



## Part 5. Collecting Process

### Chapter 24. Central Withholding Agreement (CWA) Program

#### Section 1. Overview

##### 5.24.1 Overview

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##### 5.24.1.1 (07-28-2009) Introduction

1. The Central Withholding Agreement (CWA) program is a pre-filing program for nonresident alien (NRA) athletes and entertainers performing independent personal services in the U.S. who wish to enter into a withholding agreement.
2. This IRM section provides procedural guidance to CWA tax specialists.

##### 5.24.1.2 (07-28-2009) Background

1. IRC §1441 requires a withholding tax rate of 30% on U.S. sourced gross income for independent personal services of nonresident aliens.
2. The Central Withholding Agreement (CWA) program provides an alternative to IRC §1441 by taking into consideration U.S. sourced income and the estimated expenses directly associated with the U.S. sourced income to determine withholding tax. Withholding is then computed on the net income using graduated withholding rates.
3. A CWA is an agreement between the Internal Revenue Service, an NRA athlete or entertainer, and a designated withholding agent.
4. The purpose of the program is to foster compliance and give the NRA athletes and entertainers the opportunity to more accurately reflect their anticipated tax liability by entering into a CWA.

##### 5.24.1.3 (07-28-2009) Delegation Order

1. The authority to enter into a CWA is outlined in SB/SE Delegation Order 4.62.

##### 5.24.1.4 (07-28-2009) Revenue Procedure

1. Rev. Proc. 89-47 establishes the guidelines for the CWA program.

##### 5.24.1.5 (07-28-2009) Tax Law

1. IRC §1441 generally requires all persons having control, receipt, custody, disposal or payment of any items of income that constitute gross income from sources within the United States of any NRA to deduct and withhold from such items of income, a federal tax equal to 30% of their gross income. The income items subject to such 30% withholding include interest, dividends, rent, independent personal service compensation, remunerations and emoluments.
2. Section 1.1441-4(b)(3) of the Income Tax Regulations provides that the 30% withholding rate imposed on the U.S. sourced independent personal service income of an NRA individual may be reduced to a lower withholding rate if a written agreement to such effect is signed by the Commissioner of Internal Revenue Service or by his or her delegate with such NRA individual and other affected parties. The lower rate is intended to more accurately reflect the NRA's anticipated federal income tax liability. Liability is computed at graduated rates after allowable expense deductions. The NRA must be in compliance with prior tax years and agree to timely file a U.S. income tax return for the applicable taxable year.

##### 5.24.1.6 (07-28-2009) Tax Treaty Provisions Consideration

1. If the NRA is from a country whose tax treaty with the U.S. exempts 100% of income from all sources, Form 8233, *Exemption from Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual*, is presented to the withholding agent and submitted to the IRS at least 10 days prior to the event or performance. A CWA is not applicable.
2. If the NRA is from a country whose tax treaty with the U.S. exempts less than 100% of income from all sources, the tax treaty benefit cannot be claimed during the CWA process. Any applicable tax treaty benefit will be claimed by the NRA when filing the Form 1040NR, *U.S. Nonresident Alien Income Tax Return*, for the current tax year.

##### 5.24.1.7 (07-28-2009) Definitions

1. Nonresident alien (NRA): An individual who is not a U.S. citizen or a resident of the United States, i.e. has not qualified for lawful permanent residence (green card) status nor met the substantial presence test.

2. Withholding agent: Generally, any person or entity that has control, receipt, custody, disposal or payment of any item of income of a foreign person subject to withholding.

#### **5.24.1.8 (07-28-2009)**

##### **Disclosure Authorization**

1. A Form 2848, *Power of Attorney and Declaration of Representative*, or Form 8821, *Tax Information Authorization*, must be secured from the NRA before the tax specialist is authorized to discuss tax matters with the designated official(s).
2. When a Form 2848 or Form 8821 is secured, a copy should be sent or faxed to the campus address found in IRM 5.1.1.7.1(2), *Sending Third Party Authorizations to a Campus*. The forms should not be sent to the campus if it is a specific purpose authorization as outlined in IRM 5.1.1.7.2, *Exceptions to Sending Third Party Authorizations to a Campus*.

#### **5.24.1.9 (07-28-2009)**

##### **Authority to Execute on Behalf of IRS**

1. Authority to execute a CWA is outlined in Delegation Order Number SB/SE 4.62 (Rev. 1).

#### **5.24.1.10 (07-28-2009)**

##### **Requirements for CWA**

1. In order to qualify for a CWA, the NRA must:
  - Have filed and paid, or made arrangements to pay, prior U.S. taxes due.

**Note:**

**The requirement for a NRA to file tax returns is outlined in 26 CFR §1.6012-1(b).**

  - Provide a Disclosure Authorization (Form 2848 or 8821) if the NRA athlete or entertainer wants the IRS to discuss the NRA athlete or entertainer's tax requirements with his representative and/or provide information to the withholding agent.
  - Request a CWA in writing with the IRS at least 45 days prior the first event or tour date in the U.S. specified in the CWA. Requests received less than 45 days prior to the first event or tour date will be worked as time permits at the discretion of the IRS.

