

## IRM PROCEDURAL UPDATE

**DATE: 03/15/2024**

**NUMBER: wi-21-0324-0427**

**SUBJECT: Link Added for CP 09 / CP 27 Responses; Clarification to EIP and RRC Procedures; Link Added to Credits for Sick Leave and Family Leave**

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

**CHANGE(s):**

**IRM 21.6.3.4.2.7.8 Added link to IRM 21.6.1.7, Command Code DUPED and DDBCK, in paragraph 12.**

(12) If current year, update Command Code DUPED (using the child's SSN, not the primary SSN) when allowing EITC based on a CP 09. Refer to IRM 21.6.1.7, Command Code DUPED and DDBCK, for more information.

**IRM 21.6.3.4.2.13 Added paragraph 1 as a reminder to check procedures in IRM 21.6.3.4.2.13 and IRM 21.6.3.4.2.14 and all their subsections for EIP / RRC related customer contact and paper cases.**

(1) Due to the complex and intertwined nature of Economic Impact Payments (EIP) and Recovery Rebate Credit (RRC), it may be necessary to follow procedures in IRM 21.6.3.4.2.13, Economic Impact Payments (EIP), and its subsections, and IRM 21.6.3.4.2.14, Recovery Rebate Credit (RRC), and its subsections, when responding to a taxpayer inquiry or working a paper case.

**IRM 21.6.3.4.2.13.2 Added paragraph 8 for responding to taxpayers written inquiries.**

(8) When responding to written refund inquiries from taxpayers regarding missing EIP and or RRC, view and link all related CII cases, work the inquiry as a comprehensive case **and** address all EIPs (tax year 2020 and 2021, if appropriate). If our records indicate the payment was mailed or direct deposited, provide the taxpayer with information from IRM 21.4.2.4, Refund Trace Actions, to trace the payment. If the taxpayer was issued a debit card, follow procedures in paragraph 6. Provide the taxpayer with all pertinent information in your response, even if it's related to a previous inquiry. If the taxpayer is incarcerated, follow IRM 21.3.3.4.16.7, Corresponding to Incarcerated Taxpayers.

**IRM 21.6.3.4.2.14 Added reminder when using chart in IRM 21.6.3.4.2.13 for RRC eligibility, make sure to use correct year.**

(1) Taxpayers who didn't receive the Economic Impact Payments (EIP), or received less than entitled to, as shown in IRM 21.6.3.4.2.13, Economic Impact Payments, may qualify for the Recovery Rebate Credit (RRC). RRC is a refundable credit on the tax year 2020 / 2021 return and is based on the following:

<b>Legislation</b>	<b>Credit amount</b>	<b>Applicable posting tax year</b>
The Coronavirus Aid, Relief and Economic Security (CARES) Act IRC 6428	The sum of \$1,200 (\$2,400 if married filing jointly), plus an additional \$500 for each qualifying child.	2020  Fiscal year filers (202101 - 202111)
The Consolidated Appropriation Act, 2021 IRC 6428A	The sum of \$600 (\$1,200 if married filing jointly), plus an additional \$600 for each qualifying child.	2020  Fiscal year filers (202101 - 202111)
American Rescue Plan Act of 2021 IRC 6428B	The sum of \$1,400 (\$2,800 if married filing jointly), plus an additional \$1,400 for each qualifying dependent.	2021  Fiscal year filers (202201 - 202211)

**Note:** Credit may be reduced based on income limitations.

(2) For tax year 2020, taxpayers compute the RRC based on eligibility shown on their tax year 2020 return. RRC is reduced by the first and second EIPs. Any remaining credit is claimed on the tax year 2020 return. If the taxpayer was eligible for EIP 1 and/or 2 based on their 2018 or 2019 tax return, but the credit based on their 2020 tax return is less than the EIPs they received, no repayment is required. For tax year 2021, RRC is based on eligibility shown on their tax year 2021 return and is reduced, but not below zero, by the third EIP. If the taxpayer was eligible for EIP 3 based on their 2019 / 2020 tax return, but the credit based on their 2021 tax return is less than the EIP they received, no repayment is required.

**Example:** A taxpayer received EIP 1 of \$1,700 based on their 2019 return filed as HOH with one qualifying child (QC). EIP 2 was issued for \$1,200. They filed their 2020 return as HOH with two QC. The taxpayer is entitled to \$1,100 for RRC. (\$500 + \$600 for the second QC.)

**Example:** A taxpayer received EIP 1 of \$3,400 based on their 2019 return filed as MFJ with two QC. EIP 2 was issued for \$2,400. They filed their 2020 return as MFJ with two QC but different from the two QC claimed on their 2019 return. The taxpayer is entitled to \$0 for RRC because the taxpayer received the maximum

credit for two eligible individuals and two QC.

**Example:** A taxpayer received EIP 1 of \$2,900 based on their 2019 return filed as MFJ with one QC. EIP 2 was issued for \$1,800. They filed their 2020 return as HOH with one QC so the taxpayer should have received a total of \$2,900 ( EIP 1 \$1,200 + \$500 and EIP 2 \$600 + \$600). The taxpayer's share of the EIP already received is \$2,350 (\$4,700/2). The taxpayer is entitled to Recovery Rebate Credit of \$550 on the 2020 return (\$2,900-\$2,350).

