

IRM PROCEDURAL UPDATE

DATE: 04/22/2024

NUMBER: ts-21-0424-0545

SUBJECT: Updates to Clean Vehicle Credits; EPE; CRN 820 for CTC; Various Other Updates

AFFECTED IRM(s)/SUBSECTION(s): 21.6.3

CHANGE(s):

IRM 21.6.3.4 Added paragraph to set a math error if credit was allowed during original processing and is no longer allowed based on changes to amended return.

- (1) This section contains the procedures for nonrefundable and refundable tax credits.
- (2) A limited number of credits are reported directly on Form 1040, U.S. Individual Income Tax Return, Form 1040-SR, U.S. Tax Return for Seniors or Form 1040-NR, U.S. Nonresident Alien Income Tax Return. All other credits are reported on Form 1040 / Form 1040-SR, Schedule 3, Additional Credits and Payments.
- (3) For paper processing, if a required form or schedule is **missing**, follow procedures in IRM 21.5.1.5.6, Incomplete CII Claims. If the form, schedule, or documentation is **incomplete** and cannot be perfected with available information, follow claim processing in IRM 21.5.3.4, General Claims Procedures.
- (4) If a credit cannot be allowed, unless specifically directed otherwise, follow procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action, or IRM 21.5.3.4.6, No Consideration and Disallowance of Claims and Amended Returns, as appropriate.
- (5) When processing amended/duplicate returns, if the taxpayer was allowed the credit during original processing, but is not entitled to all or a portion of the credit based on changes made:
 - a. If the taxpayer didn't address the change, follow the procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.
 - b. Explain to the taxpayer the adjustment was made and the taxpayer will receive a notice explaining the adjustment and appeal rights.

Example: An amended return increasing income that now subjects the credit to limitation.

Example: TIN not assigned before the due date of the return. See specific requirements for each credit.

(6) Many credits require the primary taxpayer, secondary taxpayer, and, if applicable, the qualifying dependent(s) to have a valid Taxpayer Identification Number (TIN). See Exhibit 21.6.3-1, TIN Requirements for Exemptions/Dependents and Credits.

Note: An Internal Revenue Service Number (IRSN) is **not** a valid TIN for credit allowance.

(7) The American Opportunity Tax Credit, Additional Child Tax Credit, Child Tax Credit, Credit for Other Dependents, and the Earned Income Tax Credit require the taxpayer, spouse, and qualifying child have the TIN assigned on or before the due date, or extended due date, of the return.

(8) On 8/18/03, the IRS published Rev. Rul. 2003-72, which applies a uniform method of determining when a child attains a specific age for certain tax purposes. For ALL tax years, taxpayer inquiries or claims about this issue are to be addressed utilizing the following information:

- A child attains a given age on the anniversary of the date that the child was born. For example, a child born on January 1, 2022, attains the age of 1 on January 1, 2023.
- The revenue ruling applies to age determination for children regarding dependent care benefits, adoption credits, child tax credits, earned income tax credits, dependent care assistance programs, foster care payments, adoption assistance programs, and dependency exemptions.

Certain credits (e.g., Child Tax Credit and Earned Income Tax Credit) contain age criteria that must be met for credit allowance.

- a. Use CC INOLE to research IRS and SSA date of birth (DOB) and date of death (DOD) information. Use the Real Time System (RTS) to verify the DOB when an Individual Taxpayer Identification Number (ITIN) is involved. See IRM 3.21.263, IRS Individual Taxpayer Identification Number (ITIN) Real Time System (RTS).
- b. If a taxpayer contacts the IRS concerning a math error issued as a result of a Social Security Number (SSN) discrepancy, and it cannot be resolved through verification or research, advise the taxpayer to contact their local SSA office to resolve the discrepancy.
- c. To substantiate date of birth for tax purposes, taxpayer must provide documentation, e.g., birth certificate, school records, baptism records, etc., for verification.

- d. When the taxpayer provides the proper documentation, use CC DM1DT to add, change, or delete data to correct the date of birth. See IRM 2.3.25, Command Codes DM1DT and DTVUE, for CC input.

Exception: Do not use CC DM1DT to update ITIN information. Complete a Form 4442, Inquiry Referral, and fax it along with the taxpayer documentation to the Austin Service Center (AUSC) ITIN unit at 855-854-8381.