#### **5.24.1.11 (07-28-2009)**

##### **Application for CWA**

1. When an NRA requests a CWA, they must provide an application that includes information document(s) specifying U.S. sourced compensation the NRA will earn and an estimate of the expenses the NRA expects to pay in relation to the U.S. sourced income. The application must also include the following:
  - A. The names and addresses of all NRAs to be covered by the agreement.
  - B. An itinerary of all dates, locations, and events to be covered by the agreement.
  - C. Copies of documents regarding all income streams including but not limited to performance contracts, deals or memos; deal sheets or memos; current recording contracts, deals or memos; sponsoring contracts, deals, or memos; endorsement contracts, deals or memos; merchandising contracts, deals or memos; image and likeness contracts, deals or memos; tour support and reimbursement documents.
  - D. A detailed budget of the estimated expenses related to the U.S. sourced income covered in the CWA.
  - E. An authorized person to contact in case the IRS needs additional information to process the agreement. If not the NRA see Disclosure Authorization, *IRM 5.24.1.8*.
  - F. The name, address, and employer identification number (EIN) of the proposed withholding agent for the agreement.
2. The taxpayer or representative should be referred to Form 13930, *Instructions on How to Apply for a Central Withholding Agreement*, for complete information on the application process.

#### **5.24.1.12 (07-28-2009)**

##### **Appeal Rights**

1. The CWA program is voluntary and there is no appeal process for the NRA for the NRA concerning the CWA application and investigation.
2. If a request is made to speak to the manager, the specialist will secure the name, phone number, and best time to contact the taxpayer or representative. The specialist will advise management of any taxpayer/representative issues or concerns. Management will then contact the taxpayer or representative.
3. If the taxpayer requests the phone number for the manager, the specialists will provide the information to the representative and follow the steps in (2) above.

[More Internal Revenue Manual](#)

## Part 5. Collecting Process

### Chapter 24. Central Withholding Agreement (CWA) Program

#### Section 2. Case Development

##### 5.24.2 Case Development

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##### 5.24.2.1 (07-28-2009)

###### Developing Cases

1. CWA cases are developed from two sources:
  - A. Internally - the management assistant will research potential CWA prospects and attach the information to the case for assignment, or
  - B. Externally - a request is made by the NRA athlete or entertainer for a CWA by submitting a CWA application.
2. There are complex relationships that exist between the NRA athlete/entertainer, his agent(s), promoter(s), and the various venues involved in the event. The flow chart below, *See Figure 5.24.2-1*, shows an example of relationships between the various entities involved in a U.S. tour. For certain athletes, the flow would change in that the promoter is often the withholding agent and some of the steps take other forms.

###### Figure 5.24.2-1

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##### 5.24.2.2 (07-28-2009)

###### Building a Case File

1. Each case goes in a separate folder. The file must contain necessary information for the reader to quickly ascertain case status.
2. The CWA Activity Record, *see Exhibit 5.24.2-1*, must be updated in a timely manner with any contacts, communication, and time spent on the lead.
3. Each case file must contain the following documents (if applicable) at a minimum in this order ( *see Exhibit 5.24.2-2*, CWA Workpaper Index):
  - A. CWA Activity Record ( *Exhibit 5.24.2-1*)
  - B. Copy of current CWA
  - C. Summary of income, expense, and withholding information for the current year
  - D. IDRS Research
  - E. All correspondence or documents provided to the IRS by the taxpayer or the taxpayer representative
  - F. Copy of letters sent to NRA athlete/entertainer and/or withholding agent(s)

##### 5.24.2.3 (07-28-2009)

###### Case Assignment

1. New case assignments are made by the group manager.
2. New case assignments sent to the specialist will include available information (IDRS transcripts, artist profile with contact information, historical tours, and upcoming tours).

##### 5.24.2.4 (07-28-2009)

###### Inventory Management

1. In general, assigned cases should be worked on a First In, First Out basis.
2. A calendaring system should be utilized to ensure follow-up on actions on all open cases.
3. The CWA Specialists should update their actions on the assignment log and their report grid each time a new action takes place.

#### 5.24.2.5 (07-28-2009)

##### Initial Contact with the Taxpayer

1. Initial contact should be made within 72 hours of case assignment and subsequent progressive contacts should be made as necessary. Tax specialists must document the case history with the reason for any delay.
2. Contacts with the taxpayer or authorized representative can be made via telephone, fax, and mail.
3. Sensitive But Unclassified (SBU) and Personally Identifiable Information (PII) may never be sent by electronic mail (email) to taxpayers as outlined in IRM 1.10.3, Standards for Using email. Advise the taxpayers they can send email to us but we cannot guarantee the security of their email.

#### 5.24.2.6 (07-28-2009)

##### Use of Email Internally

1. All SBU and PII information that is emailed must be sent using Secure Messaging as outlined in IRM 1.10.3.
2. SBU and PII information must not be included in the subject line of encrypted email since the subject line is not encrypted.

#### 5.24.2.7 (07-28-2009)

##### Compliance

1. The taxpayer must be in compliance with all filing and paying requirements or entered into an installment agreement prior to entering into a CWA.
2. Check IDRS for past compliance.
3. If the due date of the tax return has passed and the taxpayer states that an extension has been filed, confirm the filing of the extension by securing a copy of the extension or checking IDRS.

##### Note:

A Taxpayer Identification Number (TIN) is required in order for an extension to be filed with the Service.

