

IRM PROCEDURAL UPDATE

DATE: 03/11/2024

NUMBER: wi-21-0324-0386

SUBJECT: Extensive Updates to BMF Income Tax/Information Returns Due to the Inflation Reduction Act Impacting New and Commercial Clean Vehicle Credits, Energy Credits, and Elective Payment Elections

AFFECTED IRM(s)/SUBSECTION(s): 21.7.4

CHANGE(s):

IRM 21.7.4.4.8.3.38.3 Added Subsection; Form 8936, New Clean Vehicle Credit (2023 or subsequent)

(1) Section 13401 of P. L. 117-169, 136 Stat. 1818 (August 16, 2022), commonly known as the Inflation Reduction Act (IRA) of 2022, amended IRC 30D, and renamed the provision to *New Clean Vehicles*. The bill modified the tax credit for new clean vehicles acquired after December 31, 2022, with some exceptions. The credit does not apply to vehicles acquired after 2032. The credit may be in part a personal credit and in part a General Business Credit and is claimed on Part II of Form 8936 and flows through to Form 3800 except for certain entities.

Note: Returns that contain this credit, and meet specific criteria for further review at processing, will have a posted TC 971 AC 831 in the tax module and will contain a MISC> field with "CVC". The account will also have a TC 570 with a -R freeze. See IRM 21.5.6.4.35, -R Freeze, for additional information.

(2) To qualify for the credit, taxpayers must purchase a qualified new clean vehicle meeting the following requirements:

- Has a battery capacity of at least 7 kilowatt hours,
- Has a gross vehicle weight rating of less than 14,000 pounds,
- Be made by a qualified manufacturer,
- Undergo final assembly in North America, and
- Meet critical mineral and battery component requirements (as of April 18, 2023)

In addition, the vehicle's manufacturer suggested retail price (MSRP) can't exceed:

- \$80,000 for vans, sport utility vehicles and pickup trucks
- \$55,000 for other vehicles

(3) The amount of the credit is based on the service date of the vehicle. For vehicles placed in service **January 1 to April 17, 2023:**

- \$2,500 base amount
- Plus \$417 for a vehicle with at least 7 kilowatt hours of battery capacity
- Plus \$417 for each kilowatt hour of battery capacity beyond 5 kilowatt hours
- Up to \$7,500 total

In general, the minimum credit will be \$3,751 (\$2,500 + 3 times \$417), the credit amount for a vehicle with the minimum 7 kilowatt hours of battery capacity.

(4) For vehicles placed in service **April 18, 2023 and subsequent**, vehicles will have to meet the same criteria listed above, plus meet new critical mineral and battery component requirements for a credit up to:

- \$3,750 if the vehicle meets the critical minerals requirement only
- \$3,750 if the vehicle meets the battery components requirement only
- \$7,500 if the vehicle meets both

A vehicle that does not meet either requirement will not be eligible for a credit.

(5) See IRM 21.7.4.4.8.3.38, *Clean Vehicle Credits - Form 8936*, the instructions for Form 8936, and www.irs.gov/clean-vehicle-tax-credits for more specific information.

(6) To claim a clean vehicle credit (CVC), the taxpayer must provide a completed Form 8936, Clean Vehicle Credits, and a Schedule A (Form 8936) for each qualifying vehicle claimed on their tax return. All claims for clean vehicle credits must include the VIN on Schedule A (Form 8936). Refer to paragraph (7) below for instructions on how to validate the VIN.

Note: If the **only** source of this credit is derived from affiliation with a partnership or S corporation, entities can report this credit directly in Part III of Form 3800, General Business Credit. Partnerships and S corporations must file Form 8936 to claim the credit.

(7) Research VIN(s) listed on Schedule A (Form 8936) using AMS VIN Lookup Tool.

- From AMS, select Tools > CLEAN ENERGY > VIN Lookup

Note: Input the full 17 characters of the VIN, or the first 6 characters of the VIN followed by an asterisk (*) to search for the VIN. The tool will respond by listing the VIN. If the VIN is not found, the tool will respond "VIN is invalid".

