

## IRM PROCEDURAL UPDATE

**DATE: 07/28/2022**

**NUMBER: wi-21-0722-0844**

**SUBJECT: Form 5884-D Processing Guidance**

**AFFECTED IRM(S)/SUBSECTION(S): 21.7.2**

**IRM 21.7.2.5.22 Complete revision of IRM 21.7.2.5.22 to address the processing requirements for new Form 5884-D. Changes include revisions to all seven existing subsections (previous IRM 21.7.2.5.22.1 through IRM 21.7.2.5.22.7), appropriate revision to section titles, addition of three new subsections (IRM 21.7.2.5.22.1, IRM 21.7.2.5.22.2, and IRM 21.7.2.5.22.4), and corresponding renumbering of existing subsections as appropriate.**

*21.7.2.5.22 - Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans, and Form 5884-D, Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters*

(1) This section provides guidance on processing Form 5884-C, *Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans*, and Form 5884-D, *Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters*. The two forms are for different credits with different eligibility and time period requirements, but have similar handling features:

- The credits are both claimed after the original employment tax form is filed (i.e., there are no lines on the original forms to claim these credits).
- Credit Reference Number (CRN) 290 is used to record or change the amount of credit claimed on either form.

**Note:** Form 941 revisions for second quarter 2020 through first quarter 2021 included Line 23 to report amounts of anticipated credit to be claimed later on Form 5884-C. Any figure reported on Line 23 were used for certain COVID-related employment tax credit reconciliation purposes but any figure reported on Line 23 was **not** used to record the credit on the related tax account.

(2) The procedures which follow include a general information section and a specific handling section for each of the two forms (Form 5884-C and Form 5884-D), followed by sections containing guidance which applies to the handling of both forms.

(3) Eligible employers are directed to file Form 5884-C and Form 5884-D at the Ogden campus.

**(4) Processing of Form 5884-C and Form 5884-D is centralized in Accounts Management (AM) at the Ogden campus.** If you receive a Form 5884-C or Form 5884-D and are not part of the centralized team, route the claim as follows:

1. If you receive a paper case, route to:  
Internal Revenue Service  
1973 North Rulon White Blvd  
Ogden, UT 84404  
MS 6700  
Lead, Team B2-204
2. If you receive a case that has already been scanned into CIS, reassign to the Ogden Campus IDRS number 0435346714 and notate on AMS/CIS "Form 5884-C" or **Form 5884-D** as appropriate.

**(5) The Form 5884-C and Form 5884-D processing guidelines found in the IRM subsections which follow are for use by the centralized processing team.**

*21.7.2.5.22.1 - Form 5884-C — General Information*

(1) The VOW to Hire Heroes Act of 2011 expanded the Work Opportunity Credit (WOC) to businesses that hired certain eligible qualified veterans who began work before January 1, 2013. This law also made the Work Opportunity Credit available to certain tax-exempt organizations who hire qualified veterans (see IRC 52(c)(2) and IRC 3111(e)). The initial eligibility period has been legislatively extended multiple times (Section 309 of the American Tax Relief Act of 2012 (ATRA 2012), Section 119 of the Tax Increase Prevention Act of 2014 (TIPA 2014), Section 142, Division Q of the Consolidated Appropriations Act, 2016, Section 143 of the Taxpayer Certainty and Disaster Tax Relief Act of 2019 (P.L. 116-94), and Section 113 of the *Taxpayer Certainty and Disaster Relief Act of 2020* (enacted as Division EE of the *Consolidated Appropriations Act, 2021* (P.L. 116-260))) and can now apply to qualified veterans who began work on or after November 22, 2011, and before January 1, 2026. Qualified tax-exempt organizations (organizations described in IRC 501(c) and exempt from tax under IRC 501(a)) claim this credit against the employer portion of social security tax on wages paid to all employees during the 1-year period beginning on the day a qualified veteran begins working for the organization.

(2) Qualified tax-exempt organizations entitled to a credit under IRC 3111(e) must use Form 5884-C, *Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans*, to claim the credit **after** they file their employment tax return (Form 941, Form 943, or Form 944). The credit **cannot** be claimed on an original employment tax return or on a Form 94XX.

**Note:** For-profit employers claim the credit as part of the general business credit by filing Form 5884, *Work Opportunity Credit*, and Form 3800, *General Business Credit*, with their income tax return.

**Note:** Form 941 revisions for second quarter 2020 through first quarter 2021 included Line 23 to report amounts of anticipated credit to be claimed later on Form 5884-C. Any figure reported on Line 23 were used for certain COVID-related employment tax credit reconciliation purposes but any figure reported on Line 23 was **not** used to record the credit on the related tax account.

(3) Key points relative to the filing of Form 5884-C, *Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans*, are as follows:

- Although the credit under IRC 3111(e) is applied against the employer social security tax liability for the employment tax period in which the credit is claimed, the liability reported on the qualified tax-exempt organization's employment tax return (Form 941, Form 943, or Form 944) is not reduced when that return is filed. Accordingly, the qualified tax-exempt organization should **not** reduce tax liabilities reported on an original or subsequently filed Schedule B (or other tax liability schedules for Forms 941, 943 and 944) by the amount of any credit claimed on Form 5884-C.
- The IRS recommends that qualified tax-exempt organizations not reduce their required deposits in anticipation of any credit claimed on Form 5884-C. However, any balance due, including applicable penalties and/or interest, will generally be recomputed when the credit is allowed. See IRM 21.7.2.5.22.5, *CRN 290 Impact on Penalties and Interest*, for more information.
- Any credit claimed on Form 5884-C will be refunded to the qualified tax-exempt organization (along with any applicable overpayment interest) unless the IRS corrects the Form 5884-C during processing or the organization owes other taxes (including any amounts of deferred social security taxes recorded with CRN 280 for the **same** tax period for which the Form 5884-C was filed), penalties, or interest.
- Form 5884-C is filed separately and should not be attached to any other return filed by the qualified tax-exempt organization.
- Form 5884-C should be filed **after** the qualified tax-exempt organization files its employment tax return for the tax period for which the credit is claimed. However, Form 5884-C **must** be filed within 2 years from the date the tax reported on the employment tax return was paid, or 3 years from the date the original employment tax return was filed, whichever is later.
- The qualified tax-exempt organization using Form 5884-C must calculate the cumulative credit to which the qualified tax-exempt organization is entitled under IRC 3111(e) for all qualified veterans hired on or after November 22, 2011 and before January 1, 2021. The qualified tax-exempt organization must reduce the cumulative credit by any credits claimed on any Forms 5884-C filed for prior tax periods.
- The amount of the credit claimed on each Form 5884-C will be limited to the amount of employer social security tax reported on the employment tax return filed by the qualified tax-exempt organization for the employment tax period for which the credit is claimed.
- Any excess credit (i.e., credit that exceeds the employer social security tax for the period the credit is claimed) may be carried forward and will be included

in the qualified tax-exempt organization's cumulative calculation on Form 5884-C for a subsequent tax period to the extent provided in the instructions for Form 5884-C.