#### 5.24.2.8 (07-28-2009)

##### IDRS Research

1. Tax specialists have access to IDRS. The following command codes will be checked if the NRA has indicated that there is no TIN:
  - A. NAMES – searches IMF for SSN using name and optionally, address, birth dates, and/or country. Most effective when used with birth dates.
  - B. NAMEI – searched IMF for SSN using last name, first name, zip code (with 000 indicating international).
2. If the NRA provides a TIN or one is located, the following command codes will be utilized:
  - A. INOLES – online entity information that provides the name, address, birth date, filing requirements (MFR = 09 indicates 1040NR filer)
  - B. IMFOLI – shows all MFT (master file tax codes) and periods filed (or activity without filing)
  - C. IMFOLT – shows specific MFT/Period combo with all transactions
  - D. IMFOLR – show one page summary of return information
  - E. AMDISA – shows the status and who has control if a MFT/Period has a "L" freeze and is under exam
  - F. RTVUE – full transcription of returns filed for IMF TIN (SSN)
  - G. BRTVU – full transcription of returns filed for BMF TIN (EIN)
  - H. IRPTRO – list information returns filed and transcribed by year for TIN
  - I. SUMRY – provides all years/periods on which any active (e.g. collection or examination status)
  - J. TXMOD – provides detail information on a specific tax period which includes collection or examination status information

#### 5.24.2.9 (07-28-2009)

##### Analyzing/Verifying Financial Information

1. Once the tax specialist is assigned a case and an application has been received:
  - A. Check the CWA application for accuracy and completeness.
  - B. Check IDRS on NRA and related entities for compliance with filing and paying requirements.
  - C. Review income and expense information provided.
2. When reviewing the income information, the specialist should ask the NRA or POA pertinent questions to determine as much as possible about the income and expenses associated with the tour or performance. For example:
  - Is there sponsorship income?
  - Is there merchandising income?
  - Is there endorsement income?
  - Is there tour support income?
  - Are there overages?
  - In addition to tour support, how are shortages in the budget covered?
3. Only ordinary and necessary business expenses of the NRA related to U.S. sourced personal service income can be used as a deduction from income. When the tour covers both U.S. and non-U.S. income, the specialist must show how allocation of income and expenses was formulated.
4. The NRA must be in compliance with all filing and paying requirements or entered into an installment agreement. If the NRA has toured in the U.S. in prior tax years, Form 1040NR must be filed and tax paid or covered by an installment agreement.

**Note:**

The requirement for a NRA to file tax returns is outlined in 26 CFR § 1.6012-1(b).

**5.24.2.10 (07-28-2009)**

**Travel Expenses**

1. Travel expenses incurred by the NRA when coming to and leaving the U.S are allowed if the expenses are ordinary, necessary, and reasonable for a U.S. tour.

**5.24.2.11 (07-28-2009)**

**Contingency Expenses**

1. Contingency expenses will not be allowed on the CWA unless history from prior tours indicates that this expense is necessary in order to avoid over-withholding.
2. Prior to allowing a contingency expense, the withholding agent should attempt to determine which expense categories were under-funded on the prior tour and consider revising the budget to reflect figures that are more accurate.
3. Contingency expenses will be allowed only after the specialist determines that there is a valid reason for allowing such expense.

**5.24.2.12 (07-28-2009)**

**Excluded Expenses**

1. The CWA process and application is not an audit. Expenses may be excluded from a CWA, this does not preclude the taxpayer from claiming the expense on the 1040NR.

**5.24.2.13 (07-28-2009)**

**External Data Sources**

1. Industry information and information about the artist and tour will be reviewed to support information provided by the taxpayer or representative.

**5.24.2.14 (07-28-2009)**

**Activity Record**

1. The Activity Record, see *Exhibit 5.24.2-1*, is an important document that records the history and activity for each lead.
2. The tax specialist must document all contacts, letters, time charged to the case, or any other action taken on the lead so that the activity record can answer any question about the case. The Activity Record should be brief but contain all relevant information.

**5.24.2.15 (07-28-2009)**

**Compliance Coordination**

1. Coordination with Exam or Collection personnel may be necessary if it is determined that the NRA athlete/entertainer is currently under examination or has ongoing collection activity.
2. Any request for compliance coordination will be routed through the first level group manager.
3. Continuation or cessation of activity will be determined once all discussions have been completed.

**5.24.2.16 (07-28-2009)**

**File Naming Convention**

1. In order to provide a consistent format for the files used in the case file, a file naming convention has been established.
2. In general, the file name incorporates the CWA ID number, a description of the contents, and other identifying information as desired. For example:
  - 07-222 Checksheet
  - 07-222 L4288 (i.e Letter 4288, No Central Withholding Agreement (CWA) Letter)
  - 07-222 F13920
  - 07-222 Analysis
  - 07-222 CWA B Elm (TP name)

**5.24.2.17 (07-28-2009)**

**Directed Withholding Letters**

1. Time permitting, Directed Withholding Letters should be issued 30 days prior to the first US tour or event date if a CWA has not been executed with the NRA and the specialist has determined it is in the best interest of the government to issue the letter to the withholding agent (e.g. venues, etc). The Directed Withholding Letter directs the withholding agent to withhold at a rate of 30% of gross income paid to or for the benefit of the NRA for U.S. sourced income.
2. Many venues, agents, and promoters do not recognize or fully understand their tax withholding requirements under IRC §1441. Therefore, it is critical that the tax specialist identify potential withholding agents and educate them as to their responsibilities.
3. 30% Directed Withholding Letter may be issued to the venue location(s) directing withholding of 30% of gross income per IRC § 1441 if:
  - A. The NRA is non-compliant and ineligible for a CWA, there is no response, or the response is incomplete.
  - B. The NRA has not responded to the CWA specialist request.
  - C. The NRA has not provided enough information to make a CWA determination 30 days prior to the first U.S. event.

**5.24.2.17.1 (07-28-2009)**

**Types of Directed Withholding Letters**

1. Directed Withholding Letter
  - A. Letter 4269, Directed Withholding Letter
  - B. Letter 4269-A, Directed Withholding Letter Athlete
  - C. Letter 4269-B, Directed Withholding Letter Group

A 30% Directed withholding letter will be issued covering the NRAs of a group when the group is comprised of NRAs and U.S. persons, and the tax specialist has verified that a member or members of a group are U.S. persons.

