

IRM PROCEDURAL UPDATE

DATE: 06/22/2023

NUMBER: wi-04-0623-0761

SUBJECT: Inclusion of PC 1360 in Program Description; Additional Clarifying Language for EITC Responses, QRP, RRC, and SFLC

AFFECTED IRM(s)/SUBSECTION(s): 4.19.14

CHANGE(s):

IRM 4.19.14.4, Program Description - Added Project Code 1360.

(1) The following tables list program descriptions:

Project Code	Source Code	ICL Letter	Program Name, Description and Exam Issues:
1360	30	566-S	EITC, Schedule C Loss (Post-Refund) Exam Issues: Schedule C Net Loss Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).

IRM 4.19.14.6, Evaluating EITC Taxpayer Responses - Added a Note to paragraph (4) to provide instruction for partial EITC allowance. Updated the paragraph (5) table citizenship descriptions to conform with similar tables in other IRM sections.

(4) Research DUPOL, AIMS, TXMOD, IMFOL, DDBOL, DDBKD and INOLE for each taxpayer and QC to identify certain information about the qualifying child (e.g., name, date of birth, citizenship code, birth parent's name, custodial data). See IRM 4.19.13.4, Researching Cases, for a list of other IDRS command codes and research tools.

Note: When a determination is made to allow one or some, but not all the qualifying children, input a TC 971, AC 135 and the SSN of the allowed qualifying child or children.

(5) The Internal Revenue Code requires a taxpayer (both spouses in the case of a joint return) to have a **valid** social security number (SSN) issued by the Social

Security Administration (SSA) on or before the due date of the tax return (with extensions) to claim the EITC. Any QC listed on Schedule EIC (and claimed for CTC) must also have a valid SSN issued on or before the due date of the return to qualify the taxpayer for the higher amount of EITC. If the QC meets all requirements but does not have a valid SSN, the taxpayer still qualifies for the EITC (e.g., unmarried taxpayer is 19 years old and has one QC without a valid SSN; taxpayer is eligible for the EITC without a QC). Check INOLES for the Taxpayer Identification Number (TIN) assignment date to assist with determining the issuance date of the SSN.

DDBKD Citizen Indicator	Description
A	U.S. Citizen
B	Legal Alien - Authorized to work
C	Legal Alien - Not Authorized to work
D	Other alien (Other than A, B, or C)
E	Alien Student - Restricted Work Authorized
F	Conditionally Legalized Alien, status not shown
Blank	Status not known. If the application was submitted prior to 1981, this item will be blank.

If the Citizenship Indicator is not an A or B, continue researching to determine if the taxpayer is entitled to EITC based on a "Valid for Work" Social Security number.

Note: "VALID FOR WORK ONLY WITH DEPARTMENT OF HOMELAND SECURITY (DHS) AUTHORIZATION"

Social Security cards are issued to people lawfully admitted to the United States on a temporary basis who have DHS authorization to work. Once the DHS authorization has expired, the SSN is no longer valid. Without a valid SSN, a taxpayer cannot claim the EITC.

- "Not Valid for Employment" Social Security cards are issued to two groups of aliens: (1) lawfully admitted aliens who are not permitted to work in the United States, but who need an SSN for a reason unrelated to work, and (2) aliens who are not lawfully admitted to the United States, but who need an SSN to obtain a benefit that is paid for in part or in full with federal funds.
- When analyzing an EITC claim, check the Social Security Cards for the primary and secondary taxpayers, as well as qualifying children listed on Schedule EIC, for the words *Not Valid for Employment*. If these words appear on any of the applicable Social Security cards, you will need to find out whether the card holder became a citizen or permanent resident by the due date of the return, including extensions. Refer to Exhibit 4.19.14-1 for evidence of Citizenship. If the cardholder was either a citizen or resident by the due date of the return, including extensions, they are entitled to receive a Social Security card without the legend (same number, but no legend) and has a valid SSN for the EITC. The cardholder may already have the new

card. If the cardholder's immigration status has not changed, you will need to find out whether the cardholder received the SSN to obtain a federally funded benefit, or for another reason. *Take the following actions:* Contact the taxpayer to find out whether the cardholder was a citizen or permanent resident of the United States by the due date of the return. If the cardholder is a citizen or permanent resident, ask the taxpayer to furnish a new Social Security card without the legend. The issuance date printed on the social security card may not be the date that the SSN was assigned to the cardholder. If the taxpayer provides a new SSN card without a legend that has an issuance date after the due date of the return, the taxpayer may still have a valid SSN for the EITC as long as the taxpayer was eligible for the new card (based on a change in immigration status) by the due date of the return. Follow the table below, and refer to IRM 4.19.13.4(4), Researching Cases, for additional guidance in determining the effective date of the issuance of the SSN.