If	And	Then
Form 8936 Sch A VIN(s)	CVC credit allowed for same VIN(s) on original	Follow No Consideration Procedures in IRM 21.5.3.4.6, <i>No Consideration and</i>

match original return VIN(s)	return	<i>Disallowance of Claims and Amended Returns.</i> Send 916C letter, explaining the credit was previously allowed for the specified VIN(s) on the original return.
Form 8936 Sch A VIN(s) match original return VIN(s)	CVC credit NOT allowed for the same VIN(s) on original return	<ul style="list-style-type: none"> If VIN(s) can be validated and the CVC credit amount is verified; continue processing. If VIN(s) not valid; Follow No Consideration Procedures in IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns</i>. Send 916C letter with an open paragraph explaining the VIN(s) provided could not be verified.
Form 8936 Sch A VIN(s) do not match original return VIN(s)	placed in service date is before 01/01/2023	Follow Procedures in IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns</i> . Send a letter with an open paragraph explaining the placed in service date as the reason for the disallowance
Form 8936 Sch A VIN(s) do not match original return VIN(s)	CVC credit exceeds \$7,500 (per vehicle) (Part II, Form 8936, Schedule A)	Follow Procedures in IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns</i> . Send a letter with an open paragraph explaining the allowable/lesser New Clean Vehicle Credit amount as the reason for the partial disallowance
Form 8936 Sch A VIN(s) do not match original return VIN(s)	# [REDACTED] #	# [REDACTED] #
Form 8936 Sch A VIN(s) do not match original return VIN(s)	# [REDACTED] #	# [REDACTED] #

- Math verify Form 8936
- Input TC 291 to increase the credit and TC 290 to decrease the credit.

IRM 21.7.4.4.8.3.38.4 Added Subsection; Form 8936, Qualified Commercial Clean Vehicle Credit

Any line marked with a # is for Official Use Only

(1) Section 13403 of P. L. 117-169, 136 Stat. 1818 (August 16, 2022), commonly known as the Inflation Reduction Act (IRA) of 2022, added Internal Revenue Code (IRC) 45W. Businesses and tax-exempt organizations that buy a qualified commercial clean vehicle after 2022 may qualify for a clean vehicle tax credit of up to \$40,000 under IRC 45W. There is no limit on the number of credits a business can claim. For businesses, the credits are nonrefundable. The credit can be carried over as a general business credit and is claimed on Part II of Form 8936 and flows through to Form 3800, except for certain entities. The credit does not apply to vehicles acquired after 2032.

Note: A Qualified Commercial Clean Vehicle Credit (IRC 45W) is not allowed if a New Clean Vehicle credit (IRC 30D), was also allowed for the same vehicle on the taxpayers tax return.

Note: Returns that contain this credit, and meet specific criteria for further review at processing, will have a posted TC 971 AC 831 in the tax module and will contain a MISC> field with "CVC". The account will also have a TC 570 with a -R freeze. See IRM 21.5.6.4.35, -R Freeze, for additional information.

(2) Under IRC 6417, certain tax-exempt and governmental entities (Form 990-T filers) that generally do not benefit from income tax credits, can elect to treat the qualified commercial clean vehicle credit as a payment of income tax. Resulting overpayments may result in refunds for these entity types. See IRM 21.7.4.4.9.5, Inflation Reduction Act (IRA), Superseding and Amended Return Processing; Elective Payment Elections (EPE) or Transfers, for additional information.

(3) The credit equals the lesser of:

- 15% of your basis in the vehicle (30% if the vehicle is not powered by gas or diesel), or
- The incremental cost of the vehicle

The maximum credit is \$7,500 for qualified vehicles with gross vehicle weight ratings (GVWRs) of under 14,000 pounds and \$40,000 for all other vehicles.