**Example:** A four-person group has one U.S. person. A 30% Directed Withholding letter will be issued to the venue listing only the 3 NRAs and directing that 30% of 75% of settlement be withheld and distributed equally. If verification of different percentages of ownership is subsequently provided, the amount of the directed withholding can be adjusted.

## 2. Specific Amount Directed Withholding Letters

- A. Letter 4272, Specific Amount Directed Withholding Letter
- B. Letter 4272-A, Specific Amount Directed Withholding Letter Athlete
- C. Letter 4272-G, Specific Amount Directed Withholding Letter Group

A specific amount withholding letter is issued to the venue or other withholding agent(s) when we have knowledge that the NRA is an independent contractor, does not share in the profit or loss but receives a fixed amount for the event.

If L4269 has been issued and the specialist receives information that the NRA does not share in the profit or loss but receives a flat fee, the L4269 will be rescinded and an L4272 will be issued.

### Note:

A specific amount directed withholding letter could be issued to the primary artist for backup or support NRA artists.

### Note:

The authority to disclose a specific amount of withholding to the withholding agent is based on IRC §6103(a) and IRC §6103(e) .

### 5.24.2.17.2 (07-28-2009)

#### Delivering Directed Withholding Letters

1. Letter(s) will be prepared, signed, and faxed and/or mailed by the tax specialist to the contact person at the designated location(s).
2. Directed Withholding Letters may be faxed to the recipient when time issues warrant fax delivery. All directed withholding letters will be sent as a hardcopy via overnight mail even when a fax copy has been sent. The specialist will track the overnight delivery and place the completed tracking slip in the case file with the directed withholding letter.

### 5.24.2.17.3 (07-28-2009)

#### Rescinding Directed Withholding Letters

1. Once a 30% Directed Withholding Letter has been issued and the event date is past, no rescission letter will be issued.
2. If a CWA is executed and 30% Directed Withholding Letters were previously issued, the CWA supersedes directed withholding letters for any dates after the CWA is signed by all parties.
3. If a directed withholding letter has been issued and the specialist finds that the individual NRA(s) are not subject to withholding, a rescission letter will be issued.
4. The manager must approve any request for rescission of 30% Directed Withholding letters.

### 5.24.2.17.4 (07-28-2009)

#### Requests for CWA after Case Closed (30% Directed Withholding Letter issued)

1. If the event or tour is complete, no CWA request will be considered.
2. If the event or tour has not begun, the manager will determine if the CWA is to be worked and by whom.
3. If the event or tour has begun but the tour is not completed, the manager will determine if the CWA is to be worked and by whom.

### 5.24.2.17.5 (07-28-2009)

#### Four Walled Rentals

1. Do not issue Directed Withholding Letters to venues that have a four-wall rental agreement with the NRA.
2. A venue is considered a four-wall rental only when the facility is rented by the artist or promoter for a performance or event and no other services are provided as part of the rental (e.g. ticket sales, promotion, etc.)
3. The venue may be a four-wall rental for a specific event. It may also be a non-four-walled for other events.
4. If the specialist is advised that the venue is a four-wall rental, the specialist should verify the information by checking available resources to determine if the venue is actually a four-wall rental (e.g. does not sell tickets for the event) before taking action on a directed withholding letter issued to the venue.

### 5.24.2.17.6 (07-28-2009)

#### Special Handling – Letters Issued to Indian Tribal Governments (ITG)

1. Indian Tribal Governments (ITG) office in the Tax Exempt and Government Entities Operation Division (TE/GE) serves as the gateway for all Service interactions with Tribes and their entities. The ITG office serves as the central point for all Service contacts with Federally recognized Indian tribes. This includes requests for assistance with Central Withholding Agreement matters.
2. Request by CWA specialist for assistance can be made by contacting the Specialist Referral System or ITG manager found on the ITG website at <http://tege.web.irs.gov/templates/TribalHome.asp> . The ITG office will assign a specialist to work with the CWA specialist in contacting the Indian tribal government entity.

### Exhibit 5.24.2-1 (07-28-2009)

#### CWA Activity Record

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**Exhibit 5.24.2-2 (07-28-2009)**  
**CWA Workpaper Index**

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## Part 5. Collecting Process

### Chapter 24. Central Withholding Agreement (CWA) Program

#### Section 3. Case Processing Guidelines

##### 5.24.3 Case Processing Guidelines

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##### 5.24.3.1 (07-31-2009)

###### Introduction

1. This section provides procedures when routing the case for approval.

##### 5.24.3.2 (07-31-2009)

###### CWA Approval Processing Procedures – Streamlined Cases

1. Streamlined CWAs have few if any complex issues. The following criteria are considered in making a streamlined determination:

- The NRA is in compliance with filing and paying requirements
- If the NRA has toured in the U.S. previously and has a valid TIN
- Types of contracts are simple and/or straight forward
- The venues are small
- The tours or events are relatively short

Generally, because of these criteria, the cases have gross receipts under ≡ ≡ ≡ ≡ .