**Note:** Due to the cumulative calculation method incorporated into Form 5884-C, it should generally not be necessary for a qualified tax exempt organization to file more than one Form 5884-C per employment tax return period (quarterly or annually).

(4) Additional information on this credit may be found in the Form 5884-C instructions, Notice 2012-13, and under the heading "Tax-exempt Employers" on the following irs.gov webpage: Work Opportunity Tax Credit.

(5) Qualified tax-exempt organizations are directed in the form instructions to file Form 5884-C at the Ogden campus.

(6) Specific Form 5884-C processing requirements are found in IRM 21.7.2.5.22.3, *Processing Guidelines Specific to Form 5884-C*.

#### 21.7.2.5.22.2 - Form 5884-D — General Information

(1) As enacted by section 303(d) of the 2020 Disaster Relief Act the employee retention payroll tax credit is now available for qualified tax-exempt organizations in qualified disasters declared after December 31, 2019, for a business inoperable before December 28, 2020 because of damage sustained by reason of the qualified disaster.

(2) Form 5884-D, *Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters* is used to claim this credit.

**Caution:** Form 5884-D **cannot** be used to claim the credit discussed in IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*.

(3) **Qualified disaster area:** For purposes of the credit claimed on Form 5884-D, the term qualified disaster area means any area with respect to which a major disaster was declared, but specifically excludes any area where a major disaster has been declared solely by reason of COVID-19.

(4) **Qualified disaster zone:** For purposes of the credit claimed on Form 5884-D, the term qualified disaster zone means that portion of any qualified disaster area determined to warrant individual or individual and public assistance from the federal government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of the qualified disaster.

**Note:** Specific eligible qualified disaster zones are listed and described in the *Instructions for Form 5884-D*.

(5) **Qualified tax-exempt organization:** A qualified tax-exempt organization is an organization described in section 501(c) and exempt from tax under section 501(a) that:

- Conducted its activities in a qualified disaster zone at any time during the incident period of the qualified disaster; and,
- Was inoperable as a result of damage sustained by reason of that qualified disaster at any time during the period beginning on the first day of the incident period of the qualified disaster and ending on December 27, 2020.

**Note:** An agency or instrumentality of the federal government, or of a state, local, or Indian tribal government, is **not** a qualified tax-exempt organization **unless** it is: a) a federally chartered corporation described in section 501(c)(1) and exempt from tax under section 501(a); or b) a federal, state, or local college or university; or c) an entity whose principal purpose or function is providing hospital, or medical care.

(6) **Eligible employee:** An eligible employee is one whose principal place of employment with a qualified tax-exempt organization immediately before the qualified disaster was in the qualified disaster zone.

(7) **Qualified wages:** Qualified wages are generally wages subject to social security tax paid by a qualified tax-exempt organization to an eligible employee beginning on the day the qualified tax-exempt organization's activity in the qualified disaster zone became inoperable and ending on the resumption of significant operations or, if earlier, 150 days after the end of the incident period of the qualified disaster.

**Caution:** Qualified wages do **not** include any wages that exceed \$6,000 for an eligible employee for a calendar quarter (reduced by the amount of qualified wages credited for any prior calendar quarter).

(8) With regards to the filing of Form 5884-D to claim the credit:

- The organization files Form 5884-D **after** it files its employment tax return for the employment tax period for which it is claiming the credit. The credit **cannot** be claimed on an original employment tax return or on a Form 94XX.
- The organization files Form 5884-D for each employment tax period during which qualified wages are paid to an eligible employee.
- Each Form 5884-D figures the cumulative credit to which the organization is entitled for all periods during which qualified wages are paid to an eligible employee and reduces the amount claimed for the period by any amounts claimed on previously filed Forms 5884-D.
- A qualified tax-exempt organization filing its own Form 5884-D under its own Employer Identification Number (EIN) (including organizations that file using a

- payroll service provider or reporting agent) should file **one** Form 5884-D for the organization per employment tax period.
- A third-party payer, such as a certified professional employer organization, a non-certified professional employer organization, or an agent under section 3504, who files an aggregate employment tax return and is filing Form 5884-D for a qualified tax-exempt organization claiming the credit should use the third party's name and EIN on Form 5884-D and should enter the qualified tax-exempt organization's name, address, and EIN on Line 1. A third-party payer who files an aggregate employment tax return must file a single separate Form 5884-D for each qualified tax-exempt organization claiming the credit in an employment tax period.
  - The credit claimed on Form 5884-D does not affect the tax liability reported on the organization's employment tax returns. Accordingly, the qualified tax-exempt organization should **not** reduce tax liabilities reported on an original or subsequently filed Schedule B (or other tax liability schedules for Forms 941, 943 and 944) by the amount of any credit claimed on Form 5884-D.
  - A qualified tax-exempt organization **may** reduce its required deposits for an employment tax period by the amount of its anticipated credit for that employment tax period. Any balance due, including applicable penalties and/or interest, will generally be recomputed when the credit is allowed. See IRM 21.7.2.5.22.5, *CRN 290 Impact on Penalties and Interest*, for more information.
  - The IRS will refund the amount shown on line 12 of Form 5884-D, plus any interest that applies, unless the IRS corrects Form 5884-D during processing or the organization owes other taxes (including any amounts of deferred social security taxes recorded with CRN 280 for the **same** tax period for which the Form 5884-D was filed), penalties, or interest.

**Note:** The amount properly claimed on Form 5884-D is treated as a credit on the first day of the organization's employment tax return period.

(9) Additional information on this credit may be found in the *Instructions for Form 5884-D*.

(10) Qualified tax-exempt organizations are directed in the form instructions to file Form 5884-D at the Ogden campus.

(11) Specific Form 5884-D processing requirements are found in IRM 21.7.2.5.22.4, *Processing Guidelines Specific to Form 5884-D*.

#### 21.7.2.5.22.3 - Processing Guidelines specific to Form 5884-C

(1) Qualified tax-exempt organizations claim the Work Opportunity Credit by filing Form 5884-C, *Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans*, after they file their employment tax return (Form 941,



Form 943, or Form 944).

**Reminder:** The credit **cannot** be claimed on an original employment tax return or on a Form 94XX.

**Note:** Form 941 revisions for second quarter 2020 through first quarter 2021 included Line 23 to report amounts of anticipated credit to be claimed later on Form 5884-C. Any figure reported on Line 23 were used for certain COVID-related employment tax credit reconciliation purposes but any figure reported on Line 23 was **not** used to record the credit on the related tax account.

(2) The credit applies to qualified tax-exempt organizations hiring certain eligible unemployed veterans who begin work on or after November 22, 2011, and before January 1, 2026.