(4) To qualify for the credit, business entities must purchase a qualified new clean vehicle meeting the following requirements:

- Be made by a qualified manufacturer
- Be used for business, not for resale
- Be for use primarily in the United States

In addition, the vehicle must either be:

- Treated as a motor vehicle for purposes of title II of the Clean Air Act and manufactured primarily for use on public roads (not including a vehicle operated exclusively on a rail or rails); or

- Mobile machinery as defined in IRC 4053(8) (including vehicles that are not designed to perform a function of transporting a load over a public highway)

The vehicle or machinery must also either be:

- A plug-in electric vehicle that draws significant propulsion from an electric motor with a battery capacity of at least 7 kilowatt hours if the gross vehicle weight rating (GVWR) is under 14,000 pounds; or 15 kilowatt hours if the GVWR is 14,000 pounds or more; or
- A fuel cell motor vehicle that satisfies the requirements of IRC 30B(b)(3)(A) and (B)

(5) See the instructions for Form 8936, and www.irs.gov/clean-vehicle-tax-credits for more specific information.

(6) To claim a qualified commercial clean vehicle credit, the taxpayer must provide a completed Form 8936, Clean Vehicle Credits, and a Schedule A (Form 8936) for each qualifying vehicle claimed on their tax return. All claims for clean vehicle credits must include the VIN on Schedule A (Form 8936).

Note: If the **only** source of this credit is derived from affiliation with a partnership or S corporation, entities can report this credit directly in Part III of Form 3800, General Business Credit. Partnerships and S corporations must file Form 8936 to claim the credit.

(7) Research VIN(s) listed on Schedule A (Form 8936) using AMS VIN Lookup Tool.

- From AMS, select Tools > CLEAN ENERGY > VIN Lookup

Note: Input the full 17 characters of the VIN, or the first 6 characters of the VIN followed by an asterisk (*) to search for the VIN. The tool will respond by listing the VIN, if valid. If the VIN is not found, the tool will respond "VIN is invalid".

If	And	Then
Form 8936 Sch A VIN(s) match original return VIN(s)	CVC credit allowed for same VIN(s) on original return	Follow No Consideration Procedures in IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns</i> . Send 916C letter, explaining the credit was previously allowed for the specified VIN(s) on the original return.
Form 8936 Sch A VIN(s) match original return VIN(s)	CVC credit NOT allowed for the same VIN(s) on original return	<ul style="list-style-type: none"> • If VIN(s) can be validated and the CVC credit amount is verified; continue processing. • If VIN(s) not valid; Follow No Consideration Procedures in IRM 21.5.3.4.6, <i>No Consideration and</i>

		<i>Disallowance of Claims and Amended Returns.</i> Send 916C letter with an open paragraph explaining the VIN(s) provided could not be verified.
Form 8936 Sch A VIN(s) do not match original return VIN(s)	placed in service date is before 01/01/2023	Follow Procedures in IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns.</i> Send a letter with an open paragraph explaining the placed in service date as the reason for the disallowance
Form 8936 Sch A VIN(s) do not match original return VIN(s)	Credit amount claimed is not the lesser of line 24 or 25 on Part V, Form 8936 Schedule A	Follow Procedures in IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns.</i> Send a letter with an open paragraph explaining the allowable/lesser Commercial Clean Vehicle Credit amount as the reason for the partial disallowance
Form 8936 Sch A VIN(s) do not match original return VIN(s)	# [REDACTED] #	# [REDACTED] #
Form 8936 Sch A VIN(s) do not match original return VIN(s)	# [REDACTED] #	# [REDACTED] #

- Math verify Form 8936
- Input TC 291 to increase the credit and TC 290 to decrease the credit.