2. Streamlined cases will be processed as follows:

- A. The CWA will be prepared by the tax specialist using the template. Trained tax specialists can send out Streamlined agreements without prior managerial approval.
- B. Tax specialist mails three copies or faxes one copy to the power of attorney (POA). The tax specialist will send by secure messaging the following documents to the management assistant of the group manager and program manager: the CWA, Exhibit A – Tour/Event Itinerary, Exhibit B – Income and Expense Sheet including individual analysis, and worksheet titled " Checklist for CWA Acceptance/Processing" .
- C. When the CWA has the signatures of the NRA and withholding agent, the POA sends all three original signature copies of the CWA to the approving official via one of the approved delivery methods.

###### Note:

Tax specialist must follow up with POA after seven days, if CWA was sent and no confirmation that POA received CWA and returned to IRS for signature.

- D. The approving official returns two (2) completed signed copies to the POA and retains one copy for the file.

##### 5.24.3.3 (07-31-2009)

###### CWA Approval Processing Procedures – Non-streamlined Cases

1. Non-streamlined case will be processed as follows:

- A. The tax specialist will prepare the CWA. Non-Streamlined agreements require managerial concurrence before sending the CWA and exhibits to taxpayers and their representative. Request for managerial concurrence must include: the CWA, Exhibit A – Tour/Event Itinerary, Exhibit B – Income and Expense Sheet including individual analysis, worksheet titled " Checklist for CWA Acceptance/Processing" , and group withholding analysis.
- B. Once the tax specialist receives second level managerial approval, the tax specialist mails three copies or faxes one copy to the POA, and advises management assistant that the agreements have been forwarded to the POA.

###### Note:

**The tax specialist needs to review the activity log to see if the CWA has been signed or if the directed withholding letters need to be transmitted prior to the first event date.**



- C. When the CWA is returned from the POA either the first or the second level manager signs all three copies of the CWA.
- D. The manager returns two (2) completed signed copies to the POA and retains one copy for the file.

**Note:**

**Original signatures should be secured on the agreement and forwarded to the manager; however, fax/copy signatures are acceptable in the interim.**

**5.24.3.4 (07-31-2009)**

**CWA Approval Processing Procedures - Formal Cases**

1. Formal cases involve the highest level of complex issues. The following criteria are considered in making a formal determination:
  - Multiple income streams involved (e.g. Merchandising, Tour Support, Endorsements, Sponsorship, Overages, Pay Per View, etc.)
  - Complex and detailed contracts are involved
  - The venues are large
  - Length of event or tour
  - Income is allocated for multiple country tour
  - There are complex issues - emerging income and expensing techniques

Generally, because of these criteria, the cases have gross receipts of more than \$100,000.

2. The approval process for formal cases is as follows:
  - A. The tax specialist will prepare the CWA.

**Note:**

**Formal agreements require first, second and third level managerial review and Counsel review.**

- B. The specialist provides the CWA package to the first level manager.
- C. After review and approval, first level manager will forward the CWA package to counsel and the second level manager concurrently.
- D. When counsel and second level manager have reviewed and approved, second level manager will forward to third level manager for review and approval.
- E. When the third level manager has reviewed and approved the CWA, the second level manager notifies the tax specialist.
- F. The tax specialist mails three copies or faxes one copy to the POA and advises management assistant that the agreements have been forwarded to the POA.
- G. Request for managerial concurrence must include: the CWA, Exhibit A – Tour/Event Itinerary, Exhibit B – Income and Expense Sheet including individual analysis, worksheet titled "Checklist for CWA Acceptance/Processing", and group withholding analysis.

**5.24.3.5 (07-31-2009)**

**Delivery of Approved CWA**

1. If a CWA is prepared and sent with eight (8) or more days remaining before the first tour event, the CWA will be sent using tracked delivery.
2. If a CWA is prepared and sent with less than eight (8) days remaining before the first event, the CWA will be sent to the POA via fax or overnight delivery.
3. All CWA's, regardless as to delivery method, require the POA to secure original signatures of the NRA and Designated withholding agent in triplicate and return to the address specified in the CWA.

**5.24.3.6 (07-31-2009)**

**CWA Signature Process**

1. Generally, athletes (boxers) do not sign the CWA until the weigh-in, which is the day before the fight. In this instance, the designated withholding agent and the NRA will sign the CWA but not return it to the IRS for signature until after the fight. The IRS will accept CWA for boxers if both the NRA and the designated withholding agent have signed the agreement prior to the bout and sends the agreement to the designated IRS office within three days the CWA is considered timely. If the CWA does not show the signature of the fighter and the designated withholding agent, the promoter will withhold 30 percent of the gross revenue paid to or for the benefit of the fighter.
2. It is the tax specialist responsibility to verify that the CWA is signed by all parties prior to the first event. If the CWA has not been signed prior to the first tour or event date, the specialist will take the next appropriate action.

**Note:**

**If the specialist issued directed withholding letters for the NRA performances prior to issuance of a CWA and the CWA is not executed, the specialist will monitor for compliance with the directed withholding requirements. If a CWA is subsequently signed, any withholding that has taken place prior to the CWA being signed by the IRS will be taken into consideration when determining the future deposit requirements for the NRA under the CWA.**

**5.24.3.7 (07-31-2009)**

**Amending an Approved CWA**

1. If an approved CWA subsequently has material changes with regards to income streams, date of the performance(s), or expenses incurred during the tour, the withholding agent should request that the CWA be amended to reflect the material changes and adjust any withholding required, based on the information provided.
2. Do not amend a CWA to include an event or performance that has already taken place. All CWA's will take into consideration current year US sourced independent personal income and income tax withholding of the NRA but no CWA will be amended to include any date or event that has already taken place.

