

INTERIM IRM PROCEDURAL UPDATE

DATE: 05/21/2012

NUMBER: WI-21-0512-1091

SUBJECT: Updates to Schedule U, tax period changes and FTHBC

AFFECTED IRM(s)/SUBSECTION(s): 21.6.4

CHANGE(s):

IRM 21.6.4.4.14.6 - Updated (2) to say route Schedule U to SSA for tax year 2006 and prior.

2. For tax year 2006 and prior, detach Schedule U, *U.S. Schedule of Unreported Tip Income*, and route to the Social Security Administration (SSA) using local procedures.

IRM 21.6.4.4.16.3 - clarified netting and update the exception to list specific refundable credits in (1)(n).

1(n). Transfer any other available credit or payments to the account. Net out any refunds or offset previously issued (subtract the refund from the withholding).

EXCEPTION: If a refund was previously issued or an offset occurred, and EITC, TETR, RRC or ACTC was involved, the credit must be reversed and the refund/offset must be moved/reversed. See IRM 21.5.2.4.23.10, *Moving Refunds*.

IRM 21.6.4.4.19.4 - added caution to reference number 877 in (2).

2. The table below lists the reference numbers associated with the recapture and the reason codes associated with them.

NOTE: These reference numbers are valid for MFT 30 only.

Reference Number	Description
877	Adjusts the repayment amount in the posted return section and the total repayment field in the entity. Used to update the recapture amount when a repayment has been made. RC 119, 120, 123, 132 and 133

NOTE: RC 132 can be input with reference number 877 but does not update the recapture amount field. RC 133 requires the input of RC 119, 120 or 123.

CAUTION: When decreasing the recapture amount, do not exceed the amount reported on the original return or previously adjusted.

IRM 21.6.4.4.19.5 - added new subsection for FTHBC and STEX transcript procedures.

1. These procedures are designed to be used by Statute unit employees processing STEX transcripts.
2. When processing an STEX transcript for tax year 2008, review the module to determine if the taxpayer claimed the First-Time Homebuyer Credit (FTHBC).
3. Since the FTHBC is subject to repayment or recapture, depending on when the home was purchased, the account must be reviewed in order to determine if the taxpayer benefited from the credit, and if so, how much. Any portion of the credit that did not benefit the taxpayer must be disallowed.
4. To determine if the taxpayer benefited from the FTHBC, take the following steps:
 1. Review CC TXMOD or IMFOLT to see how much credit the taxpayer was allowed. The credit can be identified by a TC 766, reference number 258.
 2. Determine the total tax shown on the module. Combine the TC 150 with any TC 290 or 291.
 3. Subtract any refundable credit from the total tax.

NOTE: Refundable credits are applied in the order shown on the Form 1040.

EXAMPLE: For tax year 2008, the order of credits is withholding, ES payments / credit elect, EIC, excess social security, ACTC, extension payment, credits from Form 2439 / 4136 / 8801 / 8885, FTHBC and RRC.

5. If the tax is paid prior to applying the FTHBC, the taxpayer did not benefit from the credit and the entire credit is disallowed.
6. If the tax is not paid prior to applying the FTHBC, the taxpayer did benefit from the credit and a portion of the credit may be disallowed.

EXAMPLE: The total tax on the module is \$5000, withholding \$2000 and FTHBC \$7500. After subtracting the withholding from the tax, \$3000 of the

FTHBC is applied to the tax. The taxpayer has a \$3000 benefit. \$4500 would be disallowed.

7. To disallow the credit:
 - Input a TC 290 .00
 - Input a RC 109
 - Input reference number 258 (negative) for the amount of the credit being disallowed
 - Input blocking series 05, source code 2, hold code 2, posting delay code 1.
 - Include language in the 105c letter regarding the amount of credit disallowed.

EXAMPLE: Partial disallowance- Since \$2,500 of the \$7,500 First-Time Homebuyer Credit claimed was applied to the tax reported on your return, we have disallowed the \$5,000 that could not be refunded you. Your annual repayment is 1/15 of the \$2,500.