IRM 21.7.4.4.9.5 Renamed heading to Inflation Reduction Act (IRA), Superseding and Amended Return Processing Elective Payment Elections (EPE) or Transfers; changes throughout IRM; note added regarding TC 971 AC 831 -R Freeze, math error notices, updated guidance for superseding and amended returns claiming EPE for processing years beginning 202312 and subsequent, and CAT-A procedure information updated for adjusting amended and superseding returns claiming EPE

(1) IRC 13801 of Public Law 117-169, 136 Stat. 1818 (August 16, 2022), commonly known as the Inflation Reduction Act (IRA) of 2022, implemented elective payment election and transfer provisions under IRC 6417 and IRC 6418. IRA 2022 allows

Any line marked with a # is for Official Use Only

certain credits to be treated as payment of federal income tax, or in the case of partnerships or S corporations, to allow payments in the amount of the credits. IRA 2022 also allows applicable entities and electing taxpayers to transfer these credits. Applicable entities eligible to make these payment and transfer elections under IRA 2022 include state and local governments, Indian tribal governments, Alaska Native Corporations, the Tennessee Valley Authority, and rural electric cooperatives. Other taxpayers may elect to be treated as applicable entities for purposes of these credits, and may make the elective payment and transfer of certain credit elections.

(2) Applicable entities and electing taxpayers are required to use a pre-filing registration process to register as intending to make the elective payment election under IRC 6417 and/or the transfer election under IRC 6418. The pre-filing registration process must be completed electronically. See register for elective payment or transfer of credits, for additional information. A registration number for each facility at which it produces eligible components must be obtained prior to making an elective payment election or transfer election.

Note: Completion of the pre-filing registration requirements and receipt of a registration number does not, by itself, mean that the applicable entity or electing taxpayer will receive a payment.

(3) The election under IRC 6417 or IRC 6418 is irrevocable and applies with respect to the applicable credit on a facility-by-facility basis for the taxable year for which the election is made. However, for certain credits, the election applies for a period of years, as follows:

- a. For the Renewable Electricity Production Credit (IRC 45), or the Clean Electricity Production Credit (IRC 45Y), the election applies for 10 years beginning on the date the facility was placed in service.
- b. For the Carbon Oxide Sequestration Credit (IRC 45Q), the election applies to the 12 year period beginning on the date the equipment was originally placed in service.
- c. For the Clean Hydrogen Production Credit (IRC 45V), the election applies to all subsequent taxable years with respect to the facility.

(4) The election under IRC 6417 is valid for the year of the election and four succeeding years. Electing taxpayers are allowed one revocation per applicable credit property during that period.

(5) A registration number, assigned to a taxpayer for a particular facility, is only valid for the tax year for which it was obtained. It must be renewed if an elective payment election is sought in a subsequent year. Changes with respect to one or more credit facilities, including changes in ownership, require the applicable entity or electing taxpayer to file an amended registration.

(6) Taxpayers can claim the IRA 13801 Elective Payment Elections (EPE) (formerly called Deemed Payment Elections (DPE)) on their original or superseding return.

Note: Returns that contain EPE will not post to master file before the return due date. This prevents a refund from releasing prior to the return due date, and applies to the entire refund, even the portion not associated with EPE.

Note: Returns that are selected for further review of the EPE after processing and pre-refund, will have a posted TC 971 AC 831 on the tax module with a MISC> field that will contain the literal "EPE". This will create a -R freeze condition that will prevent the refund from releasing until TEGE/LB&I have taken action to release the refund. This applies to the entire refund, even the portion not associated with the EPE. See IRM 21.5.6.4.35, -R Freeze, for additional information.

(7) The EPE will not be considered valid when the return received date is later than the latter of the return due date (RDD)/extended return due date (XDD)/disaster due date (DDD). Master File will not generate the TC 766 with the applicable EPE CRN to the tax module on a late filed return. Taxpayers reporting EPE on a late filed return will receive a math error notice with the following information: "Any Elective Payment Election made in Part III on Form 3800, General Business Credit, is invalid because you didn't make the election on a timely filed original return as required by law and described in the form instructions. As a result, we won't treat any applicable credit as a payment on your tax return."

(8) For 202301 through 202311 fiscal and short year income tax returns, the timing of the IRA legislation only allowed the IRS to change tax form instructions, and not tax forms. These EPE credits were reported on a temporary shared Credit Reference Number (CRN) of either 000, blank, or 334 depending upon the return filed. For more information on EPE credits reported in PY23, see the October 1, 2023 revision of IRM 21.7.4.

