



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
Washington, DC 20224

SMALL BUSINESS / SELF-EMPLOYED DIVISION

November 29, 2023

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Affected: IRM 4.10.10

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  
for American Opportunity Tax Credit (AOTC)

This memorandum issues guidance on standard explanations until [IRM 4.10.10](#), *Standard Paragraphs and Explanation of Adjustments*, is published. Please ensure this information is distributed to all affected employees within your organization.

**Purpose:** This interim guidance revises two standard explanations for the American Opportunity Tax Credit (AOTC) as shown in Attachment 1.

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

**Procedural Change:** See Attachment 1 for the standard explanations.

**Effect on Other Documents and Effective Date:** This guidance will be incorporated into IRM 4.10.10 within two years of issuance. The standard explanation can be used immediately.

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

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

**Distribution:** [www.irs.gov](http://www.irs.gov)

**Exhibit 4.10.10-2 Standard Explanations**

**7541 – American opportunity tax credit – 2-year ban asserted (for tax years 2016 and later)** - Since we determined you recklessly or intentionally disregarded the rules and regulations when you claimed the American Opportunity Tax Credit (AOTC), you are restricted from receiving the AOTC for two taxable years after the most recent taxable year for which there was a final determination per IRC 25A(b)(4)(A)(ii)(II).

If you claim the AOTC after the two-year ban expires, you must complete and include [Form 8862](#), with your tax return. If you claim the credit and include [Form 8862](#), we will determine if you are entitled to the credit. We will delay any refund until we make that determination and may contact you for additional information. If you do not include [Form 8862](#) with the first tax return on which you claim the credit after the expiration of the two-year ban, we will disallow the credit.

**7542 – American opportunity tax credit – 10-year ban asserted (for tax years 2016 and later)** - Since we determined you fraudulently claimed the American Opportunity Tax Credit (AOTC), you are restricted from receiving the AOTC for ten taxable years after the most recent taxable year for which there was a final determination per IRC 25A(b)(4)(A)(ii)(I).

If you claim the AOTC after the ten-year ban expires, you must complete and include [Form 8862](#), with your tax return. If you claim the credit and include [Form 8862](#), we will determine if you are entitled to the credit. We will delay any refund until we make that determination and may contact you for additional information. If you do not include [Form 8862](#) with the first tax return on which you claim the credit after the expiration of the ten-year ban, we will disallow the credit.