**5.24.3.8 (07-31-2009)**

**Case Monitoring**

1. The tax specialist will monitor and follow-up when necessary on:
  - A. Confirmation of Deposits of the CWA
  - B. Final Accounting (FA)
  - C. Deposits from Directed Withholding Letters

**Note:**

Failure to comply with the deposit requirements of a CWA will result in voiding the CWA and will prohibit the withholding agent from entering into a future CWA. Failure to comply with the final accounting requirements of a CWA may prohibit the withholding agent from entering into a future CWA.

**5.24.3.9 (07-31-2009)****Site Visits**

1. A site visit will be conducted under the following conditions:
  - A. Managerial authorization and travel request to conduct a site visit (requires 2 levels of management approval) has been received and approved, and
  - B. The visit is for a business purpose, and
  - C. Once business has concluded, the specialist leaves the site.
  - D. A site visit to a tribal entity must be coordinated with the office of Indian Tribal Governments in TEGE, using procedures in IRM 5.24.2.17.6 .

**Note:**

**For site visitations to a boxing event, the specialist may need to remain at the site to verify income streams and/or meet with boxing officials.**

**5.24.3.9.1 (07-31-2009)****Site Visit Report**

1. The specialist will submit a site visit report to the group manager and program manager within 3 business days after the visit to the venue. If the specialist will not be able to complete the report within 3 business days, the specialist must provide the reason for the delay to the group manager.
2. The site visit report will contain the following information:
  - A. The business purpose
  - B. Approvals requested and received (see 1(a) above under Site Visits)
  - C. Date of visit
  - D. Name of person who provided the site tour
  - E. Income streams discussed (e.g. endorsements, merchandising, sponsorships, etc.)
  - F. Facility tour information
  - G. Other information (e.g. opening act, etc.)

**5.24.3.10 (07-31-2009)****Final Accounting**

1. Documentation to verify any information will not be requested from the withholding agent to avoid the appearance of an audit.
2. If there are items that are highly questionable, consult the group manager.
3. Once a decision is made to accept the Final Accounting (FA), duplicate the withholding analysis file from the tour and add a line item of {tour date} Final or similar wording in the withholding analysis file.
4. Enter changes in income or expenses (positive for increases, negative for decreases).
5. Give the NRA credit for the verified withholding deposit made on the CWA by the withholding agent and determine if additional deposits are necessary.
6. If the final accounting is done according to the CWA stipulations, an increase in net income will be accompanied by a computation of additional withholding at the specified rate in paragraph 7 and a deposit should have been made. Secure verification of the deposit if it has not been provided by the withholding agent.
7. An FA letter will be prepared by the tax specialist and sent to each artist who has entered into a CWA. The letter will include changes in gross income, expenses, net income, verified deposits, and allocation to the artist (if necessary). The letter will also include the amount of any additional deposit and the due date of the deposit (if required).
8. If an additional deposit is required, the tax specialist will monitor the case for the deposit.
9. When the tax specialist has received the final accounting and verified all the required deposits have been received, close the case on the Assignment Grid, assignments tab, and send the case to the management assistant.

**5.24.3.11 (07-31-2009)****Exam Referrals**

1. Background: NRA information presented to the tax specialist may provide a basis for an exam referral.
2. If a referral is made to examination, the following information should be included in the referral:
  - A. Completed Form 5346, Examination Information Report
  - B. IDRS information
  - C. Tax return information
  - D. Industry information (e.g. Artist profile with contact info, historical tours, and upcoming tours)
  - E. Contracts
  - F. Deal sheets
  - G. Other information that will assist with the examination
  - H. A synopsis of the information
3. Completed package is forwarded to the manager for review.
4. After the manager reviews the referral and determines all information needed has been provided, the approved package will be forwarded to PSP, international

examination with a copy to the CWA Program Manager.

5. Referrals can be made to PSP, international examination function, if appropriate, even if an agreement is reached to enter into a CWA. PSP will provide feedback on the referral.

#### **5.24.3.12 (07-31-2009)**

##### **Closed Files**

1. When a CWA is signed by all parties, the required deposits confirmed, final accounting has been reviewed, and additional withholding deposited (if applicable) the tax specialist will send all case file information to the group manager's office location. The tax specialist will also update the assignment list and the tax specialist report reflecting the closure.
2. When Directed Withholding Letters have been issued and the event or tour has completed, the specialist should receive a response for each Directed Withholding Letter. For any letter where no response is received, the tax specialist will initiate one follow-up contact with the venue.
3. If an open case file is reassigned to another tax specialist, the original tax specialist will send the case file information to the manager for further action.

##### **Note:**

**Closed case file information cannot be transmitted via electronic means or by copying to a disc. All information must be printed and included in the closed case files. All electronic information will be deleted from the specialist's computer when the case is closed.**

#### **5.24.3.13 (07-31-2009)**

##### **CWA Processing Procedures - Policy Closure**

1. Policy closures are cases closed due to policy decisions (staffing, date of receipt of request is late) and a Directed Withholding Letter is not issued.
2. The tax specialist will document the reason for closing the case as a policy closure. Policy closures require managerial concurrence.
3. Once approved by the group manager, the specialist will close the case.

#### **5.24.3.14 (07-31-2009)**

##### **Reports**

1. The CWA reports provide timely and reliable information to help plan, budget and evaluate the operation and program. Because of this, the specialist is expected to update the report whenever an action is taken on the case .
2. The following reports are utilized by the CWA program:
  - CWA Group Assignments
  - CWA Specialist Report (Grid)

#### **5.24.3.14.1 (07-31-2009)**

##### **CWA Assignment Report**

1. The CWA Group Assignment Report is used to track the assignment of the case. The report contains a group assignment and a tax specialist assignment listing. The information captured on the tax specialists listing includes:
  - A. Name of Group/Artist
  - B. Whether the case is the result of an internal or external lead and the date of assignment
  - C. U.S. Tour dates
  - D. Current case action
  - E. Mail Action – date CWA sent for signature or date Directed Withholding Letter sent
  - F. IRS Signature Date – date CWA is signed by the manager
  - G. Final Action/Closed file date

##### **Note:**

Item (f) information is only entered by the management assistant for the Program Manager. All other information is completed by the tax specialist.

