

IRM PROCEDURAL UPDATE

DATE: 08/10/2026

NUMBER: ts-21-0826-0760

SUBJECT: Updates to Reason Codes for No Tax on Tips; No Tax on Overtime; No Tax on Car Loan Interest; Enhanced Deductions for Seniors Adjustments

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

CHANGE(s):

IRM 21.6.4.4.3.1(9)(number 3) Added reason code 240 for No Tax on Tips adjustments and updated the timeframe for use of reason code 075.

(9) To adjust the account:

1. Math verify Schedule 1-A, Additional Deductions.
2. Input TC 29X to increase or decrease tax.
3. Use Reason Code (RC) 240, the correct blocking series (BS) and source code (SC).

Note: Reason code 076 (Itemized Deductions) was used for these adjustments prior to June 16, 2026. Reason code 075 (Taxable Income) was used for these adjustments from June 16, 2026 through August 7, 2026.

IRM 21.6.4.4.3.2(8)(number 3) Added reason code 241 for No Tax on Overtime adjustments and updated the timeframe for use of reason code 075.

(8) To adjust the account:

1. Math verify Schedule 1-A, Additional Deductions.
2. Input TC 29X to increase or decrease tax.
3. Use Reason Code (RC) 241, the correct blocking series (BS) and source code (SC).

Note: Reason code 076 (Itemized Deductions) was used for these adjustments prior to June 16, 2026. Reason code 075 (Taxable Income) was used for these adjustments from June 16, 2026 through August 7, 2026.

IRM 21.6.4.4.3.3(9)(number 3) Added reason code 242 for No Tax on Car Loan Interest adjustments and updated the timeframe for use of reason code 075.

(9) To adjust the account:

1. Math verify Schedule 1-A, Additional Deductions.
2. Input TC 29X to increase or decrease tax.
3. Use Reason Code (RC) 242, the correct blocking series (BS) and source code (SC).

Note: Reason code 076 (Itemized Deductions) was used for these adjustments prior to June 16, 2026. Reason code 075 (Taxable Income) was used for these adjustments from June 16, 2026 through August 7, 2026.

IRM 21.6.4.4.3.4(6)(number 3) Added reason code 243 for Enhanced Deductions for Seniors adjustments and updated the timeframe for use of reason code 075.

(6) To adjust the account:

1. Math verify Schedule 1-A, Additional Deductions.
2. Input TC 29X to increase or decrease tax.
3. Use Reason Code (RC) 243, the correct blocking series (BS) and source code (SC).

Note: Reason code 076 (Itemized Deductions) was used for these adjustments prior to June 16, 2026. Reason code 075 (Taxable Income) was used for these adjustments from June 16, 2026 through August 7, 2026.

IRM 21.6.4 Updated references throughout the IRM from "One Big Beautiful Bill Act (OBBBA)" to "Working Families Tax Cuts (WFTC)" in accordance with guidance from the Treasury Public Affairs Office.