**Note:** See IRM 21.7.2.5.22.1, *Form 5884-C — General Information*, for more information on credit eligibility requirements.

(3) The valid claims tax periods for Form 5884-C are as follows:

- Form 941 (MFT 01): 201112 through 202612
- Form 943 (MFT 11): 201112 through 202612
- Form 944 (MFT 14): 201112 through 202612

**Note:** Forms 5884-C filed for other than valid tax periods are to be formally disallowed.

(4) Credit Reference Number (CRN) 290 is used to adjust the Work Opportunity Credit (WOC) claimed on Form 5884-C (as well as the Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters claimed on Form 5884-D). Enter as a positive figure to increase the credit or as a negative figure to decrease the credit. The CRN 290 input will generate a TC 766 (increase) or TC 767 (decrease).

**Note:** The programming for CRN 290 will permit it to be input separately or with any combination of other TCs, IRNs, or CRNs. However, because of the unique nature of this credit, any allowance or correction of a CRN 290 amount should generally be input as a separate adjustment unless manual penalty and/or interest corrections are required.

**Caution:** CRN 290 was selected to record and adjust the credit claimed on Form 5884-C (and later for the credit claimed on Form 5884-D) due to the immediate effective date of the initial legislation and other administrative reasons. **However, by law, the credits recorded with CRN 290 are NOT refundable credits.** The maximum credit allowable is limited to the employer portion of social security tax on wages paid to all employees during any period.

(5) Forms 5884-C are scanned into Correspondence Imaging System (CIS) with Document Type 941-X, 943-X or 944-X (as appropriate) and Category Code SPC3. The scanning of a Form 5884-C systemically generates a TC 971 AC 010 and sets a -A or E- freeze which **must** be addressed before closing the case. See IRM 21.5.6.4.2, *-A Freeze*, and/or IRM 21.5.6.4.9, *E- Freeze*, for additional information. Also see the fourth paragraph of IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*, when rejecting a Form 5884-C and IRM 21.7.2.5.22.7, *Form 5884-C or Form 5884-D Filed — No TC 150 Posted*, when a Form 5884-C is received but no related original return has been posted.

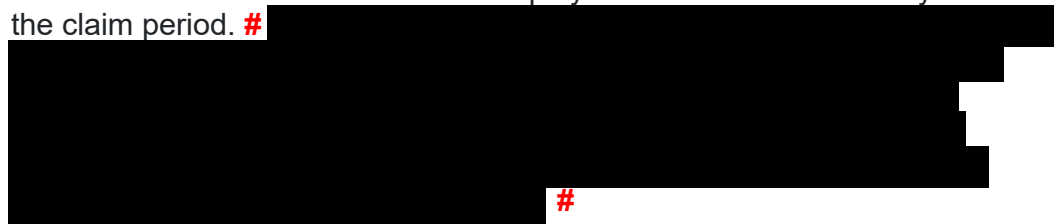
(6) Use blocking series 15, 18, or 00 as appropriate when adjusting an account per a Form 5884-C. Do **not** use blocking series 20.

(7) Form 5884-C cases are to be worked under the 1005X program.

(8) Forms 5884-C requesting a credit (or an increase to credit) are considered claims. Special processing instructions applicable to Forms 5884-C (and Form 5884-D) are provided in the subsections which follow. However, guidance found in IRM 21.5.3, *General Claims Procedures*, also applies to their handling.

**(9) Verify the following items to ensure the Form 5884-C is complete for processing:**

1. Verify the entity information (EIN, organization name, and address) entered on the Form 5884-C matches IRS records.
2. Verify there are entries in lines 4a/4b and/or 5a/5b, in lines 6 through 10, and in either line 11 or 12, as appropriate.
3. Verify the Form 5884-C is signed. See IRM 21.5.3.4.4, *Signature Requirements for Claims*, for more information.
4. Verify the tax form and tax period for which the Form 5884-C was filed. If blocks on lines 2 and/or 3 are not marked, attempt to determine the correct tax form and tax period by comparing the line 9 entry to posted return data. If not found, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-C with Letter 916C.
5. Compare the entry on line 9 to the appropriate wage/tips figure(s) on the account being adjusted. Math verify lines 10 and 11 (**only**) to ensure the claim amount does not exceed the employer share of social security tax for the claim period. #



(10) Eligibility for the credit claimed on Form 5884-C is limited to qualified tax-exempt organizations (organizations described in IRC 501(c) and exempt from tax



under IRC 501(a)). Review the entity and EO submodule data on INOLES and follow the instructions in the table below to determine if the Form 5884-C was filed by an eligible entity and the appropriate handling:

If	And	Then
There is an EO submodule	The EO status is 18, 19, 20, 22, 70, 71, 72, 97, 98 or 99	Send the claim CAT-A.
There is an EO submodule	The EO status is 12 or 34	Formally disallow the claim and send Letter 105C. Use the following text in an open paragraph: "Our records indicate you are not a qualified tax-exempt organization (an organization described in Section 501(c) and exempt from tax under Section 501(a)) and you are therefore not eligible for the credit you claimed on Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans." Also refer to IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns</i> , for additional information.  <b>Exception:</b> If there is no TC 150 posted to the tax period for which the Form 5884-C was filed, issue Letter 916C using the text provided above instead of issuing a Letter 105C and "no consider" the claim.
There is an EO submodule	The EO status is not one of those listed in an earlier row of this table	Continue to process the claim.
There is <b>no</b> EO submodule	The account reflects an Employment Code of "W" or "C"	Continue to process the claim.
There is <b>no</b> EO submodule	None of the other rows of this table apply	Formally disallow the claim in the same manner as discussed in the second row of this table.

(11) In addition to the claims described in the first row of the table in (10) above, send all Forms 5884-C (including amended Forms 5884-C) reflecting a line 11 claim amount of # [REDACTED] # or more CAT-A.

(12) After applying the guidance provided above for verifying the form is processable, continue processing Form 5884-C cases as per guidance in either IRM 21.7.2.5.22.6, *Form 5884-C or Form 5884-D Filed — TC 150 Posted*, or IRM 21.7.2.5.22.7, *Form 5884-C or Form 5884-D Filed — No TC 150 Posted*, as appropriate.

#### 21.7.2.5.22.4 - Processing Guidelines Specific to Form 5884-D

(1) Qualified tax-exempt organizations claim the qualified disaster related employee retention credit by filing Form 5884-D, *Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters*, after they file their employment tax return (Form 941, Form 943, or Form 944).

**Reminder:** The credit **cannot** be claimed on an original employment tax return or on a Form 94XX.

(2) The credit applies to qualified tax-exempt organizations paying qualifying wages to certain eligible employees in non-COVID-19 related qualified disaster zones.

**Note:** See IRM 21.7.2.5.22.2, *Form 5884-D — General Information*, and the *Instructions for Form 5884-D* for more information on credit eligibility requirements.

