Plantation, FL. Advisory can also assist you with domestic cases with international issues.

The majority of the IRS resources dealing with international issues are located in Large & Mid-Size Business (LMSB). The LMSB website has an International page located at: <http://lmsb.irs.gov/international/index.asp>.

This page has links to other subjects that may be of assistance when working domestic cases with international issues.

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# Central Withholding Agreements

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## Central Withholding Agreement (CWA)

There are a large number of foreign entertainers and athletes coming to the United States (U.S.). They can earn a large amount of income, which is normally subject to U.S. income taxes.

As nonresidents of the United States, withholding is usually a flat 30 percent of gross, but taxed at the graduated rates. However, under some circumstances, the IRS will agree to a lesser amount of withholding. This is done with a Central Withholding Agreement (CWA).

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## Taxpayer Expenses

The 30 percent withholding rate is set by Internal Revenue Code (IRC) section 1441.

The 30 percent withholding is on the gross payments made to the entertainer or athlete. This can create problems for the entertainer or athlete. In many cases, they are required to pay significant expenses out of the gross payments they receive.

Expenses include:

- Backup singer expenses
- Rent for an auditorium used by a band
- Payments to crews who set up or maintain a facility
- Payments for security

When a foreign entertainer or athlete files a U.S. tax return, they may be able to deduct these expenses from the gross income and reduce the tax liability. It could be a hardship for the foreign entertainer to pay the necessary expenses and still have 30 percent of their gross pay withheld for U.S. income tax purposes. It is recognized the 30 percent withholding rate can cause the foreign taxpayer hardship under these circumstances. Even though the foreign taxpayer would eventually receive a refund of some of the withheld tax, they first have to file a tax return and claim their expenses to receive the refund. The entertainer would be operating with a negative cash flow.

To avoid this hardship, the CWA was developed.

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*Continued on next page*

## Central Withholding Agreements , Continued

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### Taxpayer Expenses (continued)

#### Example

Hope McKendree is a popular singer visiting the United States to give several performances. Her gross income from ticket sales is \$1,345,000. Her expenses for the tour, including rental of the performance halls, a backup band, facility staff, travel expenses and advertising, total \$980,000. The 30 percent U.S. income tax withholding would be \$403,500, resulting in a negative net cash flow of \$38,500.

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### Securing a CWA

When a foreign entertainer or athlete is coming to work in the United States, they can request a CWA. The CWA is a binding contract between the taxpayer, the IRS and the withholding agent.

The foreign taxpayer must provide complete information, including all expected income, all performance contracts and expected expenses.

The CWA webpage lists the items required as part of the application for a CWA. The webpage also provides contacts for the CWA program: <http://sbse.web.irs.gov/Collection/Programs/CentralWithholding.htm>.

Once the taxpayer submits a CWA request and a case assignment is made, a TC 971 AC 510 (Central Withholding Agreement Program Activity) is input on the taxpayer's valid SSN or ITIN. This posts on the TXMOD for the current tax year.

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### Impact on ROs

Collection cases on foreign taxpayers are generally worked by the International revenue officers. However, domestic revenue officers may receive "Other Investigations" (OI) requesting they serve levies on income payable to foreign entertainers or athletes.

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## Determining Alien Status

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**Background** Non-U.S. citizens (aliens) are, for tax purposes, either resident aliens or nonresident aliens. Their status determines which tax return they file for U.S. tax purposes.

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**Determining Status** If the alien is a resident alien for tax purposes, they will file a Form 1040, just as U.S. citizens file.

If the alien is a nonresident alien for tax purposes, they will file a Form 1040-NR.

To determine the alien's tax filing status, use Handout , *Determining Alien Status*.

For other questions, consult Publication 519, *U.S. Tax Guide for Aliens*, or Advisory.

