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## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 301

[TD 9380]

RIN1545-BC45

#### Substitute for Return

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Final regulations and removal of temporary regulations.

**SUMMARY:** This document contains final regulations relating to returns prepared or signed by the Commissioner or other Internal Revenue Officers or employees under section 6020 of the Internal Revenue Code. These final regulations provide guidance for preparing a substitute for return under section 6020(b). Absent the existence of a return under section 6020(b), the addition to tax under section 6651(a)(2) does not apply to a nonfiler. These final regulations affect any person who fails to file a required return.

**DATES:** *Effective Date:* These regulations are effective on February 20, 2008.

*Applicability Date:* For dates of applicability, see § 301.6020-1(d).

**FOR FURTHER INFORMATION CONTACT:** Alicia E. Goldstein at (202) 622-3630 (not a toll-free number).

#### SUPPLEMENTARY INFORMATION:

##### Background

This document contains final regulations relating to substitutes for returns. These final regulations reflect amendments to 26 CFR part 301 under section 6020 of the Internal Revenue Code. Section 301.6020-1 of the Procedure and Administration Regulations provides for the preparation or execution of returns by authorized Internal Revenue Officers or employees. Section 1301(a) of the Taxpayer Bill of Rights Act of 1996, Public Law 104-168 (110 Stat. 1452), amended section 6651 to add subsection (g)(2), which provides that, for returns due after July 30, 1996 (determined without regard to extensions), a return made under section 6020(b) shall be treated as a return filed by the taxpayer for purposes of determining the amount of the

additions to tax under section 6651(a)(2) and (a)(3). Absent the existence of a return under section 6020(b), the addition to tax under section 6651(a)(2) does not apply to a nonfiler.

In *Cabirac v. Commissioner*, 120 T.C. 163 (2003), *aff'd in an unpublished opinion*, No. 03-3157 (3rd Cir. Feb. 10, 2004), and *Spurlock v. Commissioner*, T.C. Memo. 2003-124, the Tax Court found that the Service did not establish that it had prepared and signed a return in accordance with section 6020(b). In *Spurlock*, the Tax Court held that a return for section 6020(b) purposes must be subscribed, contain sufficient information from which to compute the taxpayer's tax liability, and the return and any attachments must "purport to be a return." *Spurlock*, T.C. Memo. 2003-124 at 27. These decisions prompted the IRS and the Treasury Department to revise its rules for the preparation or execution of returns by authorized Internal Revenue Officer or employees. Temporary regulations and a notice of proposed rulemaking (Reg-131739-03) were published in the **Federal Register** on July 18, 2005 [70 FR 41165].

The IRS and the Treasury Department received written public comments responding to the proposed regulations. After consideration of the comments received, the proposed regulations are adopted as revised by this Treasury decision. These final regulations generally retain the provisions of the proposed regulations with one minor change as explained in more detail in the preamble.

#### Explanation of Provisions and Summary of Comments

The regulations provide that a document (or set of documents) signed by an authorized Internal Revenue Officer or employee is a return under section 6020(b) if the document (or set of documents) identifies the taxpayer by name and taxpayer identification number, contains sufficient information from which to compute the taxpayer's tax liability, and the document (or set of documents) purports to be a return under section 6020(b). A Form 13496, "IRC Section 6020(b) Certification," or any other form that an authorized Internal Revenue Officer or employee signs and uses to identify a document (or set of documents) containing the information set forth in this preamble as a section 6020(b) return, and the documents identified, constitute a valid section 6020(b) return.

Further, because the Service prepares and signs section 6020(b) returns both by hand and through automated means, these regulations provide that a name or

title of an Internal Revenue Officer or employee appearing upon a return made in accordance with section 6020(b) is sufficient as a subscription by that officer or employee to adopt the document as a return for the taxpayer without regard to whether the name or title is handwritten, stamped, typed, printed or otherwise mechanically affixed to the document. The document or set of documents and subscription may be in written or electronic form.

These final regulations do not alter the method for the preparation of returns under section 6020(a) as provided in TD 6498. Under section 6020(a), if the taxpayer consents to disclose necessary information, the Service may prepare a return on behalf of a taxpayer, and if the taxpayer signs the return, the Service will receive it as the taxpayer's return.