(9) If the Child and Dependent Care Credit, Child Tax Credit, Credit for Other Dependents, Earned Income Tax Credit, Adoption Credit and/or Education Credit is being claimed for a TIN for which our records indicate a date of death prior to the tax year, correspond before using math error procedures. In this instance, the IRS should notify taxpayers of the problem and provide them an opportunity to explain. The correspondence should state SSA records show a date of death prior to the tax year listed. State the TIN being used is for a person who was deceased prior to the tax year.

- a. If documentation is received indicating the math error is incorrect, use CC DM1DT to change or delete the DOD. See IRM 2.3.25, Command Codes DM1DT and DTVUE, for more information.
- b. If proper documentation is not received, disallow the credit(s) and send Letter 105C, Claim Disallowed, using the following (state the specific credits, including exemptions if applicable, in an open paragraph):
 "We are disallowing your claim for the credits below because you omitted a correct Social Security Number. The information provided by the Social Security Administration (SSA) indicates the number provided belongs to an individual who was deceased prior to the beginning of the tax year for which it is being used."

Note: See IRM 21.6.1.6.1, Determining the Exemption/Dependent Deduction, for information on allowing exemptions.

(10) Take the following action on any CP 36, duplicate return or Form 1040-X that claims refundable credits as noted below:

If	Then
A review of any duplicate or amended return shows a claim of social security benefits with refundable credits and the refund is equal to the amount of credits Or A review of any duplicate or amended return shows Household Employee	<ol style="list-style-type: none"> 1. Research CC IRPTR to substantiate the income and / or withholding. 2. "No consider" the request if CC IRPTR does not substantiate the request. Follow procedures in IRM 21.5.3.4.6.3, No Consideration Procedures. <p>Note: These procedures should be followed even though the refundable credit is below the specified tolerance amount.</p>

income of # [REDACTED] # and a claim for a refundable credit.	
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(11) See IRM 20.1.2.2.6.2, Incorrect Tax Shown Recorded, to determine if an Item Reference Number (IRN) 871 must be input to update the "tax shown".

(12) # [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED] #

(13) If there is a TC 810 RC 4 (-E freeze) on a module and the taxpayer files an amended return to remove a questionable credit (e.g., Form 7202 or Schedule H, Credits for Sick Leave and Family Leave, Form 4136, Credit for Federal Tax Paid on Fuels, Form 8863, Education Credits, Schedule 3, line 13b, credit for repayment of amounts included in income from earlier years (IRC 1341, Claim of Right), etc.), refer to IRM 21.5.6.4.10(4), -E Freeze.

(14) The Taxpayer Advocate Service (TAS) is an independent organization within the Internal Revenue Service (IRS), led by the National Taxpayer Advocate Service. Its job is to protect taxpayers' rights by striving to ensure that every taxpayer is treated fairly and knows and understands their rights under the Taxpayer Bill of Rights (TBOR). TAS offers free help to taxpayers, including when taxpayers face financial difficulties due to an IRS problem, when they are unable to resolve tax problems they haven't been able to resolve on their own, or when they need assistance to address an IRS system, process, or procedure that is not functioning as it should. TAS has at least one taxpayer advocate office located in every state, the District of Columbia, and Puerto Rico.

(15) The TBOR lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC

7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For more information about the TBOR, see Taxpayer Bill of Rights.

(16) Refer taxpayers to the Taxpayer Advocate Service (TAS) when the contact meets TAS criteria (see IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria) and you cannot resolve the taxpayer's issue the same day. The definition of the "same-day" is within 24 hours. "Same day" cases include cases you can completely resolve in 24 hours, as well as cases in which you have taken steps within 24 hours to *begin* resolving the taxpayer's issue. Do not refer "same day" cases to TAS unless the taxpayer asks to be transferred to TAS and the case meets TAS criteria. Refer to IRM 13.1.7.5, Same Day Resolution by Operations. When you refer cases to TAS, prepare Form e-911, Request for the Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), via AMS (or Form 911 if AMS is not available) and forward to TAS. For more information about TAS, see IRM 21.1.3.18, Taxpayer Advocate Service (TAS) Guidelines.

IRM 21.6.3.4.1.6 Added when reassigning to International to update category code to MEFI if the case is on MeF.