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# Exhibit 1 – Letter 4106, Letter Advising Taxpayer of Department of Homeland Security Notification

Internal Revenue Service

Department of the Treasury

Date:

Taxpayer Identification Number:

Person to Contact:

Contact Telephone Number:

Employee Identification Number:

Dear

This letter is to inform you that we have notified the Department of Homeland Security that, according to our records, you still owe the federal tax indicated below as provided by law:

Form Number	Tax Period	Unpaid Amount From Prior Notices	Additional Penalty	Additional Interest	Total Amount You Owe

**Note:** We have computed the amount(s) above, plus penalty and interest, to 30 days from the date of this letter.

Additionally, our records show that you are not currently residing within the United States and the Commonwealth Territories, or that you travel frequently outside of them.

### What This Mean to You

If you should return to the United States or Commonwealth Territories and have not yet paid the total amount due, you may be interviewed by a Customs and Border Protection Officer at the time of entry. The Internal Revenue Service will then be advised of your arrival and will be provided with information enabling us to contact you in the United States or the Commonwealth Territories. A Revenue Officer may then contact you regarding payment of your outstanding liability.

### Who You Can Contact

If you have any questions about your account or the notification process described above, please call me at the telephone number above or write me at the address above. If you decide to write, please make sure to address the envelope to my attention.

Sincerely,

Revenue Officer

**Letter 4106 (11-2007)**  
Catalog Number 48442w



## Exhibit 2 – Form 6668, *TECS Entry Request*

<p style="margin: 0;"><b>Treasury Enforcement Communications System</b></p> <p style="margin: 10px 0 0 0;"><b>TECS Entry Request</b></p>	1. Name of taxpayer	2. Aliases of taxpayer
	3. Social Security Number	4. Date of Birth
	5. Unpaid balance of assessment \$	6. Last known address of taxpayer

	Tax Return Form Number	MFT Code	Tax Period(s)
<b>7. Balance Due Tax Return Information</b>			

<b>8. Notice of Lien Filing</b>	Has a lien been filed for all periods? <input type="checkbox"/> Yes <input type="checkbox"/> No	Place Filed
	Date filed	Refiling determination date

9. Summary of Collection activity to date

10. Employee name	Assignment number	Telephone number
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<b>11. Approval</b>	Group Manager Signature	Title	Date
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## Exhibit 3 – Interim Guidance Memorandum SBSE 05-0109-004



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, DC 20224

SMALL BUSINESS / SELF-EMPLOYED DIVISION

January 16, 2009

Control No: SBSE-05-0109-004  
Expiration: January 16, 2010  
IRMs Impacted: 5.1.19, 5.8, 5.11,  
5.14, and 5.19

### MEMORANDUM FOR DIRECTORS, COLLECTION AREA OPERATIONS

FROM: Frederick W. Schindler /s/ Laura Hostelley (for)  
Director, Collection Policy

SUBJECT: Interim Guidance on the Suspension of the Collection Statute  
Expiration Date as provided by Internal Revenue Code 6503 (c)  
when a Taxpayer is Outside the United States

This memorandum provides interim guidance regarding how to adjust the Collection Statute Expiration Date (CSED) on a taxpayer's account due to statute suspension when Internal Revenue Code (IRC) 6503 (c) applies.

IRC 6503 (c) suspends the period of collection with respect to taxpayers outside of the United States and Commonwealth Territories. It provides that "the running of the period of limitations on collection after assessment...shall be suspended for the period during which the taxpayer is outside the United States if such period of absence is for a continuous period of at least six months...". As the application of this provision can result in the CSED being suspended for a very long time, policies for the administration of this code section are being issued in this memorandum.

The policies below are designed to promote consistency of procedure when working International cases and to make more comparable the procedures applied to Domestic and International taxpayers in statute suspension matters. These policies apply to taxpayers who are presently abroad as well as those taxpayers who are currently in the US but who have been abroad for at least six months after the tax assessment date.