The proposed regulations generated numerous comments. For the most part, the comments were variations of ten different form letters. The commentators took issue with the regulation because the signature on the certification was not signed under oath, and therefore not signed under a penalty of perjury; because a "set of documents" could substitute for a return instead of the form that would have been used by the taxpayer; and because the IRS was making the decision of who should file a tax return.

After considering these comments, the IRS and the Treasury Department have concluded that they provide no basis for adopting changes in the final regulations. In particular, the argument that the IRS should not be able to decide who should file a tax return is without merit. The requirement to file a tax return is not voluntary and is clearly set forth in sections 6011(a) and 6012(a).

There has been one minor change to the text of the temporary regulations. The temporary regulation provided that any return made in accordance with paragraph (b)(1) of this section and signed by the Commissioner or other authorized Internal Revenue Officer or employee shall be prima facie good and sufficient for all legal purposes. In 2005, new language was added to the Bankruptcy Code at 11 U.S.C. 523(a) that specifically provided that a section 6020(b) return is not a return for dischargeability purposes. Therefore, the portion of the temporary regulation that stated that the return was sufficient for all legal purposes is no longer correct. The language in the regulation has been changed to state that a section 6020(b) return is sufficient for all legal purposes "except insofar as any Federal statute expressly provides otherwise."

## Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because the regulations do not impose a collection of information, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

## Drafting Information

The principal author of these regulations is Alicia Goldstein, Office of the Associate Chief Counsel (Procedure and Administration).

## List of Subjects in 26 CFR Part 301

Employment taxes, Estate taxes, Excise taxes, Gift taxes, Income taxes, Penalties, Reporting and recordkeeping requirements.

## Adoption of Amendments to the Regulations

■ Accordingly, 26 CFR part 301 is amended as follows:

### PART 301—PROCEDURE AND ADMINISTRATION

■ **Paragraph 1.** The authority citation for part 301 continues to read in part as follows:

*Authority:* 26 U.S.C. 7805 \* \* \*

#### § 301.6020-1T [Removed]

■ **Par. 2.** Section 301.6020-1T is removed.

■ **Par. 3.** Section 301.6020-1 is added to read as follows:

#### § 301.6020-1 Returns prepared or executed by the Commissioner or other Internal Revenue Officers.

(a) *Preparation of returns*—(1) *In general.* If any person required by the Internal Revenue Code or by the regulations to make a return fails to make such return, it may be prepared by the Commissioner or other authorized Internal Revenue Officer or employee provided such person consents to disclose all information necessary for the preparation of such return. The return upon being signed by the person required to make it shall be received by the Commissioner as the return of such person.

(2) *Responsibility of person for whom return is prepared.* A person for whom a return is prepared in accordance with paragraph (a)(1) of this section shall for all legal purposes remain responsible for the correctness of the return to the same extent as if the return had been prepared by him.

(b) *Execution of returns*—(1) *In general.* If any person required by the Internal Revenue Code or by the regulations to make a return (other than a declaration of estimated tax required under section 6654 or 6655) fails to make such return at the time prescribed therefore, or makes, willfully or otherwise, a false, fraudulent or frivolous return, the Commissioner or other authorized Internal Revenue Officer or employee shall make such return from his own knowledge and from such information as he can obtain through testimony or otherwise. The Commissioner or other authorized Internal Revenue Officer or employee may make the return by gathering information and making computations through electronic, automated or other means to make a determination of the taxpayer's tax liability.

(2) *Form of the return.* A document (or set of documents) signed by the Commissioner or other authorized Internal Revenue Officer or employee shall be a return for a person described in paragraph (b)(1) of this section if the document (or set of documents) identifies the taxpayer by name and taxpayer identification number, contains sufficient information from which to compute the taxpayer's tax liability, and purports to be a return. A Form 13496, "IRC Section 6020(b) Certification," or any other form that an authorized Internal Revenue Officer or employee signs and uses to identify a set of documents containing the information set forth in this paragraph as a section 6020(b) return, and the documents identified, constitute a return under section 6020(b). A return may be signed by the name or title of an Internal Revenue Officer or employee being handwritten, stamped, typed, printed or otherwise mechanically affixed to the return, so long as that name or title was placed on the document to signify that the Internal Revenue Officer or employee adopted the document as a return for the taxpayer. The document and signature may be in written or electronic form.