**Example:** A taxpayer received EIP 3 of \$4,200 in April of 2021 based on their 2019 return filed as MFJ with one QC. In June of 2021 they filed their 2020 return as MFJ with two QC. They were sent a "plus up" payment of \$1,400 for the additional child once their 2020 return posted. In March of 2022 they filed their 2021 tax return as MFJ with three QC. They are entitled to \$1,400 RRC for the third QC.

**Example:** A taxpayer received EIP 3 of \$2,800 in May 2021 based on their 2020 return filed as HOH with one QC. The taxpayer filed their 2021 return in March 2022 as Single with no QC. The taxpayer is entitled to \$0 Recovery Rebate Credit but does not owe back the \$1,400 EIP they received for the child claimed on their 2020 return.

(3) The refund is issued from the tax year 2020 / 2021 module. See IRM 21.6.3.4.2.14.1, Recovery Rebate Credit - Adjusting the Credit, for the transaction codes used to identify the payment.

(4) Eligibility for RRC is the same as EIP (unless specified). Refer to IRM 21.6.3.4.2.13, Economic Impact Payments, for eligibility criteria for each EIP. If using the table for RRC eligibility, make sure to use the correct year when necessary (e.g., eligibility for RRC for a missing EIP 3 payment is based on 2021 AGI). If eligibility for RRC is not met, the taxpayer was issued and received (i.e., was not returned to the account) the full amount of EIP they were entitled to, or the full amount of RRC they were entitled to on either an original or amended return, refer to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.

**Exception:** Taxpayers must have a valid SSN assigned before the return due date, disaster return due date, or the extended due date, if an extension was filed. If a joint return is filed and only one spouse has a valid SSN, a partial credit is allowed.

(5) For taxpayers who do not have a filing requirement or would not normally need to file but may be eligible for the RRC, they **must** file a 2020 / 2021 tax return. Individuals who are e-filing only to claim the RRC should use the following for prior year AGI verification:

- If the Non-Filers tool was used to file a 2019 return to register for an EIP, "\$1" should be entered as the prior year AGI verification.
- If they did not use the Non-Filers tool and did not file a return for 2019, or 2020 as applicable, then "\$0" should be entered as the prior year AGI verification.

**Note:** If an EIP is returned and the taxpayer is now eligible for RRC but has not filed a return, advise the taxpayer they must file a tax return to claim the RRC. Advise the taxpayer normal Refund Statute Expiration Date (RSED) procedures apply. The RSED is generally three years from the Return Due Date (RDD) for prepaid credits if a return was filed, or two years from the payment date for other payments whichever is later. See IRM 25.6.1, Statute of Limitations Processes and Procedures, for further explanations.

The filing deadline to claim RRC if the taxpayer has not filed a return is May 17, 2024, for tax year 2020 and April 15, 2025 for tax year 2021.

(6) While the law allows RRC to offset, the IRS's policy is that RRC does not offset to an IRS debt, but does offset to non-tax debts. Some RRC offset in early March 2021 prior to the policy change. There is no recourse for those that did offset, unless injured spouse applies.

(7) Overpayment Interest - Unlike EIP refunds, where no interest was allowed, interest is paid on RRC refunds and/or offsets, when permitted under normal interest rules. See IRM 20.2.4, Overpayment Interest, for information.

**IRM 21.6.3.4.2.15 Added link to IRM 21.5.3.4.1.1, Tax Increase and Credit Increase Processing, to paragraph 4.**

(4) An eligible self-employed individual who is entitled to claim qualified sick and family leave equivalent credits must attach Form 7202 to their tax return. The credit should be reported on Form 1040, Schedule 3, Additional Credits and Payments, line 12b (tax year 2020) line 13b (tax year 2021 and 2022). If filing a joint tax return and both spouses are self-employed individuals and eligible for the credit, each must attach a separate Form 7202 to the joint tax return. See IRM 21.6.4.4.14(4), Self-Employment Tax, for additional information.

**Note:** If a day meets the requirements for both the Credit for Sick Leave and the Credit for Family Leave, it can only be counted once. The same day cannot be included for both credits.

- Review Form 7202 for completeness and math verify the form. Follow IRM 21.5.3.4.5(6), Math and Master File Verification of Claims and Amended Returns, to verify the income reported to claim this credit. This includes prior year self-employment income if the taxpayer elects to use it.
- If the form is not attached or incomplete, follow procedures in IRM 21.5.3.4.2, Tax Decrease or Credit Increase Processing, or IRM 21.5.3.4.1.1, Tax Increase and Credit Increase Processing.

**Note:** Returns received electronically and accessed through the Employee User Portal (EUP) may show data from Form 7202 under the heading "Gen Dep" (where the forms are listed) instead of a pdf of the form. Use the data to

create a “dummy” Form 7202 to determine completeness of the form and math verify the claim. Attach a pdf of the “dummy” Form 7202 to your CII case.

- Disallow claims if the taxpayer submits Form 7202 without any self-employment income or tax. Refer to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.

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