If	and	Then
The cardholder is now a citizen or permanent resident	A new Social Security Card without the legend is furnished by the taxpayer and the issuance date printed on the card is on or before the return due date, including extensions	The SSN is a valid SSN for the EITC
The cardholder is now a citizen or permanent resident	The cardholder does not furnish a new Social Security Card without the legend or furnishes a card with an issuance date after the return due date, including extensions, but the cardholder shows that they were a citizen or permanent resident by the due date of the return, including extensions	The SSN is a valid SSN for the EITC
The cardholder's immigration status has not changed	Taxpayer states the reason for needing an SSN and it is other than to obtain a federally funded benefit	The SSN is a valid SSN for the EITC
The cardholder's immigration status has not changed	The taxpayer is unable to furnish a reason for needing an SSN other than to obtain a federally funded benefit	The SSN is a valid SSN but not valid for the EITC

Note: If the taxpayer (and spouse if any) and one qualifying child have valid SSNs for the EITC, but the second qualifying child does not, allow the EITC for a taxpayer with one qualifying child. If the taxpayer has only one qualifying child, and that child does not have a valid SSN, allow the self-only EITC amount.

Note: Before 1996, the taxpayer or child might have needed an SSN for tax purposes, and the SSN might have been obtained at an embassy. Before 2002, the taxpayer or an older child might have needed an SSN to get a driver's license or to register a vehicle in certain states.

Note: A common reason for getting a Social Security card may be for Medicaid benefits. These SSNs are issued to obtain a federally funded benefit.

Note: Starting in tax year 2009, the uniform definition of a child for EITC changed. The taxpayer must now be older than the qualifying child unless the child is disabled.

IRM 4.19.14.9.2, QRP Source Code and Project Codes - Deleted paragraph (3) and moved the reference to Tracking Code 9970 to the Note in paragraph (3), formerly paragraph (4) for clarification.

(3) EITC and Non-EITC QRP cases are full scope audits including the Filing Status, and if present, Making Work Pay Credit (MWPC), Education Credit/American Opportunity Credit (AOTC), Premium Tax Credit (PTC) and/or Additional Child Tax Credit (ACTC).

Note: Project Codes 0263, 0390, 0584, and 0611 will not include PTC.

Note: PC 0173 will not include AOTC, PTC, or MWPC.

Note: Since QRP are full scope audits, non-income issues should continue to be pursued even if income is verified on IRPTR per IRM 4.19.14.9.4, QRP Replies and Closing Process. See the exception for Tracking Code 9970.

Exception: If performing other case research and income is verified via IRPTR prior to issuance of the ICL, CC DLITE does not indicate any DDB or DEBR rule breaks, and the source code is not # [redacted] #, the QRP case may be surveyed. This should only be in the course of other research. Do not specifically research for IRPTR prior to ICL issuance for the sole purpose of identifying cases to survey.

Reminder: Remove -R freeze on survey cases.

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues
SBSE	EITC	0173	06	# [redacted] #
			11	# [redacted] #
			70	# [redacted] #
W&I	Discretionary	0263	06	# [redacted] #
			11	# [redacted] #

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						#
			70	#		
						#
SBSE	Discretionary	0263	06	#		
						#
			11	#		
						#
			70	#		
						#
W&I	EITC	0390	06	#		
						#
			11	#		
						#
			70	#		
						#
W&I	EITC	0584	06	#		
						#
			11	#		
						#
			70	#		
						#
W&I	EITC	0603	11	#		
						#

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W&I	EITC	0611	06	#	[REDACTED]
					#
			11	#	[REDACTED]
					#
			70	#	[REDACTED]
					#
SBSE	EITC	0611	06	#	[REDACTED]
					#
			11	#	[REDACTED]
					#
			70	#	[REDACTED]
					#
W&I	EITC	1009	06	#	[REDACTED]
					#
			11	#	[REDACTED]
					[REDACTED]

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						#
			70	#		
						#
SBSE	EITC	1009	06	#		
						#
			11	#		
						#
			70	#		
						#
W&I	EITC	1082	06	#		
						#
			11	#		
						#
			70	#		

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					#
W&I	Discretionary	1107	06	#	#
			11	#	#
			70	#	#
W&I	Discretionary	1162	06	#	#
			11	#	#
			70	#	#
SBSE	Discretionary	1162	06	#	#
				#	#