(3) *Status of returns.* Any return made in accordance with paragraph (b)(1) of this section and signed by the Commissioner or other authorized Internal Revenue Officer or employee shall be good and sufficient for all legal purposes except insofar as any Federal

statute expressly provides otherwise. Furthermore, the return shall be treated as the return filed by the taxpayer for purposes of determining the amount of the addition to tax under sections 6651(a)(2) and (3).

(4) *Deficiency procedures.* For deficiency procedures in the case of income, estate, and gift taxes, see sections 6211 through 6216, inclusive, and §§ 301.6211-1 through 301.6215-1, inclusive.

(5) *Employment status procedures.* For pre-assessment procedures in employment taxes cases involving worker classification, see section 7436 (proceedings for determination of employment status).

(6) *Examples.* The application of this paragraph (b) is illustrated by the following examples:

*Example 1.* Individual A, a calendar-year taxpayer, fails to file his 2003 return. Employee X, an Internal Revenue Service employee, opens an examination related to A's 2003 taxable year. At the end of the examination, X completes a Form 13496, "IRC Section 6020(b) Certification," and attached to it the documents listed on the form. Those documents explain examination changes and provide sufficient information to compute A's tax liability. The Form 13496 provides that the Service employee identified on the form certifies that the attached pages constitute a return under section 6020(b). When X signs the certification package, the package constitutes a return under paragraph (b) of this section because the package identifies A by name, contains A's taxpayer identifying number (TIN), has sufficient information to compute A's tax liability, and contains a statement stating that it constitutes a return under section 6020(b). In addition, the Service will determine the amount of the additions to tax under section 6651(a)(2) by treating the section 6020(b) return as the return filed by the taxpayer. Likewise, the Service will determine the amount of any addition to tax under section 6651(a)(3), which arises only after notice and demand for payment, by treating the section 6020(b) return as the return filed by the taxpayer.

*Example 2.* Same facts as in *Example 1*, except that, after performing the examination, X does not compile any examination documents together as a related set of documents. X also does not sign and complete the Form 13496 nor associate the forms explaining examination changes with any other document. Because X did not sign any document stating that it constitutes a return under section 6020(b) and the documents otherwise do not purport to be a section 6020(b) return, the documents do not constitute a return under section 6020(b). Therefore, the Service cannot determine the section 6651(a)(2) addition to tax against nonfiler A for A's 2003 taxable year on the basis of those documents.

*Example 3.* Individual C, a calendar-year taxpayer, fails to file his 2003 return. The Service determines through its automated internal matching programs that C received

reportable income and failed to file a return. The Service, again through its automated systems, generates a Letter 2566, "30 Day Proposed Assessment (SFR-01) 910 SC/CG." This letter contains C's name, TIN, and has sufficient information to compute C's tax liability. Contemporaneous with the creation of the Letter 2566, the Service, through its automated system, electronically creates and stores a certification stating that the electronic data contained as part of C's account constitutes a valid return under section 6020(b) as of that date. Further, the electronic data includes the signature of the Service employee authorized to sign the section 6020(b) return upon its creation. Although the signature is stored electronically, it can appear as a printed name when the Service requests a paper copy of the certification. The electronically created information, signature, and certification is a return under section 6020(b). The Service will treat that return as the return filed by the taxpayer in determining the amount of the section 6651(a)(2) addition to tax with respect to C's 2003 taxable year. Likewise, the Service will determine the amount of any addition to tax under section 6651(a)(3), which arises only after notice and demand for payment, by treating the section 6020(b) return as the return filed by the taxpayer.

*Example 4.* Corporation M, a quarterly taxpayer, fails to file a Form 941, "Employer's Quarterly Federal Tax Return," for the second quarter of 2004. Q, a Service employee authorized to sign returns under section 6020(b), prepares a Form 941 by hand, stating Corporation M's name, address, and TIN. Q completes the Form 941 by entering line item amounts, including the tax due, and then signs the document. The Form 941 that Q prepared and signed constitutes a section 6020(b) return because the Form 941 purports to be a return under section 6020(b), the form contains M's name and TIN, and it includes sufficient information to compute M's tax liability for the second quarter of 2004.

(c) *Cross references*—(1) For provisions that a return executed by the Commissioner or other authorized Internal Revenue Officer or employee will not start the running of the period of limitations on assessment and collection, see section 6501(b)(3) and § 301.6501(b)-1(e).