(1) To qualify for the credit, the taxpayer must have paid or accrued income tax in a foreign country or U.S. possession.

(2) The taxpayer may claim the credit against U.S. income tax or deduct the foreign tax as an itemized deduction.

(3) If an amended return is filed in which the amount of the foreign tax credit is reduced (such as due to a refund of foreign taxes paid or accrued), which results in an increase in the amount of U.S. tax liability, manually compute and assess interest per IRM 20.2, Interest. Contact the taxpayer to determine the refund date, if necessary.

Reminder: If the refund of foreign taxes included no interest, restriction of the account can be avoided by using TC 298; enter the refund date in the interest computation field of the adjustment.

(4) Form 1116, Foreign Tax Credit, must be submitted unless the following conditions are met:

- All of the taxpayer's foreign source income is passive category income;
- Total creditable foreign taxes are not more than \$300 (\$600 if married filing jointly); and
- All the income and foreign taxes paid on the income were reported on a qualified payee statement such as a Form 1099-DIV, Form 1099-INT, or Schedule K-1, or Schedule K-3

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Caution: See IRM 25.6.1.10.2.8.4, Foreign Tax Credit, for important information about the statute period for these types of claims.

(5) If the total Foreign Tax Credit claimed is above the threshold amounts shown in (4), or requires math verification (see IRM 21.5.3.4.5, Math and Master File Verification of Claims and Amended Returns) and Form 1116 is attached, (both situations require a change to the Foreign Tax Credit), reassign the claim to IMF International. Send through the Correspondence Imaging Inventory (CII) via IMF International, or mail to:

2970 Market Street
1 D08.113
Philadelphia, PA 19104

Note: If sending a Form 1040-X to International, change the category code to IXRT for a scanned in XRET or MEFI for cases on MeF, and the CII data as follows: function 710, program 33080, and update the "Work Type" to "IMF INTL". For correspondence, use category code ITRQ, program 33040. International claims are processed using IRM 21.8.1.4, Foreign Tax Credit (Form 1116).

Reminder: The input of a TC 971 AC 016 is required when routing to International. Use the received date of the claim as the transaction date.

(6) See Form 1116, Publication 17, Your Federal Income Tax (For Individuals), and Publication 514, Foreign Tax Credit for Individuals, for detailed information.

(7) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable source code and blocking series.

IRM 21.6.3.4.1.9 Added paragraph about the advanced manufacturing investment credit (IRC 48D) and that it is eligible for EPE.

(1) The investment credit consists of the sum of the following credits:

- The rehabilitation credit,
- The energy credit,
- The qualifying advanced coal project credit,
- The qualifying gasification project credit,
- The qualifying advanced energy project credit,
- The advanced manufacturing investment credit, and
- The clean electricity investment credit.

Note: The clean electricity investment credit is effective for property placed in service after December 31, 2024.

(2) The advanced manufacturing investment credit (IRC 48D) is one of the credits eligible for elective payment election. See IRM 21.7.4.4.8.3.1.5, Form 3468, Advanced Manufacturing Investment Credit Under IRC 48D, for specific information about the credit and IRM 21.6.3.4.3, Elective Payment Elections (EPE), for information about EPE.

(3) Form 3800, General Business Credit, must also be filed.

(4) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable source code and blocking series.

(5) See Instructions for Form 3468, Investment Credit, for detailed information.
Reference – IRC 46

IRM 21.6.3.4.1.24.4 Added IRN 820 must be used for adjustments to CTC for tax periods 2023 and subsequent.

(1) When claiming the CTC and/or ODC, the name(s) and TIN(s) of the qualifying person(s) must be shown on the original or amended return. If a name or TIN is omitted, recompute the tax liability and deny the credit following math error procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.

(2) Verify each qualifying person's TIN is valid and the age requirement is met, if applicable, then compute the credit(s) using the worksheet located on Account Management Services (AMS) or in the Instructions for Form 1040 (and Form 1040-SR).

Reminder: For tax years 2018 - 2025, CTC requires qualifying children to have an SSN assigned on or before the due date of the return, including extensions.

