



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
Washington, DC 20224

SMALL BUSINESS / SELF-EMPLOYED DIVISION

January 23, 2023

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MEMORANDUM FOR DIRECTOR, FIELD EXAMINATION
DIRECTOR, CAMPUS EXAMINATION
DIRECTOR, REFUNDABLE CREDITS EXAM
OPERATIONS

FROM: Heather J. Yocum /s/ *Heather J. Yocum*
Acting Director, SB/SE Examination Field and Campus Policy

SUBJECT: Interim Guidance Revising Standard Explanations

This memorandum issues guidance on standard explanations until IRM 4.10.10 is published. Please ensure this information is distributed to all affected employees within your organization.

Purpose: This interim guidance revises seventeen standard explanations as shown in Attachment 1.

Background: These standard explanations will be incorporated into the Report Generation Software (RGS). Prior to the RGS update, examiners can insert these paragraphs using the [custom paragraph](#) feature in RGS.

Procedural Change: See Attachment 1 for impacted standard explanations.

Effect on Other Documents and Effective Date: This guidance will be incorporated into IRM 4.10.10, Standard Paragraphs and Explanation of Adjustments, within two years of issuance. The standard explanations can be used immediately.

Contact: Cathy Demetra, Program Manager, Examination Field and Campus Policy, Field Examination General Processes.

Attachments:
[Attachment 1](#) – Exhibit 4.10.10-2

Distribution: www.irs.gov

Exhibit 4.10.10-2
Standard Explanations

3632 – Carryover contributions, DDB Rule 101 and 102 - We have disallowed the amount you claimed on Schedule A as a carryover contribution from a prior year. You may only carry over amounts that you were not able to deduct on your tax return for the five succeeding tax years. Our records indicate that you did not meet this requirement; therefore, we have recomputed your tax liability.

If you believe our records are incorrect and you have any information you would like us to consider regarding the amount you entered as a carryover contribution on Schedule A, please submit it.

If the amount of the carryover contribution on Schedule A originated from another tax return, please provide a copy of that return. If the return is too large to photocopy and mail to us, you must at least provide copies of pages 1 and 2 of [Form 1040](#) and Schedule A.

If the amount of the carryover contribution on Schedule A was entered in error and actually belongs on another line of Schedule A you must provide the correct line number, a description of the deduction and verification that the amount claimed was paid.

Examples of acceptable verification are cancelled checks (or other documents that identify payee, amount, and proof of payment/electronic funds transferred), statements and receipts showing the date the expense or deduction was paid, the amount and the payee's name. You may send photocopies of the information you wish us to consider. If you send copies of cancelled checks, you must submit copies of the front and back of each check.

6504 – Changed qualifying individuals or expenses/changed credit - Since we have changed your allowable qualifying individuals or the amount of employment-related expenses, we have also adjusted your child and dependent care credit.

6505 – Not established paid for a qualifying individual - Since you did not establish that the amount shown was paid for care for a qualifying individual, we have disallowed your child and dependent care credit.

6506 – Married filing separate - A married person filing a separate return may not claim the child and dependent care credit unless the claimant is either legally separated from their spouse under a decree of divorce or of separate maintenance, or the following apply:

- (a) The claimant's home must have been the home of a qualifying individual for more than half the tax year, and
- (b) The claimant must have paid more than half the cost of keeping up the home for the tax year, and
- (c) The claimant's spouse must not have lived in the home for the last 6 months of the tax year.

Since you did not establish that you meet the above qualifications, we disallowed your child and dependent care credit.

6507 – AGI changed - The amount of your child and dependent care credit is based on your adjusted gross income. Since the adjustments in this report changed your adjusted gross income, your credit has been refigured.

6508 – Qualifying child of divorced/separated parents - To be a qualifying child for the child and dependent care credit, a child of divorced parents, legally separated parents or parents living apart at all times during the last 6 months of the year must:

- (1) Be under 13 or be physically or mentally not able to care for themselves, and
- (2) Be in the custody of the parent claiming the credit for the greater part of the year, even if the custodial parent has given the noncustodial parent the right to claim the child as a dependent for that year.

Because your child does not satisfy both requirements, we have disallowed the child and dependent care credit.

6509 – Earned income exclusion - When earned income is excluded from your return, your child and dependent care credit must be adjusted. Since you claimed the [IRC 911](#) exclusion, we have adjusted your child and dependent care credit as shown in the attached computation.

6511 – Education expenses are not includible - Expenses for education (in kindergarten or higher grade) are not allowable as child and dependent care expenses.

6512 – Amount verified as paid - We adjusted your child and dependent care expenses to the amount verified as paid in figuring your credit for child and dependent care expenses.

6515 Child and dependent care credit – alternative minimum tax; fillable - The enclosed report indicates that you are liable for the Alternative Minimum Tax. Your child and dependent care credit has also been affected by this adjustment. The amount from line _____ of [Form 6251](#) is used to figure the limitation of this credit. Please see the attached worksheet, which explains how your child and dependent care credit was recalculated.

6516 – Child care provider - We have disallowed your child and dependent care credit because a child care provider cannot claim a credit for the provider's own child care services.

6517 – Child and dependent care credit – DDB Rule 110 – Child and dependent care expenses must be for the care of one or more qualifying individuals who is:

- A. Your dependent qualifying child who was under age 13 when the care was provided, or
- B. Your spouse who was physically or mentally not able to care for themselves and who had the same place of abode as you for more than half of the tax year, or
- C. An individual who was physically or mentally not able to care for themselves and had the

same principal place of abode as you for more than half of the tax year and you can claim as a dependent (or could claim as a dependent except the individual had gross income equal to or greater than the exemption amount).