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			11	#	[REDACTED]
				#	[REDACTED]
			70	#	[REDACTED]
				#	[REDACTED]
W&I	Discretionary	1166	06	#	[REDACTED]
				#	[REDACTED]
			11	#	[REDACTED]
				#	[REDACTED]
			70	#	[REDACTED]
				#	[REDACTED]
W&I or SBSE	EITC	1303	06	#	[REDACTED]
				#	[REDACTED]
			11	#	[REDACTED]
				#	[REDACTED]
			70	#	[REDACTED]

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					#
SBSE	EITC	1304	06	#	#
			11	#	#
			70	#	#
W&I	EITC	1311	06	#	#
					#
			11	#	#
			70	#	#
W&I	Discretionary	1322	06	#	#
					#
			11	#	#
					#
			70	#	#
SBSE	Discretionary	1322	06	#	#
					#
			11	#	#

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				[REDACTED]
			70	[REDACTED]

IRM 4.19.14.9.4, QRP Replies and Closing Process - Added an additional Identity Theft IRM reference in paragraph (5); and included the Tracking Code 9970 in paragraph (6) table.

(5) Be alert to potential Identity Theft (IDT). If a taxpayer or case analysis indicates the taxpayer is a victim of identity theft, follow the procedures in IRM 4.19.19.10, Identity Theft, for telephone contact and IRM 4.19.13.27, Campus Exam Identify Theft, for other contact information. See IRM 25.23.10.7.4.1, IDTVA Specialties Exam General Procedures, for additional information. For Undeliverable mail, follow the procedures outlined in IRM 4.19.13.15, Undeliverable Mail.

(6) All replies to wages and withholding issues will be worked as outlined in the table below.

If	Then
Taxpayer does not agree and/or states they worked for the employer.	<p>If the IRP documents are available check IRPTR to see if the wages are listed.</p> <ul style="list-style-type: none"> • [REDACTED] • [REDACTED] • [REDACTED]

	<ul style="list-style-type: none"> • # [REDACTED] #
If IRPTR does not verify the wages and/or the withholding and the taxpayer sends in documents verifying they worked for the employer.	<p>Examiners can accept the following:</p> <ul style="list-style-type: none"> • Pay stubs • Letter from employer on the employers letterhead <p>Note: # [REDACTED] #</p>
Taxpayer states they never worked for the employer and it appears they agree to the change.	<ul style="list-style-type: none"> • If the taxpayer signed the report, close as agreed. • If the taxpayer has not received a report, send an examination report and ask them to sign if they agree.
Taxpayer states they did not file the return and that they are a victim of identity theft.	See IRM 4.19.13.27 Campus Exam Identity Theft, for instructions.
If HSH and Taxpayer states it is self-employment income.	Check Form W-2 Payee entity information on IRPTR and if it matches, accept the income. Adjust as Schedule C income and include SE tax. Continue to disallow EITC if not verified.
Determination made to close case as No Change, Agreed or Default.	Follow existing procedures for EITC closures under IRM 4.19.14.6.6, Closing Actions.
Prisoner cases # [REDACTED] #	<ol style="list-style-type: none"> 1. Obtain incarceration and release dates from FTBOLP and notate workpapers 2. If taxpayer is a full year prisoner for the tax year and documents provided confirm good wages/withholding and/or allowable EITC, inform the taxpayer that EITC, MWPC and/or RRC can't be calculated based on earned income from

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	<p>prison. See IRM 4.19.14.9.3, QRP Examination Process.</p> <p>3. If the taxpayer is replying to the ICL (CP 75D or 566 family) issue Letter 525 and Form 4549 with explanation.</p> <p>4. If the taxpayer is replying to Letter 525, issue Letter 692 with revised report (Form 4549) removing withholding. Update to status 23.</p>
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IRM 4.19.14.9.5, QRP Negative Deficiency Procedures - Updated instructions to include Schedule C income, other credits, and the Letter 106C.

(1) The negative deficiency occurs when there was tax on the original filing which is reduced to zero when the unverifiable income (false wages, Schedule C income) is removed and the amount of EITC, ACTC, or other credits reversed, is less than the original tax amount.

(2) The following procedures apply for cases meeting this condition:

- # [REDACTED]
- # [REDACTED]
- # [REDACTED]
- Input adjustments to remove the unverified income and unsubstantiated withholding, and reverse the EITC, ACTC, or other credits attributable to the income claimed that has been disallowed.
- Close case as DC 12.