(2) For determining the period of limitations on collection after assessment of a liability on a return executed by the Commissioner or other authorized Internal Revenue Officer or employee, see section 6502 and § 301.6502-1.

(3) For additions to the tax and additional amounts for failure to file returns, see section 6651 and § 301.6651-1, and section 6652 and § 301.6652-1, respectively.

(4) For additions to the tax for failure to pay tax, see section 6651 and § 301.6651-1.

(5) For criminal penalties for willful failure to make returns, see sections 7201, 7202 and 7203.

(6) For criminal penalties for willfully making false or fraudulent returns, see sections 7206 and 7207.

(7) For civil penalties for filing frivolous income tax returns, see section 6702.

(8) For authority to examine books and witnesses, see section 7602 and § 301.7602-1.

(d) *Effective/Applicability date.* This section is applicable on February 20, 2008.

**Linda E. Stiff,**

*Deputy Commissioner for Services and Enforcement.*

Approved: February 5, 2008.

**Eric Solomon,**

*Assistant Secretary of the Treasury (Tax Policy).*

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## DEPARTMENT OF HOMELAND SECURITY

### Coast Guard

#### 33 CFR Part 117

[USCG-2008-0046]

#### Drawbridge Operation Regulations; Taunton River, Fall River and Somerset, MA

**AGENCY:** Coast Guard, DHS.

**ACTION:** Notice of temporary deviation from regulations.

**SUMMARY:** The Commander, First Coast Guard District, has issued a temporary deviation from the regulation governing the operation of the old Brightman Street bascule bridge across the Taunton River at mile 1.8, between Fall River and Somerset, Massachusetts. Under this temporary deviation, in effect from 6 a.m. on February 16, 2008 through 5 p.m. on March 2, 2008, the bridge shall open on signal after a one-hour advance notice is given by calling (508) 672-5111, or VHF channel 13 and 16. This deviation is necessary to facilitate scheduled bridge maintenance.

**DATES:** This deviation is effective from 6 a.m. on February 16, 2008 through 5 p.m. on March 2, 2008.

**ADDRESSES:** Materials referred to in this document are available for inspection or copying at the First Coast Guard District, Bridge Branch Office, 408 Atlantic Avenue, Boston, Massachusetts 02110, between 7 a.m. and 3 p.m., Monday through Friday, except Federal holidays. The telephone number is (617) 223-8364. The First Coast Guard District Bridge Branch Office maintains

the public docket for this temporary deviation.

**FOR FURTHER INFORMATION CONTACT:** John McDonald, Project Officer, First Coast Guard District, at (617) 223-8364.

**SUPPLEMENTARY INFORMATION:** The old Brightman Street bascule bridge, across the Taunton River at mile 1.8, between Fall River and Somerset, Massachusetts, has a vertical clearance in the closed position of 27 feet at mean high water and 31 feet at mean low water. The existing drawbridge operation regulations are listed at 33 CFR 1117.619.

The owner of the bridge, Massachusetts Highway Department (MHD), requested a temporary deviation to facilitate scheduled bridge maintenance and structural repairs to the sidewalks at the old Brightman Street bascule bridge.

Under this temporary deviation, in effect from 6 a.m. on February 16, 2008 through 5 p.m. on March 2, 2008, the old Brightman Street bascule bridge shall open on signal after at least a one-hour advance notice is given by calling (508) 672-5111 or VHF channel 13 and 16.

This work was scheduled during the time of year when the bridge seldom opens. The recreational boat marinas were contacted and have no objection to the one-hour advance notice.

An 18' x 43' construction work barge may be located in the channel during the prosecution of this bridge maintenance. The work barge will move upon request by calling the bridge tender either on the land line (508) 672-5111 or on VHF channel 13 and 16.

In accordance with 33 CFR 117.35(e), the bridge must return to its regular operating schedule immediately at the end of the designated time period. This deviation from the operating regulations is authorized under 33 CFR 117.35.

Should the bridge maintenance authorized by this temporary deviation be completed before the end of the effective period published in this notice, the Coast Guard will rescind the remainder of this temporary deviation, and the bridge shall be returned to its normal operating schedule. Notice of the above action shall be provided to the public in the Local Notice to Mariners and the **Federal Register**, where practicable.

Dated: February 12, 2008.

**Gary Kassof,**

*Bridge Program Manager, First Coast Guard District.*

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