(3) Claims on Form 5884-D can be filed for tax period 201912 and subsequent on MFT 01 (Form 941), MFT 11 (Form 943), and MFT 14 (Form 944). Reject any Form 5884-D filed for a tax period earlier than 201912 or filed under any other MFT. As appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C explaining that the form was filed for an invalid tax period or tax account.

(4) Credit Reference Number (CRN) 290 is used to adjust the Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters (as well as the Work Opportunity Credit (WOC) claimed on Form 5884-C). Enter as a positive figure to increase the credit or as a negative figure to decrease the credit. The CRN 290 input will generate a TC 766 (increase) or TC 767 (decrease).

**Note:** The programming for CRN 290 will permit it to be input separately or with any combination of other TCs, IRNs, or CRNs. However, because of the unique nature of this credit, any allowance or correction of a CRN 290 amount should generally be input as a separate adjustment unless manual penalty and/or interest corrections are required.

**Caution:** CRN 290 was selected to record and adjust the credit claimed on Form 5884-D (similar as for the credit claimed on Form 5884-C) due to the immediate effective date of the legislation and other administrative reasons. **However, by law, this credit is NOT a refundable credit.** The maximum credit allowable is limited to the employer portion of social security tax on wages paid to all employees during any period.

(5) Forms 5884-D are scanned into Correspondence Imaging System (CIS) with Document Type 941-X, 943-X or 944-X (as appropriate) and Category Code SPC3. The scanning of a Form 5884-D will systemically generate a TC 971 AC 010 and set

a -A or E- freeze which **must** be addressed before closing the case. See IRM 21.5.6.4.2, *-A Freeze*, and/or IRM 21.5.6.4.9, *E- Freeze*, for additional information. Also see the fourth paragraph of IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*, when rejecting a Form 5884-D and IRM 21.7.2.5.22.7, *Form 5884-C or Form 5884-D Filed — No TC 150 Posted*, when a Form 5884-D is received but no related original return has been posted.

(6) Use blocking series 15, 18, or 00 as appropriate when adjusting an account per a Form 5884-D. Do **not** use blocking series 20.

(7) Form 5884-D cases are to be worked under the 1005X program.

(8) Forms 5884-D requesting a credit (or an increase to credit) are considered claims. Special processing instructions applicable to Form 5884-D (and Form 5884-C) are provided in the following subsections. However, guidance found in IRM 21.5.3, *General Claims Procedures*, also applies to their handling.

**(9) Verify the following items to ensure the Form 5884-D is complete for processing:**

1. Verify the entity information (EIN, organization name, and address) entered on the Form 5884-D matches IRS records.
2. Verify the Form 5884-D is signed. See IRM 21.5.3.4.4, *Signature Requirements for Claims*, for more information.
3. Verify either Line 2a or Line 2b is checked "yes":
  - If neither line is checked "yes", make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter that an entry on Line 2a and/or 2b is required for form processing purposes.
  - If both lines are checked "no", "no consider" the Form 5884-D and indicate in Letter 916C that based on their entries on Lines 2a and 2b that they are not eligible to claim the credit.
4. Verify information has been entered in line 3 as follows:
  - If there is an entry in column a, verify it corresponds to a qualified disaster zone listed in the *Instructions for Form 5884-D*.
  - If there is a valid entry in column a, but no entry in column b, continue processing the Form 5884-D.
  - If there is an entry in column b but no entry in column a, review the list of qualified disaster zones in the *Instructions for Form 5884-D*. If the correct qualified disaster zone can be determined, continue processing the Form 5884-D. If not, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-C with Letter 916C and indicate in the letter that an entries in all three columns of line 3 on Form 5884-D are required for form processing purposes.
  - If there is no entry in column b **and** no entry in column a, make two attempts

to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter that an entries in all three columns of line 3 on Form 5884-D are required for form processing purposes.

- If there is no entry in column c, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter that an entries in all three columns of line 3 on Form 5884-D are required for form processing purposes.

5. Verify the tax form and tax period for which the Form 5884-D was filed.
  - If blocks on lines 4 and/or 5 are not marked, attempt to determine the correct tax form and tax period by comparing the Line 10 entry to posted return data. If not found, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C.
  - If the Form 5884-D was not filed for a valid tax form/tax period, formally disallow the claim and issue Letter 105C as appropriate.
6. Verify there are entries in Lines 6a and 6b, Line 7, and Lines 10, 11a, and 11d, and in either Line 12 or Line 13, as appropriate (Lines 8 and 9 are only required to account for carryforwards and may not be completed on every Form 5884-D). If there are missing required entries that cannot be mathematically perfected, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter which required Form 5884-D entries were missing.
7. Multiply the number entered on Line 7 by \$6,000.
8. Multiply the **lesser** (smaller) of the amount reported on Line 6a or the amount calculated in Step 7 above by 40% (0.40). Use the **lesser** (smaller) of this calculated amount or the amount entered on Line 6b for continued verification in Step 9 and Step 10 below.
9. If there is an entry on Line 8, math verify Line 9 or Line 13 as appropriate.
10. Compare the entry on Line 10 to the appropriate wage/tips figure(s) on the account being adjusted. Math verify Lines 9, 10, 11a, 11d and 12 to ensure any claim amount does not exceed the employer share of social security tax for the claim period. #

[REDACTED]

(10) Eligibility for the credit claimed on Form 5884-D is limited to qualified tax-exempt organizations (organizations described in IRC 501(c) and exempt from tax under IRC 501(a)). Review the entity and EO submodule data on INOLES and follow

the instructions in the table below to determine if the Form 5884-C was filed by an eligible entity and the appropriate handling:

If	And	Then
There is an EO submodule	The EO status is 18, 19, 20, 22, 28, 70, 71, 72, 97, 98, or 99	Send the claim CAT-A.
There is an EO submodule	The EO status is 12 or 34	Formally disallow the claim and send Letter 105C. Use the following text in an open paragraph: "Our records indicate you are not a qualified tax-exempt organization (an organization described in Section 501(c) and exempt from tax under Section 501(a)) and you are therefore not eligible for the credit you claimed on Form 5884- D, Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters." Also refer to IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns</i> , for additional information.  <b>Exception:</b> If there is no TC 150 posted to the tax period for which the Form 5884-D was filed, issue Letter 916C using the text provided above instead of issuing a Letter 105C and "no consider" the claim.
There is an EO submodule	The EO status is not one of those listed in an earlier row of this table	Continue to process the claim.
There is <b>no</b> EO submodule	The EO status is not one of those listed in an earlier row of this table	Continue to process the claim.
There is <b>no</b> EO submodule	None of the other rows of this table apply	Formally disallow the claim in the same manner as discussed in the second row of this table.

(11) In addition to the claims described in the first row of the table in (10) above, send all Forms 5884-D (including amended Forms 5884-D) reflecting a line 12 claim amount of # [REDACTED] # or more CAT-A.