## **Exhibit 3 – *Interim Guidance Memorandum*** **SBSE 05-0109-004**, Continued

The policies are:

- With respect to taxpayers currently outside the United States with installment agreements (systemically loaded and manually monitored) and periodic payment offers in compromise, the maximum length of the CSED recalculation will be 16 years from the date of assessment, when the completion of the installment agreement or offer in compromise is going to take longer than 24 months.
- Continuous levies for taxpayers with international addresses will be recalculated and updated for however many years the IRC 6503 (c) provision allows if the taxpayers involved have not cooperated with IRS to resolve their liabilities. In rare instances where a taxpayer has decided and agreed with the IRS to let the continuous levy be in effect as if it were a formal installment agreement, the statute will only be recalculated to a maximum duration of 16 years.
- Taxpayers currently in the United States who had previously been outside the United States since the date of assessment will have a maximum of five years added to their CSED for prior IRC 6503 (c) suspensions. For example, a taxpayer who was outside the United States for three years after the assessment was made would have a CSED recalculation and update of three years. A taxpayer who had been abroad for seven years after the assessment was made would have a CSED recalculation and update of five years. In rare instances where a taxpayer with significant collection potential had been abroad for decades, recalculate the statute five years from the point of their return to the United States.
- The period that the CSED is recalculated and updated will be more limited with respect to taxpayers who have cooperated with IRS to resolve their liabilities or with whom we have maximized the IRS's ability to collect. A taxpayer will be considered "cooperative" if the IRS determined that the taxpayer has fully responded to the IRS and has provided full information to the IRS with respect to collection of the assessment. In such instances, the case may be resolved by a taxpayer entering into a formal installment agreement or an offer in compromise or with the case being closed as currently-not-collectible for hardship reasons with closing codes 24 through 32. This policy does not apply to international taxpayers who have not resolved their liabilities and who are not cooperative. In those situations, where a taxpayer has been uncooperative or has not resolved the liability, the CSED will be recalculated and updated for the maximum amount of time allowed by IRC 6503(c) if the IRS determines that there is significant collection potential. International taxpayers who are being reported as currently-not-collectible with closing codes 03 (unable to locate), 06 (International) and 12 (unable to contact) may be subject to ongoing recalculations and updates. Again, a determination of significant collection potential should be made when determining how long the collection statute should be recalculated. The collection statute should not be recalculated and updated for international taxpayers who have been reported as currently-not-collectible for hardship reasons (closing codes 24 through 32), except in rare instances where a mandatory follow-up date was set to determine if an asset had matured for collection potential.

## **Exhibit 3 – *Interim Guidance Memorandum*** **SBSE 05-0109-004**, Continued

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Recalculating the CSED for IRC 6503 (c) reasons can be based on the following criterion (applied to the extent that the policies above allow):

- A Form 433A that the taxpayer or power of attorney has signed stating the dates of residence outside the United States and Commonwealth Territories.
- Any other written information from the taxpayer or power of attorney stating the taxpayer was outside the United States and Commonwealth Territories.
- Oral statements by the taxpayer or power of attorney stating the dates the taxpayer was outside the United States and Commonwealth Territories so long as this information is clearly documented in the case history.
- Tax returns consistently filed since the year of tax assessment with a foreign address (with recalculation and update of the CSED up to the date the taxpayer signed the return).
- When you are not able to use one of the methods above to determine and verify the period the CSED is suspended, check data sources such as Accurant, Smart.Alx, IRP, third party testimony, etc., to determine whether a taxpayer has been outside the United States for a long period of time. You cannot rely solely on these sources to justify updating the collection statute, but they may be used in a later discussion with the taxpayer or POA to confirm the dates of foreign presence. If you are ultimately unable to communicate with the taxpayer or POA, you may be able to confirm that the taxpayer has been outside the United States with a government-based travel or residency source of information such as TECS Historical Travel Records or Department of State records of registration with a US Consulate in a foreign country. When a case has significant collection potential and the preponderance of information assembled at that point indicates being outside the US for the time period in question, you can update the statute for that period.

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The prior practice of recalculating and updating CSEDs in two-year increments under IRC 6503 (c) as stated on the Form 8620 is obsolete. Instead, you should request an update via Form 8620 for whatever length of time is correct at the time of the request within the guidelines defined by these policies. Since IRC 6503 (c) automatically suspends the statute, there is no reason for the taxpayer to sign Form 8620. Form 8620 is going to be revised in the near future to reflect the procedures outlined in this guidance.

Tax periods open on the Integrated Collection System (ICS) can be updated on ICS for 6503 (c) reasons with managerial approval. A Form 8620 is not needed for making an update for open ICS periods.