Our records indicate that your qualifying individual was over the age of 13 at the beginning of the tax year in question. If you believe our records are incorrect and you have information you would like us to consider regarding the qualifying individual's age, please submit that information.

In addition, please submit copies of the back and front of cancelled checks and receipts documenting the expenditures. If you do not have cancelled checks, provide a statement from the person or organization showing the name, address, period of care and amount paid.

If your qualifying individual was over the age of 13 at the beginning of the tax year in question, and meets the exception qualifications in B or C above, please submit:

- A doctor's statement showing the individual was physically or mentally unable to care for themselves, if the expenses were paid for a disabled person.
- Name(s), address(es) and taxpayer identification number(s) of the person(s) or organization(s) who provided the care.
- Copies of the back and front of cancelled checks and receipts documenting the expenditures. If you do not have cancelled checks, provide a statement from the person or organization showing the name, address, period of care and amount paid.
- Proof that you and the qualifying individual had the same principal place of abode for more than half of the tax year.

6518 – Child and dependent care credit – DDB Rule 111 - We have disallowed the amounts you claimed for the child and dependent care credit as our records indicate your qualifying individual for the credit was over the age of 13 during the tax year in question. For an individual who qualified for part of the year, you determine an individual's qualifying status each day. For example, if the individual for whom you pay child and dependent care expenses no longer qualifies on September 16, count only those expenses through September 15. Please provide copies of cancelled checks and receipts documenting the expenditures. If you do not have cancelled checks, provide a statement from the person or organization showing the name, address, period of care and amount paid.

If your qualifying individual is over the age of 13 and physically or mentally not able to care for themselves and had the same principal place of abode as you for more than half of the tax year and you can claim as a dependent (or could claim as a dependent except the individual had gross income equal to or greater than the exemption amount), please submit:

- A doctor's statement showing the individual was physically or mentally unable to care for themselves, if the expenses were paid for a disabled person.
- Name(s), address(es) and taxpayer identification number(s) of person(s) or organizations you paid for care.
- Copies of cancelled checks and receipts documenting the expenditures. If you do not have cancelled checks, provide a statement from the person or organization with the name, address, period of care and amount paid.
- Proof that you and the qualifying individual had the same principal place of abode for

more than half of the tax year.

6519 – Child and dependent care credit - fillable gross income - DDB Rule 110 - We have disallowed the amounts you claimed for the child and dependent care credit as our records indicate your qualifying individual for the credit was over the age of 13 during the tax year in question. For an individual who qualified for part of the year, you determine an individual's qualifying status each day. For example, if the individual for whom you pay child and dependent care expenses no longer qualifies on September 16, count only those expenses through September 15. If the qualifying individual is over the age of 13, is physically or mentally not able to care for themselves and meets the other requirements for being a qualifying individual, please submit the following:

If the qualifying individual is over the age of 13 and physically or mentally not able to care for themselves and had the same principal place of abode as you for more than half of the tax year and you can claim as a dependent (or could claim as a dependent except the individual had \$_____ or more of gross income), please submit:

- A doctor's statement showing the individual was physically or mentally unable to care for themselves, if the expenses were paid for a disabled person.
- Name(s), address(es) and taxpayer identification number(s) of person(s) or organization(s) you paid for care.
- Copies of cancelled checks and receipts documenting the expenditures. If you do not have cancelled checks, provide a statement from the person or organization showing the name, address, period of care and amount paid.
- Proof that you and the qualifying individual had the same principal place of abode for more than half of the tax year.

6520 - Child and dependent care credit - fillable gross income-DDB Rule 111 - Child and dependent care expenses must be for the care of a qualifying individual. A qualifying individual may be:

- A. Your dependent qualifying child who was under age 13 when the care was provided, or
- B. Your spouse who was physically or mentally not able to care for themselves and had the same principal place of abode as you for more than half of the taxable year, or
- C. An individual who was physically or mentally not able to care for themselves and who had the same principal place of abode as you for more than half of the taxable year and whom you can claim as a dependent (or could claim as a dependent except the individual had gross income equal to or greater than the exemption amount).

For purposes of C, an individual may qualify to be your dependent even if you, i.e., the individual claiming the child and dependent care credit, are the dependent of another taxpayer, the individual is married and files a joint return, or the individual had \$_____ or more of gross income.

For purposes of A or C, if the special rule for divorced parents, legally separated parents or parents living apart at all times during the last 6 months of the year, applies for purposes of determining who can claim the child as a dependent, the child is not necessarily a qualifying individual of the parent who claims the child as a dependent. Only the custodial parent may claim the child and dependent care credit, even if the noncustodial parent is entitled to claim the child as a dependent.

Our records do not indicate that an individual qualifies you for this credit. If you believe our records are incorrect, please submit the following:

- If applicable, documentation to show that your child was under age 13 for part or all of the tax year.
- If applicable, a doctor's statement showing the individual was physically or mentally unable to care for themself.
- Name(s), address(es) and taxpayer identification number(s) of person(s) or organizations who provided the care.
- Copies of the back and front of cancelled checks and receipts documenting the expenditures. If you do not have cancelled checks, provide a statement from the provider showing the name and address of the provider, the period of care and the amount paid.
- Documentation to show that you and the qualifying individual had the same principal place of abode for more than half of the taxable year.

6523 – Not established paid or paid for a qualifying individual (tax year 2021) -

Since you did not establish that the amount shown was paid for child care, or paid for care of another qualifying individual, we have disallowed your refundable child and dependent care credit.

6524 – Taxpayer or Spouse not in US more than half the year - refundable child and dependent care credit (tax year 2021 only) -

We have adjusted the child and dependent care credit because you (or your spouse if Married Filing Jointly) must have had a principal place of abode in the United States for at least half the year to be eligible for the refundable portion of the credit.