(12) After applying the guidance provided above for verifying the form is processable, continue processing Form 5884-D cases as per guidance in either IRM 21.7.2.5.22.6, *Form 5884-C or Form 5884-D Filed — TC 150 Posted*, or IRM

21.7.2.5.22.7, *Form 5884-C or Form 5884-D Filed — No TC 150 Posted*, as appropriate.

#### 21.7.2.5.22.5 - *CRN 290 Impact on Penalties and Interest*

(1) **FTD penalty:** The credits claimed on Form 5884-C and Form 5884-D do not reduce the tax liability reported on the associated employment tax return. However, the TC 766 / CRN 290 credit is applied by Master File as a credit against tax liability using the first day of the tax period as the credit effective date for FTD penalty purposes (only). Any previously assessed FTD penalty will be recomputed on that basis when a CRN 290 credit is allowed. This recomputation will generally occur systemically unless the FTD penalty was previously restricted.

**Note:** The employer filing Form 5884-C or Form 5884-D should **not** reduce tax liabilities reported on an original or subsequently filed Schedule B (or other tax liability schedules for Forms 941, 943 and 944) by the amount of any credit claimed on Form 5884-C or Form 5884-D.

(2) **FTF penalty:** For purposes of any late filing penalty, the CRN 290 credit is considered a timely credit as of the return due date for the tax period to which it is applied. Similarly, a reversal of the credit is considered a reduction in timely credits as of the return due date. Accordingly, the computer will generally recompute the FTF penalty systemically with CRN 290 adjustments unless the penalty was previously restricted.

(3) **FTP penalty:** For FTP penalty purposes, allowances and reversals of a CRN 290 credit will be treated in the same manner as an increase or decrease to tax liability **even though** we are not actually increasing or decreasing recorded tax when making these adjustments. When allowing a CRN credit (or increasing the amount allowed), the computer will accurately compute FTP if there has not been a previous tax assessment on the account. However, if there has been a previous tax increase on the account, or if the credit is being reversed in part or full, the FTP penalty will generally need to be manually computed and restricted as discussed in (2) of IRM 21.7.2.5.22.6, *Form 5884-C or Form 5884-D Filed — TC 150 Posted*, and IRM 21.7.2.5.22.10, *CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13*.

(4) **Overpayment interest:** For the purposes of calculating any applicable overpayment interest, a CRN 290 credit will be considered to be available as of the return due date for the tax period for which the Form 5884-C or Form 5884-D was filed.

**Note:** The 45-day interest rule for claims and amended returns applies to Forms 5884-C and Forms 5884-D claiming (or increasing) a CRN 290 credit. See (10) through (13) of IRM 21.5.3.4 and IRM 20.2.4.7.5.4 for more information, including instructions for inputting the date the processable claim was received by the IRS as



the Amended Claims Date on ADJ54.

(5) **Underpayment interest:** Any applicable underpayment interest arising from the reversal of a CRN 290 credit, or arising from an amount reported due on line 12 of Form 5884-C or line 13 of Form 5884-D, will be charged from the return due date of the tax period for which the Form 5884-C or Form 5884-D was filed.

**Note:** Because Form 5884-C and Form 5884-D are not adjusted returns, the regulations which allow for interest-free payment periods for underpayments reported on Forms 94XX do not apply to reversals of the CRN 290 credit or to amounts reported as due on line 12 of Form 5884-C or on line 13 of Form 5884-D. Do **not** input these adjustments with a TC 298.

*21.7.2.5.22.6 - Form 5884-C or Form 5884-D Filed — TC 150 Posted*

(1) After considering all verification requirements in IRM 21.7.2.5.22.3, *Processing Guidelines Specific to Form 5884-C*, or IRM 21.7.2.5.22.4, *Processing Guidelines Specific to Form 5884-D*, follow the procedures provided in the table below to process a Form 5884-C or Form 5884-D when there is a TC 150 posted to the tax account for which the Form 5884-C or Form 5884-D was filed.

<b>If</b>	<b>And</b>	<b>Then</b>
The Form 5884-C or Form 5884-D was filed for an invalid tax period (all tax periods)		Formally disallow the request and send Letter 105C. Use the following text in an open paragraph: "The credit you claimed on Form [specify Form 5884-C or Form 5884-D] cannot be claimed for the tax period for which your form was filed. We are therefore disallowing your claim." Refer to IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns</i> , for additional information.
There is a previous CRN 290 adjustment on the account		Review the previous CRN 290 related case on AMS/CIS. If the current form type being processed is different than the previous form type processed (i.e., previous Form 5884-C processed, current Form 5884-D being processed, or vice versa), contact the IRM author through the Ogden Accounts

If	And	Then
		Management Campus P&A Staff for guidance on resolving the case. Otherwise, if the form types match, continue to process per succeeding rows of this table.
The Form 5884-C or Form 5884-D reflects <b>both</b> a claim amount and an amount due (i.e, entries on lines 11 and 12 on Form 5884-C or lines 12 and 13 on Form 5884-D) <i>regardless</i> of whether there is a previously posted CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed	The sum of either lines 11 and 12 on Form 5884-C or lines 12 and 13 on Form 5884-D would be a <b>net amount due</b>	Treat the net amount due as if it had been reported on line 12 of Form 5884-C or Line 13 of Form 5884-D and process as per procedures in IRM 21.7.2.5.22.10, <i>CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13.</i>  <b>Exception:</b> Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance on resolving the case if there is documentation attached indicating the separate amounts reported as increases and decreases apply to different tax periods.
The Form 5884-C or Form 5884-D reflects <b>both</b> a claim amount and an amount due (i.e, entries on lines 11 and 12 of Form 5884-C or lines 12 and 13 of Form 5884-D) <i>regardless</i> of whether there is a previously posted CRN 290 credit on the tax period for which the Form 5884-C was filed	The sum of either lines 11 and 12 on Form 5884-C or lines 12 and 13 on Form 5884-D would be a <b>net credit</b>	Continue processing as per the table guidance below treating the net credit as if that amount had been claimed on line 11 of Form 5884-C or line 12 of Form 5884-D.  <b>Exception:</b> Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance on resolving the case if there is documentation attached indicating the separate amounts reported as increases and decreases apply to different tax periods.
The Form 5884-C or Form 5884-D reflects an amount due (i.e, an entry on line 12 of Form 5884-C or line 13 of Form 5884-		Process as per procedures in IRM 21.7.2.5.22.10, <i>CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13.</i>