**Exhibit 3 – *Interim Guidance Memorandum***  
**SBSE 05-0109-004**, Continued

Forms 8620 should be sent via secured e-mail to Case Processing (CCP) the campus address to which input requests are sent.

**Statute recalculations and updates for 6503(c) must have managerial approval on Form 8620 or on ICS.**

This guidance will be incorporated in the next revisions of IRM 5.1.19, 5.8, 5.11, 5.14 and 5.19.

If you have any questions, please contact International and Insular Compliance Policy Analyst, David Killough.

# Exhibit 4 – Form 8620, Statute Extension: IRC 6503(c)

## Statute Extension: IRC 6503(c)

1. Name and Latest Address of Taxpayer	2. TC 550
	3. Action Date (see instructions)

### 4. Description of Accounts

Taxpayer ID Number (a)	MFT (b)	Period (c)	Collection Statute Extended To (d)	Date of Assessment (e)	Unpaid Balance (f)

5. CSED TIN Indicator (Circle one.)    P    S    B

6. Originator	7. Employee Number	8. Date
9. Signature/Title of Approving Official		10. Date

11. Basis for Determination that the taxpayer is outside the U.S.

Check here if standard 2 year extension.

### 12. Computation of the new CSED

MFT/Period	_____	_____	_____
(a) Old CSED	_____	_____	_____
(b) Today's Date, or Date Taxpayer returned to U.S. (whichever is earlier)	_____	_____	_____
(c) Assessment date, or date taxpayer left U.S. (whichever is later)	_____	_____	_____
(d) Period of time taxpayer outside U.S. (subtract (c) from (b))	_____	_____	_____
(e) Add: 6 months (if taxpayer returned to U.S. or "0" (if taxpayer still outside U.S.))	_____	_____	_____
(f) Total Period outside U.S. (Add (d) & (e))	_____	_____	_____
(g) New CSED (Add (a) & (f))	_____	_____	_____

If standard 2 year extension, only items (a), (b) and (g) need to be completed for each MFT/Period.

See reverse of Part 4 for preparation instructions.

# Exhibit 5 – Form 8796, Request for Return/Information

## REQUEST FOR RETURN / INFORMATION

(Federal / State Tax Exchange Program)  
(Please type or print)

<b>SECTION A</b>	TO: (Designated States / Federal Tax Agency Representative)
	AGENCY:
	STREET:
	CITY, STATE, ZIP CODE:

I am requesting the following identified return(s) / return information under terms of the Federal / State Tax Coordination Agreement. I understand disclosure or use of the information received for other than authorized tax administrative purposes is subject to criminal and civil liabilities under sections 7213 and 7431 of the Internal Revenue Code.

<b>SECTION B</b>	1. NAME OF TAXPAYER:	SS / EI NO.	<b>SECTION D</b>
	ADDRESS:		
	2. INFORMATION REQUESTED	TAX PERIODS _____	
<b>SECTION C</b>	COPY OF RETURN(S): <input type="checkbox"/> YES <input type="checkbox"/> NO		FOR RECEIVING AGENCY USE FOR TRANSMITTAL/RECORD KEEPING PURPOSES
	CHECK BLOCK:		1. INFORMATION PROVIDED
	<input type="checkbox"/> TRANSCRIPT <input type="checkbox"/> AUDIT WORKPAPERS <input type="checkbox"/> OUTSTANDING BALANCE OF ASSESSMENTS INCLUDING PENALTIES AND INTEREST COMPUTED TO _____ (date) <input type="checkbox"/> OTHER (Specify) _____		_____ COPY ENCLOSED (as requested)  _____ COPY ENCLOSED (See exceptions below in #3)
	3. REASON REQUESTED:		2. SPECIFIC FIGURES REQUESTED:
	CHECK BLOCK:		SALES (SCH. C) _____
	<input type="checkbox"/> PENDING EXAMINATION <input type="checkbox"/> PENDING COLLECTION ACTIVITY <input type="checkbox"/> OTHER (Specify) _____ <input type="checkbox"/> CRIMINAL INVESTIGATION		AGI _____
	1. NAME OF EMPLOYEE MAKING REQUEST:		OTHER _____
	DATE:		_____
	2. GROUP MANAGER SIGNATURE:		3. EXCEPTIONS, OR NOT AVAILABLE (see key on reverse for entries)
	DIVISION / BRANCH / GROUP		_____
	3. FROM: (Signature / Authorized Representative)	DATE	_____
	TELEPHONE NO.		4. ACCOUNTING FOR THE DISCLOSURE HAS BEEN MADE:
	4. REQUESTING AGENCY:		<input type="checkbox"/> YES <input type="checkbox"/> NO
	_____		5. SIGNATURE / AUTHORIZED EXCHANGE REPRESENTATIVE
	STREET		_____
	CITY, STATE, ZIP CODE:		DATE
	_____		_____