Note: Pub. 972, Child Tax Credit and Credit for Other Dependents (tax years 2020 and prior), or Instructions for Schedule 8812 (Form 1040), Credits for Qualifying Children and Other Dependents, (tax year 2021 and later), must be used to figure the credit(s) if any of the following are present:

- Form 8839, Qualified Adoption Expenses
- Form 8396, Mortgage Interest Credit
- Form 5695, Residential Energy Credits, Part I
- Form 8859, Carryforward of the District of Columbia First-Time Homebuyer Credit
- Taxpayer is excluding income from Puerto Rico

- Form 2555, Foreign Earned Income
- Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa

(3) When adding a new credit, or a new qualifying person, you must verify all TINs associated with the credit (the primary taxpayer, secondary taxpayer, and all qualifying individuals) (current SSNs and previous ITINs) were assigned on or before the due date of the return. This applies to amended returns, math error responses, duplicate returns, etc.

To determine the validity of the request, see the following table for the action required.

Caution: If the account **needs to be merged** with another TIN, take the merge actions first to ensure all actions below are taken under the new TIN. See IRM 21.6.2.4.1, Resequencing Accounts. If an **ITIN is showing as inactive**, see IRM 21.6.1.6.6.2, ITIN Renewal Math Error Adjustments. Inactive ITINs qualify for the credit but must be activated before the credit can be allowed.

Reminder: Those taxpayers who had an ITIN and were subsequently assigned an SSN, if the ITIN was assigned prior to the due date of the return, they qualify for the credit.

Exception: If a child otherwise qualifies for CTC, but they did not have an SSN issued by the due date of the return, they qualify for ODC.

If	Then
The "TIN ASGNMT" field on CC INOLE contains a date on or before the due date of the return Note: ITINs assigned within 7 days of the return due date are considered timely.	Allow the credit if all other criteria are met
The "TIN ASGNMT" field is all zeros	Allow the credit if all other criteria are met
The "TIN ASGNMT" field contains a date after the due date of the return Note: For a Form W-7 received after Jan. 1, 2017, the TIN assignment date field reflects the actual received date of the Form W-7.	<ul style="list-style-type: none"> • Disallow the credit. See IRM 21.5.3.4, General Claims Procedures. Use the retroactive claim paragraph in the Letter 105C or Letter 106C. • For tax year 2017 and prior, input a TC 971 AC 112 using CC REQ77 or the REQ77 IAT tool. The TC 971 enables the IRS to track these claims and report the dollars saved. • Input the credit amount in the "Freeze-Release-AMT" field. No transaction date is needed. <p>Note: If ACTC, EITC, and/or AOTC are also being claimed, combine the amounts.</p>

(4) When disallowing or partially disallowing a claim, see IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. For a no consideration, see IRM 21.5.3.4.6.3, No Consideration Procedures.

(5) When processing amended/duplicate returns, if the taxpayer was allowed the credit during original processing, but is not entitled to all or a portion of the credit based on changes made:

- a. If the taxpayer didn't address the change, follow the procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.
- b. Explain to the taxpayer the adjustment was made and the taxpayer will receive a notice explaining the adjustment and appeal rights.

Example: An amended return increasing income that now subjects the credit to limitation.

(6) Taxpayers who are denied Child Tax Credit/Additional Child Tax Credit/Credit for Other Dependents as a result of deficiency procedures, are denied the credit as a math error. The following taxpayer notice codes are used to identify these errors:

- 819 - We disallowed the amount claimed as Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents on your tax return. Our records indicate that we've banned you from claiming Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents for this tax year.
- 820 - We disallowed the amount claimed as Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents on your tax return. Our records indicate that we've banned you from claiming Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents for two tax years.
- 821 - We disallowed the amount claimed as Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents on your tax return. Our records indicate that we've banned you from claiming Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents for ten tax years.

Taxpayers who are denied the credit due to deficiency procedures must recertify for the credit, follow procedures in IRM 21.6.3.5, Credit Recertification.

(7) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 (CTC) and/or RC 173 (ODC) and the applicable source code and blocking series.
- d. For CTC, tax years 2023 and subsequent, input IRN 820 with the amount of increase or decrease to the non-refundable CTC.

IRM 21.6.3.4.1.38.2 Added information on responding to clean vehicle credit math error.