If	And	Then
D) <i>regardless</i> of whether there is a CRN 290 credit posted to the tax period for which the Form 5884-C was filed)		
Line 11 of Form 5884-C or line 12 of Form 5884-D reflects a credit amount	There is <b>no</b> previous CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed	Input a CRN 290 transaction to allow the amount claimed on line 11 of Form 5884-C or line 12 of Form 5884-D using blocking series 15, 18, or 00 as appropriate. Input the appropriate Amended Claims Date with the adjustment.
Line 11 of Form 5884-C or line 12 of Form 5884-D reflects a credit amount	There is a previous CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed which is for the <b>same</b> amount as shown on the current form	Treat as a previous action situation. Input a TC 290 \$.00 to release the -A freeze.
Line 11 of Form 5884-C or line 12 of Form 5884-D reflects a credit amount	There is a previous CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed which is <b>less</b> than what is shown on the current form (i.e., the Form 5884-C or Form 5884-D reflects an <b>increase</b> to credit claimed)	Input a CRN 290 transaction to allow the difference between the net posted CRN 290 amount and the amount claimed on line 11 of Form 5884-C or line 12 of Form 5884-D using blocking series 15, 18, or 00 as appropriate. Input the appropriate Amended Claims Date with the adjustment.  <b>Exception:</b> For Form 5884-C, if there is documentation attached which indicates the amount claimed on the current Form 5884-C is an <b>additional</b> amount (for example, the credit claimed on the current Form 5884-C is in regards to a qualified veteran not claimed on the previously filed Form 5884-C for the same tax period), allow the full amount claimed on the current Form 5884-C.
Line 11 of Form 5884-C or line 12 of Form 5884-D	There is a previous CRN 290 credit on the tax	Treat this situation as if the difference between the amount

If	And	Then
reflects a credit amount	period for which the Form 5884-C or Form 5884-D was filed which is <b>more</b> than what is shown on the current form (i.e., the Form 5884-C or Form 5884-D reflects a <b>decrease</b> to credit claimed)	<p>previously allowed and the amount claimed on the new Form 5884-C or Form 5884-D (i.e., the credit amount to be reversed) had been reported as an amount due on line 12 for Form 5884-C or line 13 of Form 5884-D and process according to the procedures in the second row of the table in (3) of IRM 21.7.2.5.22.10, <i>CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13.</i></p> <p><b>Exception:</b> For Form 5884-C, if there is documentation attached which indicates the amount claimed on the current Form 5884-C is an <b>additional</b> amount (for example, the credit claimed on the current Form 5884-C is in regards to a qualified veteran not claimed on the previously filed Form 5884-C for the same tax period), allow the full amount claimed on the current Form 5884-C.</p>

**Note:** Form 5884-C and Form 5884-D do not include a line or check mark to request a credit elect. However, if the Form 5884-C or Form 5884-D includes a written request to reapply the credit to a particular tax period, we **will** generally honor the request unless there is an earlier tax period with a balance due to which the credit must be applied. If reapplying the credit per this guidance, transfer the overpayment as a TC 820/TC 700 credit transfer and use the later of the return due date of the tax period for which the Form 5884-C or Form 5884-D was filed or the credit availability date as the transaction date. See IRM 21.5.8, *Credit Transfers*, for general guidance on credit transfers.

**Reminder:** If the account is in Collection Status 22, 24, or 26, also see IRM 21.3.3.4.9.2.1, *Compliance Criteria for Amended Returns/Claims and/or Balance Due Correspondence.*

(2) **Special FTP penalty procedures when allowing CRN 290 credits:** See (3) in IRM 21.7.2.5.22.5, *CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13.* If an FTP penalty was charged in association with an additional tax assessment made after the original return posted, special procedures must be applied when allowing a CRN 290 credit as per the following table:

If	Then
The CRN 290 amount being allowed is equal to or exceeds the tax assessment amount to which the FTP applied	Input an adjustment to reverse the full amount of FTP that posted in association with the tax assessment amount with a restricting TC 271 transaction along with the appropriate CRN 290 amount being allowed (and the appropriate Amended Claims Date). Interest will be accurately recomputed by the computer.
The CRN 290 amount being allowed is less than the tax assessment amount to which the FTP penalty applied	<ol style="list-style-type: none"> <li>1. Manually recompute the amount of FTP due by treating the CRN 290 amount as a reduction to the tax assessment (for calculation purposes only).</li> <li>2. Input an adjustment to reduce or reverse (as appropriate) the assessed FTP penalty with a restricting TC 271 transaction along with the appropriate CRN 290 amount being allowed (and the appropriate Amended Claims Date). Interest will be accurately recomputed by the computer.</li> </ol>

**Reminder:** The procedures above do not apply to FTP penalty assessments associated with the original return. The computer will generally accurately recompute penalties and interest associated with original return filing when allowing a CRN 290 credit unless penalties and/or interest were previously restricted. See IRM 21.7.2.5.22.5, *CRN 290 Impact on Penalties and Interest*, for more information.

*21.7.2.5.22.7 - Form 5884-C or Form 5884-D Filed — No TC 150 Posted*

(1) If a Form 5884-C or Form 5884-D is received and there is **no** TC 150 posted to the tax account for which the Form 5884-C or Form 5884-D was filed, handle as follows:

If	And	Then
The Form 5884-C or Form 5884-D was received with a Form 94X		See IRM 21.7.2.5.22.8, <i>Form 5884-C or Form 5884-D Filed with Form 94X Original or Duplicate Return</i> .
The Form 5884-C or Form 5884-D was received with a Form 94XX		See IRM 21.7.2.5.22.9, <i>Form 5884-C or Form 5884-D Filed with Form 94XX</i> .
There is an indication on the account, Form 5884-C, or Form 5884-D that an employment tax return was filed		<ol style="list-style-type: none"> <li>1. Monitor the account for the posting of the employment tax return.</li> <li>2. Process the Form 5884-C or Form 5884-D as per handling instruction in IRM 21.7.2.5.22.6, <i>Form 5884-C or</i></li> </ol>

If	And	Then
		<i>Form 5884-D Filed — TC 150 Posted.</i>
There is an indication on the account, Form 5884-C, or Form 5884-D that an employment tax return was filed	More than 60 days have passed since the normal due date for filing the employment tax return or from the known date of actual filing and the return has not posted	<ul style="list-style-type: none"> <li>• If a copy of the employment tax return is available, send it to Submission Processing (retain a copy with the Form 5884-C or Form 5884-D) to be processed, monitor it to posting, and then process the Form 5884-C or Form 5884-D as per handling instruction in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted.</i></li> <li>• If a copy of the employment tax return is not available, make two attempts to contact the taxpayer for a copy of their employment tax return if a telephone number is available. Follow procedures in the first bullet above if a copy is obtained from the taxpayer.</li> <li>• If a copy of the employment tax return cannot be obtained, reject the Form 5884-C or Form 5884-D using Letter 916C. Advise the taxpayer that we cannot process it because we have no record of receiving their original return and to refile the Form 5884-C or Form 5884-D after they file a newly signed copy of their employment tax return.</li> </ul>
There is an open TDI on the tax period for which the Form 5884-C or Form 5884-D was filed	There is <b>no</b> indication on the Form 5884-C or Form 5884-D that an employment tax return was filed	<p>Reject the Form 5884-C or Form 5884-D using Letter 916C and include the following text in an open paragraph:</p> <p>"We are unable to process your Form [specify Form 5884-C or Form 5884-D] because we have no record of receiving your original Form [enter form number] for [enter tax period]. You may resubmit your Form [specify Form 5884-C or Form 5884-D] for our consideration after you file your original employment tax return. "</p>