2. The group assignment report should be reconciled whenever there is a scheduled action or any other action is taken. The report must be updated to reflect the action(s) taken.
3. After a CWA has been approved, the Current Case action field on the report should list "monitoring and follow-up of all required deposits" . After all the required deposits have been made, the next action listed should be "Final Accounting" .
4. The CWA Group Assignments Report should be reconciled with the specialist report.

#### **5.24.3.14.2 (07-31-2009)**

##### **CWA Specialist Report (Grid)**

1. The CWA Specialist report is made up of five parts. The first part is a summary of the rest of the four parts of the report. The following reports are contained:
  - A. Summary Report
  - B. Assignments
  - C. Policy
  - D. CWA Agreements
  - E. 30% Letters
  - F. Delinquent Returns Secured
2. The specialist will make updates to the reports on a daily basis.

- Effective October 1, 2008, an individual count indicator (Ind Ct) has been developed to count the number of individuals in the program. This indicator is on the Policy tab, CWA tab, and 30% Letter tab. Make an entry in this field when closing a case as a policy, directed withholding, or CWA closure for the first time the NRA enters the program. If the NRA subsequently enters the program, an entry will not be made in this field when closing the case.

#### 5.24.3.14.2.1 (07-31-2009)

##### Summary Report

- The summary report is a rollup of information contained in the other parts of the report.

#### 5.24.3.14.2.2 (07-31-2009)

##### Assignments Report

- The assignments reports contains the following information:

- Case ID – Name
- Assigned – type of assignment (internal, external)
- Closure Date and Type of Closure

- Case ID - Name

- In the Case ID - Name column, if the assignment is for only one NRA, list assignment # and name of NRA. If the assignment is for more than one NRA, list the assignment #, individual NRA, group name, and number of times the NRA has been in CWA program in current year. For example, a group called Glad Girls performs and this is the first appearance for all three of the artists in the group. Entries will be entered as follows :

09-002-01 Artist #1 Name (GG) (1)

09-002-02 Artist #2 Name (GG) (1)

09-002-03 Artist #3 Name (GG) (1)

- Enter the assignment date in the Assigned Column.

##### Note:

This will be entered only in the month assigned. Case entry will no longer be copied to the month to month. When the case is closed, it will be entered in the closing month with the appropriate closing code.

- Assigned – assignment date — Self-explanatory

- Closure Date & Type of Closure

- When the case is closed, an entry will be made by copying the case information from column A in the month the case was assigned to the month that the case is being closed. Close by putting in the date and the appropriate closure code. This is the date that case is physically closed and sent to Las Vegas. Highlight the assignment entry in yellow to indicate the case closure.

##### Note:

Search for the artist name in the spreadsheet by using the find feature; press and hold CTRL key and the letter F. A popup box will appear. Enter the name of the artist and click on the Find All or Find Next button. The cell that matches the entry will be highlighted.

- The assignment report should be reconciled with the CWA Group Assignments Report to ensure that the reports are accurate.

#### 5.24.3.14.2.3 (07-31-2009)

##### Policy Report

- The Policy report captures data that results when an assignment is closed as a policy closure.

- The Policy reports contain the following information:

- Case ID - Name - Members
- Individual Count
- Comments

- Preparing the Policy Report

- Enter the case ID number and individual name in the Case ID - Name column
- Enter "1" in the Ind Ct column if this is the first time the NRA has been in the CWA program in the fiscal year and a determination has been made to close it as a policy closure.
- In the Comments column, enter pertinent information relating to the closure.

#### 5.24.3.14.2.4 (07-31-2009)

##### CWA Agreements Report

- The CWA Agreements report captures data that results when a CWA is entered into with the NRA, designated withholding agent and IRS.

- The CWA Agreements reports contains the following information:

- Case ID – Name
- Type of CWA
- Individual Count Indicator

- D. Scheduled Deposits
- E. Confirmed Deposits
- F. Other Income

3. Preparing the CWA Agreements Report:

- A. For each CWA issued, copy the group and individual information from the assignment entry and paste it to the Case ID-Name column on the CWA Agreements tab.
- B. Place the number 1 in the 3rd Level (F) column for any Formal Agreement requiring approval above the GM – otherwise leave blank.
- C. Place the number 1 in the Streamline column for streamlined agreements – otherwise leave blank.
- D. Place the number 1 in the Counsel column when counsel is involved (all Formals and others as necessary) – otherwise leave blank.
- E. Enter the number 1 in the CWA column for each individual
- F. Enter the number "1" in the Ind Ct column if this is the first time the NRA has entered the program and a determination has been made to execute a CWA.
- G. For the individual, put the Total Withholding amount in the appropriate column and any scheduled withholding amount if there is a scheduled withholding in the current month (make note of other payments in comments).
- H. For the individual where deposits are scheduled in future months:

- Put a line item in the future month with 'see Oct' (where October is the CWA month) in the CWA column
- Enter the deposit date in the 'Sch Dep Date' column
- Blanks in the total withholding
- Enter amount of deposit in 'sch tax deposit' column
- Enter comments as necessary (refer to CWA date or other deposit dates)

- I. When deposits are verified, put y in the CFM Y/N column.
- J. After monthly report is submitted, do not roll over any information.
- K. When a Sch Deposit is not confirmed, remove the scheduled deposit amount from the month. You must follow-up to see why deposit confirmation was not received. Place the Scheduled deposit into the next month when the confirmation should be received due to your follow-up.
- L. I. Do not update information in any month where the monthly report has already been submitted. Consult with the GM if there is an error in a prior months report.