(9) Beginning with processing year 2024 (tax period 202312 and subsequent), EPE credits are reported using the following CRN's on their applicable tax forms shown in the table below:

- MFT 02 for Forms 1120, 1120-C, 1120-F, 1120-H, 1120-L, 1120-PC; 1120-POL, 1120-REIT, 1120-RIC, 1120-S
- MFT 05 for Forms 1041, 1041-N, 1041-QFT
- MFT 06 for Forms 1065
- MFT 34 for Forms 990-T

IRC	EPE Credit	BMF CRN	Applicable MFT
48	Energy Property Credit	465	34
48C	Qualifying Advanced Energy Project Credit	466	34
48D	Advanced Manufacturing Investment Credit	455	02,05,06,34
48E	Clean Electricity Investment Credit	467	34
45	Renewable Electricity Production Credit	457	34
30C	Alternative Fuel Vehicle Refueling Property Credit	456	34
45Q	Carbon Oxide Sequestration Credit	458	02,05,06,34
45U	Zero Emission Nuclear Power Production Credit	459	34

Any line marked with a # is for Official Use Only

45V	Clean Hydrogen Production Credit	460	02,05,06,34
45W	Qualified Commercial Clean Vehicle Credit	461	34
45X	Advanced Manufacturing Production Credit	462	02,05,06,34
45Y	Clean Electricity Production Credit	463	34
45Z	Clean Fuel Production Credit	464	34

(10) Use the instructions in the table below to allow or disallow EPE reported in Part III of Form 3800, General Business Credits:

If	Then
The amended return is not superseded and the module does not have EPE on the original return,	<p>Not allowed - Follow disallowance procedures in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>.</p> <p>Use the following paragraph or similar verbiage: <i>"The elective payment elections made in Part III of Form 3800 are invalid because you did not make the election on a timely filed original return as required by law and described in the form instructions. As a result, we will not be treating the amount claimed as the elective payment election as a separate payment on your tax return."</i></p>
The IRS received date is after the latter of the return due date (RDD), extended return due date (XRDD) , or disaster due date (DDD),	<p>Not allowed - Follow disallowance procedures in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>.</p> <p>Use the following paragraph or similar verbiage: <i>"The elective payment elections made in Part III of Form 3800 are invalid because you did not make the election on a timely filed original return as required by law and described in the form instructions. As a result, we will not be treating the amount claimed as the elective payment election as a separate payment on your tax return."</i></p>
The amended return is superseding and the module does not have EPE on the original return,	Allow using the appropriate CRN listed above. See IRM 21.7.4.4.9.5.1, Adjusting Accounts with Elective Payment Election Sequestration
The superseding or amended return is for a non-related EPE item which in turn impacts the EPE as originally calculated	<ul style="list-style-type: none"> • If the result decreases the EPE credit - allow using the appropriate CRN above. See IRM 21.7.4.4.9.5.1, Adjusting Accounts with Elective Payment Election Sequestration • # [REDACTED] #
The amended return updates information pertaining to a previously reported facility which	<ul style="list-style-type: none"> • If the result decreases the EPE credit - allow using the appropriate CRN above. See IRM 21.7.4.4.9.5.1, Adjusting Accounts with Elective Payment Election Sequestration

Any line marked with a # is for Official Use Only

<p>impacts the EPE as originally calculated,</p> <p>Note: This can include removing a previously reported facility</p>	<ul style="list-style-type: none"> • # [REDACTED] # [REDACTED]
<p>The amended return adds a new facility to the EPE calculation,</p>	<p>Not allowed - Follow disallowance procedures in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>.</p> <p>Use the following paragraph or similar verbiage: <i>"The elective payment elections made in Part III of Form 3800 are invalid because you did not make the election on a timely filed original return as required by law and described in the form instructions. As a result, we will not be treating the amount claimed as the elective payment election as a separate payment on your tax return."</i></p>