(1) Taxpayers who incorrectly calculate or do not include a Form 8936, Schedule A, Clean Vehicle Credit Amount, when filing their original return may be issued a math error during original processing. ERS assigns the following Taxpayer Notice Codes (TPNC) for errors related to clean vehicle credits (CVC) identified during processing:

TPNC	Description
832	We didn't allow all or part of the amount claimed as Clean Vehicle Credits, Form 8936, on your return because the credit is limited to the total amount of your tentative tax liability.
833	We didn't allow all or part of the credit claimed as Clean Vehicle Credit on your return because one or more of the Vehicle Identification Number(s) (VIN) reported on Form 8936, Schedule A, Clean Vehicle Credit Amount, did not match our records.
835	We didn't allow the amount claimed as Clean Vehicle Credits amount on your tax return because Form 8936, Schedule A, was incomplete or not attached to your tax return.
836	We changed the amount claimed as Clean Vehicle Credit, Form 8936, on your tax return. The error was in the computation of the credit or in the transferring of the amount to your tax return.
837	We changed the amount claimed as Clean Vehicle Credit Amount Form 8936, Schedule A, on your tax return. The error in part II, Credit Amount for Business/Investment Use Part of New Clean Vehicle, was in the computation of the credit or in the transferring of the amount.
838	We changed the amount claimed as Clean Vehicle Credit Amount Form 8936, Schedule A, on your tax return. The error in Part III, Credit amount for Personal Use Part of New Clean Vehicle, was in the computation of the credit or in the transferring of the amount.
839	We changed the amount claimed as Clean Vehicle Credit Amount from Form 8936, Schedule A, on your tax return. The error in Part IV, Credit Amount for Previously Owned Clean Vehicle, was in the computation of the credit or the transferring of the amount.
841	We changed the amount claimed as Clean Vehicle Credit Amount Form 8936, Schedule A, on your return. The Placed in Service Date is not during the tax year of the return.
842	We changed the amount claimed as Clean Vehicle Credit Amount Form 8936, Schedule A, on your tax return. The error on Form 8936, Schedule A, is due to the computation of the credit exceeding the maximum vehicle credit amount allowed.
843	We changed the amount claimed as Clean Vehicle Credit. You figured or transferred your Form 8936, Clean Vehicle Credits, amount incorrectly to Form 3800.

(2) If the taxpayer contacts the IRS regarding a CVC math error, follow procedures in IRM 21.5.4.5, Math Error Procedures Processing. If the math error is specifically

related to the vehicle's VIN, verify the VIN provided via the VIN Lookup Tool, see IRM 21.6.3.4.1.38.3(2), Form 8936, Clean Vehicle Credits - Adjusting the Account.

If	Then
VIN is valid	Adjust the account following IRM 21.5.4.5.4, Math Error Substantiated Protest Processing.
VIN is invalid	Provide the taxpayer the qualifications for the credit from IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications, and advise them to contact the dealer to verify the vehicle meets eligibility. If the taxpayer refuses or has already verified with the dealer, follow procedures in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.

(3) Original tax returns claiming CVC are screened prior to posting to master file. If the return meets the criteria for review, a TC 971 AC 831 with MISC: CVC posts to the tax module. A TC 570 generates and a -R freeze will hold the refund. See IRM 21.5.6.4.35, -R Freeze, for more information.

(4) Beginning January 1, 2024, taxpayers may elect to transfer the entirety of their allowable new or previously-owned clean vehicle credit to a registered dealer to reduce the cost of a new or previously-owned clean vehicle. The election will be reflected on the taxpayers' 2024 tax module and reconciled on their tax year (TY) 2024 return filed in processing year (PY) 2025.

- A taxpayer may make no more than two transfer elections per taxable year (two transfers of the new clean vehicle (30D) credit or one 30D credit and one previously-owned clean vehicle (25E) credit). These limitations do not apply to the number of CVCs claimed on their return.
- For previously-owned clean vehicles (25E), each individual may only claim (by credit transfer or on their return) one 25E CVC during any three-year period.

(5) For 2024 tax modules, a TC 971 AC 830 is used to indicate the taxpayer has elected to transfer their CVC. The MISC field contains the VIN of the vehicle, the memo amount is the advance credit amount and the TC date is the date of purchase.

IRM 21.6.3.4.2.3 Added paragraph 3 to refer to authentication IRMs.

(3) Prior to providing information about ES payments, refer to IRM 21.1.3.2.3, Required Taxpayer Authentication, and IRM 21.1.3.3, Third-Party (POA/TIA/F706) Authentication, if necessary.