4. The specialist will record any verification of additional withholding provided by the withholding agent on support personnel as other income but will not require that the information be provided.

**5.24.3.14.2.5 (07-31-2009)  
Thirty Percent (30%) Letters Report**

- 1. The Thirty percent (30%) Letter report captures information from the specialist issuing a directed withholding letter to a venue.
- 2. The Thirty percent (30%) Letters report contains the following information when a directed withholding letter is issued by a specialist:
  - A. Case ID - Name
  - B. Individual Count Indicator
  - C. CWA after Directed Withholding Indicator
  - D. 30% Field - records the number of letter issued
  - E. Gross Income Reported - Income reported by the venue on Form 13920, Directed Withholding and Deposit Verification
  - F. Tax Withholding Verified - Deposit reported by the withholding agent for the NRA

3. Preparing the Thirty percent Letter report:

A. The case ID number and name of the group on the first line followed by the case ID number of the members of the group in parenthesis. On the lines following list the individual case ID numbers with the NRAs name. For example, a group called Glad Girls with three NRA in the group would be listed as:

09-001 Group Name

09-001-1 Artist #1

09-001-2 Artist #2

09-001-3 Artist #3

B. Put line item for individual with

- Case ID number & Individual
- Enter the number "1" in the Ind Ct column if this is the first time the NRA has entered the program and a determination has been made to issue directed withholding letters
- Number of letters in 30% column
- Letter date in Comments column

C. When confirmation is received:

- Put line item for individual with Case ID number and Venue Name in the month the confirmation is received
- Record gross payment, withholding amount and date confirmed (comment)

D. CWA after DWL

- Enter "1" in the CWA after DWL column when a determination is made to execute a CWA and DW letters were issued to the venues. If a determination is made in a subsequent month after the DWL's were issued, copy the artist information from month the initial entry was made to the month the CWA after DWL entry is made.

E. After monthly report is submitted, there is no carryover from month to month

4. To report and track results from the 30% letter, each venue will be listed on the report.

- A. Create a header row as shown in the example on the 30% tab of the grid.
- B. List each venue following the header row. The Case ID column will contain the group name, group initials, and the range of the Case ID numbers assigned to the member of the group. See example on the 30% letters tab.
- C. Change the font color to bold, green. (Note: Do not move the header row information from the month it was entered because it will change the rollup data on the reports.) Copy the artist name to each 30% letter line.
- D. For the venue detail, from the Letters sent tab on the mail merge list file, copy the data from the following columns:

- Letter date (column B)
- Performance Date (column C)
- Venue Name (column D)

E. Then, paste the information to your CWA Grid on the 30% Letter into :

- Letter date (column B)
- Performance date (column C)
- Venue Name (column D)
- These lines are blue.

F. The information on the 30% Letter tab will be color coded as follows:

- Green – Artist/Group header information (e.g. Artist name, letter date period, performance date period)
- Blue – Initial loading of the information (Blue is pending confirmation)
- Black – confirmation of deposit from venue
- Red - deposit information not received from venue or incorrect response provided
- Yellow fill - CWA determination made

- G. When deposit confirmation is received from a venue, move (cut & paste) the row containing the venue information from the month that the letter was created to the month the deposit was received. Enter the information provided by the venue in the respective columns. Change the font color to black.
- H. If you do not receive a response from the venue after 10 days or a response that is not appropriate (Form W-9 filed, etc.), change the font color to red.
- I. There is NO end-of-month activity necessary. Move confirmed deposits to the deposit month at the time recorded. Header row NEVER MOVES and blue detail lines will change to either black (confirmed) or red (unconfirmed or inappropriate) or yellow fill (CWA determination).

#### 5.24.3.14.2.6 (07-31-2009)

#### Delinquent Returns Secured Report

1. The Delinquent Returns Secured report captures data on returns secured within the CWA program.
2. The report contains the following information:
  - Case ID – Name
  - Year – Tax Year of the return

- Return Type
- Number of Tax returns Secured with Balance Due
- Balance Due Amount

3. Preparing the Delinquent Returns Secured report:

A. When return is submitted for delinquent year:

- Enter the case ID number and the individual name in Group/Artist Column
- Record the year (YYYYMM) filed
- Record the return type (1040NR, 1120F, etc.)
- Enter "Y" in the "Balance Due?" Column if the return secured has a balance due
- Enter the amount of the balance due in the Balance Due Amount column
- Comment as necessary

B. No carryover from month to month

**5.24.3.15 (07-31-2009)**

**Tax Specialist Duties**

1. The duties of the CWA tax specialist:

- A. Gathers required data to complete CWAs
- B. Drafts CWAs and submits to the manager and/or POA as appropriate
- C. Drafts 30% Directed Withholding Letters and submits as directed
- D. Monitors case for deposits from the withholding agent or Directed Withholding Letters issued
- E. Processes final accounting from the withholding agent
- F. Drafts examination referrals and submits to manager for review
- G. Completes case file and forwards to the group manager location
- H. Prepares reports as required
- I. Provides education to external stakeholders
- J. Conducts site visits at venues

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