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Understand and Maintain Your Registrations!

Excise tax registrations are required by federal and state agencies. I know, I know, it's a burden. I've heard it from many of you when I worked at the IRS. Frustration can abound from just being aware of the requirements to the invasive nature of the application and review process. And, lest we forget about associated penalties such as IRC §6719 that prescribes \$10,000 for each initial failure to register or reregister plus \$1,000 a day thereafter such person fails to register or reregister.

I completely understand the lack of enthusiasm toward these programs but it is important to understand that government agencies could not effectively administer tax and claim/credit programs without registering participants.

Now that we got that out of the way, the best way to deal with registrations is to embrace the concept! That's right, be aware of your responsibilities and follow government agency policies and procedures, (which by the way should include a regular review of the registration terms and conditions).

As a review of the IRS process, here is a nice overview of the Form 637 Registration Program described in the IRS Internal Revenue Manual (IRM) Section 4.24.2.1.

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4.24.2.1 (08-06-2012)

Overview of Form 637 Program

1. The Treasury Regulations prescribe that each person who engages in certain specified activities relating to excise tax must be registered by the IRS before engaging in the activities. In other cases, a person is required to be registered by the IRS in order to receive an excise tax benefit such as the right to sell or buy an article tax free or to file a claim.

2. Form 637, *Application for Registration (for Certain Excise Tax Activities)*, is used for excise tax registration for activities under:
 - IRC 4101, Registration and bond,
 - IRC 4222, Registration, and
 - IRC 4682, Definitions and special rules.
3. This IRM section contains the standards and procedures relating to:
 - approving,
 - denying,
 - revoking, and
 - monitoringregistrations for which application is made on Form 637.
4. Form 637 contains a listing of activities for which registration is required or allowed. Each activity is identified by a designated capital letter or letters. Thus, for example, the activity of being the first retail seller of certain heavy vehicles is activity letter "Q" and the person that has been registered for this activity is often referred to as a "Q registrant."
5. All Form 637 registration files are processed and maintained electronically.
6. All Form 637 compliance reviews will be conducted and completed on a management specified report generating software system. The Issue Management System (IMS) is the current version of this type of system used by the Excise Tax Program.
7. Form 637 compliance reviews are completed by excise field groups and by the Form 637 Registration Group. Form 637 Registration Group compliance reviews are conducted by correspondence.
8. Form 637 compliance reviews completed by excise field group employees must be conducted with a complete analysis of the applicant's/registrant's business operations. At a minimum, the compliance review will consist of the following:
 - A. a plan on what to inspect,
 - B. how the inspection will be conducted,
 - C. the actual inspection, complete with applicant/registrant interview, business review, and review of necessary books and records; and,
 - D. a determination and issuance of a letter to the applicant/registrant.
9. An approved registration is a public statement by the IRS that it considered relevant aspects of the registrant's business operation, financial condition, and that the registrant has met all the required registration tests:
 - The Activity Test
 - Acceptable Risk Test
 - Adequate Security Test and/or Satisfactory Tax History