IRM 4.19.14.16, Recovery Rebate Credit (RRC) - Updated and added language in the paragraph (1) table and the Note below the table to clarify the TY 2020 TIN requirement for eligible individuals and the SSN requirement for dependents; added language to paragraphs (2) and (3) to clarify the treatment of EIPs received when calculating the RRC.

(1) The Recovery Rebate Credit (RRC) is a fully refundable prepayment credit for tax years 2020 and 2021. The advance payment of the RRC is referred to as the Economic Impact Payment (EIP). The following chart is an overview of the RRC:

Category	TY 2020 RRC	TY 2021 RRC
Legislation	Coronavirus Aid, Relief and Economic Security Act (CARES Act) and Consolidated Appropriations Act, 2021 IRC 6428 and IRC 6428A	American Rescue Plan Act of 2021 IRC 6428B
Eligible Individual	An eligible individual for the RRC is an individual other than: <ul style="list-style-type: none"> a. A non-resident alien b. An individual who can be claimed as a dependent on another individual's tax return c. A filer of Form 1040-NR, Form 1040-PR, or Form 1040-SS d. An estate or trust e. An individual deceased before 1/1/2020 	An eligible individual for the RRC is an individual other than: <ul style="list-style-type: none"> a. A non-resident alien b. An individual who can be claimed as a dependent on another individual's tax return c. A filer of Form 1040-NR, Form 1040-PR, or Form 1040-SS d. An estate or trust e. An individual deceased before 1/1/2021
TIN Requirements for Eligible Individuals	Valid SSN issued before the due date of the return, 5/17/2021, or 10/15/2021, if an extension was filed. See note below. If the eligible individual does not have a valid SSN (For MFJ, if neither eligible individual has a valid SSN), RRC can't be claimed for qualifying dependents.	Valid SSN issued before the due date of the return, or 10/15/2022, if an extension was filed. See note below. Eligible individuals who do not have a valid SSN can claim RRC for qualifying dependents.
Maximum Credit for Eligible Individuals	Eligible individuals are entitled to a credit of up to \$1,800 (\$3,600 if MFJ).	Eligible individuals are entitled to a credit of up to \$1,400 (\$2,800 if MFJ).
Qualifying Dependents	Qualifying dependents are children who meet the criteria to qualify for the Child Tax Credit, described in IRM 4.19.14.12.2, Requirements for CTC/ACTC (2018-2025 Returns) and Refundable Child Tax Credit (2021 Returns) including the requirement to have a valid SSN meeting certain requirements issued before the due date of the return, 5/17/2021, or 10/15/2021, if an extension was filed.	Qualifying dependents are qualifying children and qualifying relatives as defined in IRC 152. The requirements for a qualifying child and qualifying relative are described in IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents. The qualifying dependent must have an SSN issued before the due date of the return, 4/18/2022, or 10/15/2022, if an extension was filed. See NOTE below.

	See NOTE below. Exception: Children issued an ATIN at any time are qualifying children.	Exception: Children issued an ATIN at any time are qualifying children.
Maximum Credit for Dependents	Eligible Individuals can receive up to \$1,100 for each qualifying child.	Eligible Individuals can receive up to \$1,400 for each qualifying child and each qualifying relative.
AGI Phaseout Limitations	The RRC is reduced when the taxpayer's AGI exceeds: a. \$150,000 for joint filers or qualifying widow(er)/qualified surviving spouse b. \$112,500 for HOH filers or HOH filers who don't claim a dependent c. \$75,000 for all other filers	The RRC is reduced when the taxpayer's AGI exceeds: a. \$150,000 for joint filers or qualifying widow(er)/qualified surviving spouse b. \$112,500 for HOH filers or HOH filers who don't claim a dependent c. \$75,000 for all other filers
AGI Phaseout Amounts	The phaseout amount is determined by the total amount of RRC attributable to the primary and/secondary taxpayer and qualifying children. See examples provided in IRM 21.6.3.4.2.13, Economic Impact Payments.	The RRC phases out to \$0 at the taxpayer's AGI amounts of: a. \$160,000 for MFJ or QW b. \$120,000 for HOH c. \$80,000 for all other filing statuses

Note: A valid SSN for the TY 2020 RRC is one that is valid for employment. See the SSN rules for qualifying children at IRM 4.19.14.12.2, Requirements for CTC/ACTC (2018-2025 Returns) and Refundable CTC (2021 Returns), for a description of valid for employment SSNs. A valid SSN for TY 2021 RRC is any SSN issued by the Social Security Administration on or before the due date of the return (including extensions). For joint filers, if either spouse was an active member of the U.S. Armed Forces at any time during the taxable year, only one spouse is required to have a valid SSN for the couple to receive up to the maximum MFJ RRC in each year.