# Exhibit 6 – Letter 4263, *Passport Letter Request*

Internal Revenue Service

Department of the Treasury

Date:

Person to Contact:

Contact Telephone Number:

To Custodian of Records:

In connection with an official investigation, I am requesting a copy of the passport file for the following individual. Please include the information specified below:

Name: \_\_\_\_\_

Place of Birth: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

AKA: \_\_\_\_\_ Social Security Number: \_\_\_\_\_

**Requested Information (Complete a separate letter for each request):**

- Passport Application
- Consular Report of Birth
- Certificate of Loss of Nationality

I appreciate your cooperation in this matter.

Sincerely,

Group Manager

.....  
(Do not sign below this line.)

As a duly accredited representative of the State Department, I hereby certify by my signature that the request for a copy of this file is for official United States Government use only. All information abstracted or obtained will be handled in accordance with its classification. I certify by my signature that this request was completed.

Date: \_\_\_\_\_ Signature of State Dept Reviewer: \_\_\_\_\_

**Letter 4263 (Rev. 12-2007)**  
Catalog Number 50337W

# Exhibit 7 – Interim Guidance Memorandum SBSE 05-1208-060



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

December 29, 2008

Control Number: SB/SE -05-1208-060

Expires: December 29, 2009

IRM Impacted: IRM 5.1.8.1.4

## MEMORANDUM FOR DIRECTORS, COLLECTION AREA OPERATIONS

FROM: Frederick W. Schindler /s/ Frederick W. Schindler  
Director, Collection Policy

SUBJECT: Account Transfers to International

This memorandum provides interim guidance regarding the criteria for transferring cases to international. These procedures will be incorporated in Internal Revenue Manual (IRM) 5.1.8.1.4, Account Transfers to International. Please ensure this information is distributed to all affected employees within your organization.

### Criteria for Transferring a Case to International

Before transferring any accounts to SBSE International, the revenue officer should confirm that the taxpayer resides outside the United States and meets **all** of the following conditions:

- (a) The aggregate assessed balance equals or exceeds the LEM criteria (See LEM 5.1.8.1.4).
- (b) The Collection Statue (CSED) for each case has a year or more remaining before expiration. If the CSED is due to expire within a year of the transfer, secure approval from an International Group Manager prior to transferring the case.
- (c) The accounts are not in the following status; offer-in-compromise, withhold collection, awaiting adjustment action, military deferment, or those on which recommendations for legal action have been made.
- (d) Document in the case history how you determine that the taxpayer resides outside the United States. The address should be confirmed by the transferring revenue officer. If the address cannot be confirmed, send a Courtesy Investigation to international to verify the address instead of transferring the case.
- (e) While a levy or seizure determination is not necessary prior to transfer, document in the case history your findings of any US asset or levy source.

**Exhibit 7 – Interim Guidance Memorandum**  
**SBSE 05-1208-060**, Continued

2

(f) Copies of the related returns and revenue agent's reports are attached, if available.

(g) In Trust Fund Recovery Penalty cases, attach a copy of the Trust Fund Recovery Penalty file.

If you have any questions concerning these procedures, please feel free to contact me, or MJ Moran, Program Manager, International and Insular Compliance, or a member of your staff may contact [redacted] Policy Analyst. Field employees should raise any concerns through the appropriate management chain.

(b)(6)

cc: [www.irs.gov](http://www.irs.gov)