If	And	Then
The taxpayer has no employment tax return filing requirements	There is <b>no</b> indication on the Form 5884-C or Form 5884-D that an employment tax return was filed	<p>Reject the Form 5884-C using or Form 5884-D Letter 916C and include the following text in open paragraphs:</p> <p>"The credit claimed on Form [specify Form 5884-C or Form 5884-D] is taken against the employer's share of social security tax. We are unable to process your claim because our records show you do not file employment tax returns reporting social security taxes."</p> <p>"If you have recently hired employees, you must report and pay required employment taxes on the appropriate employment tax form. After you have filed the appropriate employment tax form to report those taxes, you may resubmit your Form [specify Form 5884-C or Form 5884-D] for our consideration."</p>

**Reminder:** Any E- freeze set on these cases **must** be resolved prior to closing the case. If rejecting the Form 5884-C or Form 5884-D, release the E- freeze by inputting a TC 971 Action Code 002.

**Caution:** When rejecting documents, extreme care must be taken to ensure that only the material relative to the taxpayer(s) to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.25, *Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors*, for additional information.

*21.7.2.5.22.8 - Form 5884-C or Form 5884-D Filed with Form 94X (Original or Duplicate) Return*

(1) Taxpayers are instructed to file Form 5884-C and Form 5884-D separately from the associated employment tax returns. However, some taxpayers may file a Form 5884-C or Form 5884-D with an original or duplicated filed Form 94X despite the instructions.

(2) If Submission Processing receives a Form 5884-C or Form 5884-D with a Form 94X for the same tax period, Submission Processing will process the original return, notate on the Form 5884-C or Form 5884-D that it was received with an original return, and route the Form 5884-C or Form 5884-D with a copy of the Form 94X to be scanned into CIS and assigned to the designated AM unit for handling.

(3) If a Form 5884-C or Form 5884-D is received with a Form 94X attached, handle as follows:

If	And	Then
The Form 94X, Form 5884-C, or Form 5884-D has a notation made by Submission Processing as discussed in (2) above		Follow procedures in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i> , or IRM 21.7.2.5.22.7, <i>Form 5884-C or Form 5884-D Filed — No TC 150 Posted</i> , as appropriate.
The Form 94X, Form 5884-C or Form 5884-D <b>does not</b> have a notation made by Submission Processing as discussed in (2) above	There is no TC 150 posted to the tax period for which the Form 5884-C or Form 5884-D was filed	<ol style="list-style-type: none"> <li>1. Forward the Form 94X to Submission Processing to be processed to the account (retain a copy of the Form 94X with the Form 5884-C or Form 5884-D).</li> <li>2. Monitor the account until the TC 150 posts.</li> <li>3. Process the Form 5884-C or Form 5884-D as per handling instructions in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>.</li> </ol>
The Form 94X, Form 5884-C, or Form 5884-D <b>does not</b> have a notation made by Submission Processing as discussed in (2) above	There is a posted TC 150 which matches the Form 94X received with the Form 5884-C or Form 5884-D (i.e., True Duplicate)	Process the Form 5884-C as per handling instructions in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i> .
The Form 94X, Form 5884-C, or Form 5884-D <b>does not</b> have a notation made by Submission Processing as discussed in (2) above	There is a posted TC 150 which reflects <b>more</b> tax than the Form 94X received with the Form 5884-C or Form 5884-D	<ol style="list-style-type: none"> <li>1. Research the taxpayer account for common situations such as misapplied tax returns or an unprocessed Form 94XX. If such a situation is identified, take the appropriate action to resolve that issue and then process the Form 5884-C or Form 5884-D as per handling instruction in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>.</li> <li>2. If the taxpayer's intent cannot be determined through account research, make two attempts to</li> </ol>

If	And	Then
		<p>contact the taxpayer if a telephone number is available and take the appropriate action based on information provided by the taxpayer.</p> <p>3. If unable to resolve the issue as per items 1) and 2) above, input a TC 290 for \$.00 to release the -A freeze. Reject the Form 94X return and Form 5884-C or Form 5884-D using Letter 4384C. Explain that we are unable to process the documents because the Form 94X does not match our records. Advise the taxpayer to file the appropriate Form 94XX if their original return was incorrect and advise the taxpayer to refile the Form 5884-C or Form 5884-D separately or with a Form 94XX. Also see IRM 21.5.3.4.2, <i>Tax Decrease or Credit Increase Processing</i>.</p> <p><b>Exception:</b> Procedures in IRM 21.5.3.4.3, <i>Tax Decrease and Statute Consideration</i>, must be followed if the Form 5884-C or Form 5884-D was received within 180 days of the Refund Statute Expiration Date (RSED).</p>
<p>The Form 94X, Form 5884-C, or Form 5884-D <b>does not</b> have a notation made by Submission Processing as discussed in (2) above</p>	<p>There is a posted TC 150 which reflects <b>less</b> tax than the Form 94X received with the Form 5884-C or Form 5884-D</p>	<ol style="list-style-type: none"> <li>1. Research the taxpayer account for common situations such as misapplied tax returns or an unprocessed Form 94XX. If such a situation is identified, take the appropriate action to resolve that issue and then process the Form 5884-C or Form 5884-D as per handling instruction in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>.</li> <li>2. If the taxpayer's intent cannot be determined through account research, make two attempts to contact the taxpayer if a telephone number is available and take the appropriate action based on information provided by the taxpayer.</li> </ol>

If	And	Then
		<p>3. If unable to resolve the issue as per items 1) and 2) above, make the appropriate tax increase per the Form 94X. See the general procedures in IRM 21.7.2.4.6, <i>Adjusted Employer's Federal Tax Return or Claim for Refund</i>, and the specific procedures applicable to the type of Form 94XX which should have been filed (e.g., if an amended or supplemental Form 941 is received reporting a tax increase, follow IRM 21.7.2.4.7.6.3, <i>Form 941-X Tax Increases — Adjusted Employment Tax Return</i>). Send Letter 4384C and include the paragraph that explains we have adjusted their account but that they must use one of the "X" forms for any future corrections.</p> <p>4. Process the Form 5884-C or Form 5884-D as per handling instructions in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>.</p>

**Caution:** When rejecting documents, extreme care must be taken to ensure that only the material relative to the taxpayer(s) to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.25, *Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors*, for additional information.