(2) The first advanced payment of the RRC was issued in calendar 2020 and is referred to as the first Economic Impact Payment (EIP1). A second Economic Impact Payment (EIP2) was issued at the end of calendar year 2020 and the beginning of calendar year 2021. Taxpayers must reduce the amount of the RRC they claim on their TY 2020 return by the amount of EIP1 or EIP2 they received. The RRC is not reduced by EIP1 or EIP2 amounts advanced to other individuals, even if they received EIP amounts for one child claimed on the taxpayer's return (such as EIP paid to the child's other parent).

(3) The third advanced payment of the RRC was issued in calendar year 2021 and is referred to as the third Economic Impact Payment (EIP3). If the taxpayer received EIP3 prior to filing the tax year 2020 return, the IRS will automatically evaluate the taxpayer’s eligibility for an additional, or “plus up” payment, based on the 2020 return. The “plus up” payment will be recorded as a separate transaction on the tax module. Taxpayers must reduce the amount of RRC they claim on their TY 2021 return by the total amount of EIP3 they received. The RRC is not reduced by EIP3 amounts advanced to other individuals, even if they received EIP amounts for a dependent now claimed on the taxpayer’s return (such as EIP paid to the child’s other parent or directly to someone who is not a dependent).

IRM 4.19.14.17.2, Tax Year 2020 SFLC Exam Procedures - Added clarifying language to paragraph (3) and added a second Note to describe the presentation of the Form 7202 in the Employee User Portal.

(3) Research the taxpayer return data using Command Code (CC) TRDBV or the Employee User Portal (EUP) Modernized e-file (MeF) application to determine if there is an amount on Schedule 3, line 12b. The SFLC transaction code (TC) 766, Credit Reference Number (CRN) 299 increases the credit, and TC 767, CRN 299 decreases the credit.

- a. If there is not an amount, proceed with normal case processing.
- b. If there is an amount on Schedule 3, line 12b, review the Form 1040 to determine if Schedule H is attached.
- c. Follow the steps below based on whether Schedule C is disallowed, or the Schedule C is adjusted. If the audit results in an adjustment to the Schedule C, or an allowance of the Schedule C, examiners should confirm that the net earnings reported on the Form 7202 match the net earnings on the Schedule SE, if applicable. If the net earnings reported on the Form 7202 are large, unusual, or questionable, examiners should recalculate the credits using the reported net earnings.

Note: When examining a non-Schedule C project code, examiners should not create a Schedule C issue based on there being an amount on Schedule 3, line 12b.

Note: Form 7202 may be present in EUP as a pdf attachment to the MeF return, not as an e-file html form.

If the Schedule C is disallowed, and:

If	And	Then
There is not a Schedule H attached		Disallow the SFLC.
There is a Schedule H attached to the return	There is not an amount on Schedule H, Line 8e	Disallow the SFLC.

There is a Schedule H attached to the return	There is an amount on Schedule H, Line 8e AND The amount equals the amount on Schedule 3, Line 12b	Allow the SFLC.
There is a Schedule H attached to the return	There is an amount on Schedule H, Line 8e AND The amount does not equal the amount on Schedule 3, Line 12b	Allow the SFLC in the amount from Schedule H, line 8e.

If the Schedule C is adjusted, and:

If	And	Then
There is not a Schedule H attached		Research EUP to determine if the taxpayer has attached the Form 7202. 1. If the Form 7202 is attached, manually calculate the Sick and Family Leave credit. OR 2. If there is not a Form 7202 attached, request the Form 7202 from the taxpayer. Once received, manually calculate the Sick and Family Leave Credit.
There is a Schedule H attached to the return	There is not an amount on Schedule H, Line 8e	Research EUP to determine if the taxpayer has attached the Form 7202. 1. If the Form 7202 is attached, manually calculate the Sick and Family Leave Credit, OR 2. If there is not a Form 7202 attached, request the Form 7202 from the taxpayer. Once received, manually calculate the Sick and Family Leave Credit.
There is a Schedule H	There is an amount on Schedule H, Line	Allow the SFLC.

attached to the return	8e AND The amount equals the amount on Schedule 3, Line 12b	Note: This is the credit for qualified sick and family leave wages for the household employer, which is allowed under different sections of the FFCRA than the credits allowed to self-employed individuals.
There is a Schedule H attached to the return	There is an amount on Schedule H, Line 8e AND The amount does not equal the amount on Schedule 3, Line 12b	<ol style="list-style-type: none"> 1. Allow the SFLC from the Schedule H, line 8e amount. <p>AND</p> <ol style="list-style-type: none"> 2. Research EUP to determine if the taxpayer has attached the Form 7202. <ol style="list-style-type: none"> a. If the Form 7202 is attached, manually calculate the Sick and Family Leave credit. <p>OR</p> <ol style="list-style-type: none"> b. If there is not a Form 7202 attached, request the Form 7202 from the taxpayer. Once received, manually calculate the Sick and Family Leave credit.

If the Schedule C is allowed, and:

If	And	Then
There is not a Schedule H attached, or a Schedule H is attached and there is not an amount on Line 8e	# [REDACTED] #	<p>Research EUP to determine if the taxpayer attached Form 7202.</p> <ol style="list-style-type: none"> 1. If Form 7202 is attached, confirm # [REDACTED] # If confirmed, allow the SFLC. <p>OR</p> <ol style="list-style-type: none"> 2. If there is not a Form 7202 attached, locate the net earnings on the Schedule SE. Confirm # [REDACTED] # If confirmed, allow the SFLC. <ol style="list-style-type: none"> 3. If the SFLC is # [REDACTED] #, and the prior year net earnings exceed current year net earnings, then confirm # [REDACTED] # If confirmed, allow the SFLC.

		<p>4. If not confirmed by the above, the examiner will need to disallow the SFLC and request the Form 7202 from the taxpayer and an explanation of the source of the net earnings used to calculate the SFLC.</p> <p>Note: In general, net earnings on the Form 7202 should be on Line 6 on the TY 2020 Schedule SE, or Lines 4 or 6 on the TY 2019 Schedule SE.</p>
<p>There is a Schedule H, and there is an amount on line</p>	<p># [REDACTED] #</p>	<p>Research EUP to determine if the taxpayer has attached Form 7202.</p> <ol style="list-style-type: none"> 1. If Form 7202 is attached, confirm # [REDACTED] # by first subtracting line 8e from the total SFLC to determine the SFLC to be used to confirm the percentage. If confirmed, allow the SFLC. OR 2. If there is not a Form 7202 attached, locate the net earnings on the Schedule SE. Confirm # [REDACTED] # by first subtracting line 8e from the total SFLC to determine the SFLC to be used to confirm the percentage. If confirmed, allow the SFLC. 3. If the SFLC is # [REDACTED] #, and the prior year net earnings exceed current year net earnings, then confirm # [REDACTED] #. If confirmed, allow the SFLC. 4. If not confirmed by the above, the examiner will need to disallow the SFLC and request the Form 7202 from the taxpayer and an explanation of the source of the net earnings used to calculate the SFLC.

		Note: In general, net earnings on Form 7202 should be on line 6 on the TY 2020 Schedule SE, or lines 4 (if filing the short Schedule SE) or 6 on the TY 2019 Schedule SE.
The taxpayer has reported a loss in the current and prior year, OR the taxpayer has reported a loss in the current year and no self-employment income in the prior year	No Schedule H is attached (or a Schedule H is attached and there is not an amount on line 8e) AND there is no indication of other trades or businesses reported in the current year	Research EUP to determine if the taxpayer attached the Form 7202. 1. If the Form 7202 is attached, the examiner should attempt to find the source of the net earnings. If not found, disallow the SFLC. 2. Request the Form 7202 from the taxpayer and an explanation of the net earnings used to calculate the SFLC.

IRM 4.19.14.17.3, Tax Year 2021 SFLC Exam Procedures - Added a second Note under paragraph (1) to describe the presentation of the Form 7202 in the Employee User Portal.

(1) The following actions are needed if the Schedule C is disallowed, adjusted, or allowed, and there is an amount on Schedule 3, lines 13b and 13h, with a corresponding amount on Form 1040, line 31. The examiner should ensure that the Sick and Family Leave credit on the 2021 Form 7202 reflects the Schedule C, prior to making an adjustment to the credit. In the case that there is more than one Schedule C attached to the return, the examiner will determine the SFLC for each Schedule C.

Note: When examining a non-Schedule C project code, examiners should not create a Schedule C issue based on there being amounts on Schedule 3, lines 13b and 13h.

Note: Form 7202 may be present in EUP as a pdf attachment to the MeF return, not as an e-file html form.