*21.7.2.5.22.9 - Form 5884-C or Form 5884-D Filed with Form 94XX*

(1) Taxpayers are instructed to file Form 5884-C and Form 5884-D separately from the associated employment tax returns. However, some taxpayers may file a Form 5884-C or Form 5884-D with a Form 94XX despite the instructions.

(2) If a Form 5884-C or Form 5884-D is received with a Form 94XX, handle as follows:

If	Then
There is no TC 150 posted	1. Follow the procedures in IRM 21.7.2.4.6.6, <i>Adjusted Employer's Tax Return or Claim for Refund Return</i>

If	Then
	<p><i>Filed — No TC 150 Posted.</i></p> <p>2. Once a TC 150 is posted and any tax changes reported on the Form 94XX are processed, process the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted.</i></p>
<p>The Form 94XX reflects no tax data or reflects only the credit claimed on the Form 5884-C or Form 5884-D</p>	<p>Process the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted.</i></p>
<p>The Form 94XX reflects a tax increase</p>	<p>1. Process the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted.</i> However, use Hold Code 1 if allowing the CRN 290 credit or if there are other credits on the account needed to pay the Form 94XX tax increase.</p> <p>2. Process the Form 94XX using applicable procedures. However, use a post delay code of 1 cycle with this adjustment.</p> <p><b>Note:</b> Because of the unique nature of this credit, CRN 290 adjustments should generally <b>NOT</b> be combined with other tax or credit adjustments in a single ADJ54 input.</p>
<p>The Form 94XX reflects a tax decrease</p>	<p>1. Process the Form 94XX using applicable procedures. However, use Hold Code 1 if Line 12 of Form 5884-C or Line 13 of Form 5884-D reflects an amount due.</p> <p>2. Process the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.22.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted.</i> However, use a post delay code of 1 cycle with this adjustment.</p> <p><b>Note:</b> Because of the unique nature of this credit, CRN 290 adjustments should generally <b>NOT</b> be combined with other tax or credit adjustments in a single ADJ54 input.</p>

21.7.2.5.22.10 - CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13

(1) In some rare instances, eligible employers may report a balance due on line 12 of Form 5884-C or line 13 of Form 5884-D.

(2) These cases require special handling due to programming limitations associated with use of CRN 290 to administer this credit.

**Caution:** An unpostable will result if a CRN 290 credit reversal is input for more than the net posted CRN 290 credit on a tax module.

(3) After considering all verification requirements in either (as appropriate) IRM 21.7.2.5.22.3, *Processing Guidelines Specific to Form 5884-C*, or IRM 21.7.2.5.22.4, *Processing Guidelines Specific to Form 5884-D*, follow the procedures provided in the table below to process a Form 5884-C showing an amount due on line 12 or a Form 5884-D showing an amount due on Line 13.

<b>If</b>	<b>Then</b>
There is no TC 150 posted for the tax period for which the Form 5884-C or Form 5884-D was filed.	Follow procedures in IRM 21.7.2.5.22.7, <i>Form 5884-C or Form 5884-D Filed — No TC 150 Posted</i> .
The amount reported due on line 12 of Form 5884-C or line 13 of Form 5884-D is <b>less than or equal</b> to the net previously posted CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed.	Input a CRN 290 transaction to reverse the amount reported on line 12 of Form 5884-C or line 13 of Form 5884-D. See (4) and (5) below for required actions with regards to penalties and interest.
The amount reported due on line 12 of Form 5884-C or line 13 of Form 5884-D is <b>more</b> than the net previously posted (non-zero) CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed.	<ol style="list-style-type: none"> <li>1. Input a CRN 290 transaction to fully reverse the net posted (non-zero) CRN 290 on the tax period for which the Form 5884-C or Form 5884-D was filed. See (4), (5), and (6) below for required actions with regards to penalties and interest.</li> <li>2. Determine the remaining amount of credit reversal to be addressed by subtracting the amount reversed in step 1) from the amount shown on line 12 of Form 5884-C or line 13 of Form 5884-D.</li> <li>3. Address the remaining amount of credit to be reversed by following the procedures provided in the next row of this table.</li> </ol>
There is no previously posted net CRN 290 credit on the period for which the Form 5884-C or Form 5884-D was filed	<ol style="list-style-type: none"> <li>1. Review the employment tax accounts for the tax periods immediately preceding the tax period shown on the Form 5884-C or Form 5884-D. Locate the most recent tax period reflecting the allowance of a CRN 290 credit.</li> <li>2. Input a CRN 290 to reverse the previously posted credit allowance for the amount shown on line 12 of the Form 5884-C or</li> </ol>



If	Then
	<p>line 13 of Form 5884-D. See (4) and (6) below for required actions with regards to penalties and interest. If the amount on line 12 of Form 5884-C or line 13 of Form 5884-D exceeds the CRN credit allowed on the most recent tax period, reverse the entire posted CRN 290 on that most recent tax period. If the taxpayer paid the amount due on line 12 of Form 5884-C or line 13 of Form 5884-D, transfer credit as appropriate to the tax period in which the CRN 290 credit reversal was actually made.</p> <p>3. If the full amount reported on line 12 of Form 5884-C or line 13 of Form 5884-D has not been fully accounted for by credit reversal(s), repeat steps 1) and 2) until the full amount reported on line 12 of Form 5884-C or line 13 of Form 5884-D has been accounted for by credit reversals.</p>

(4) **Special FTP penalty and underpayment interest procedures when reversing CRN 290 credits:** Due to systemic limitations associated with use of CRN 290 for administering this credit, the computer is generally unable to accurately calculate the FTP penalty or underpayment interest when CRN 290 credits are reversed in part or whole. See (3) and (6) in IRM 21.7.2.5.22.5, *CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13*. The special procedures in the tables in (5) and (6) below **must** be followed when reversing CRN 290 credits as per the guidance in (3) above.

(5) Apply the following special procedures for FTP penalty and underpayment interest when reversing a CRN 290 on the **same** tax period for which the Form 5884-C or Form 5884-D was filed:

If	And	Then
The CRN 290 amount to be reversed has been paid by the time the adjustment is being input		Input the appropriate CRN 290 reversal with a TC 270 for \$.00 and close the case. Accurate underpayment interest will be systemically generated with the adjustment.
The CRN 290 amount to be reversed has <b>not</b> been paid by the time the adjustment is being input		1. Input the appropriate CRN 290 reversal with a TC 270 for \$.00. Accurate underpayment interest will be systemically generated with the adjustment.

If	And	Then
		<ol style="list-style-type: none"> <li>2. Suspend the case for 60 days and monitor the account for the posting of a payment.</li> <li>3. Continue processing the case as per the guidance in the last three rows of this table.</li> </ol>
The case was suspended as per instructions in the second row of this table	Payment is received within 21 days (10 days for amounts of \$100,000 or more) # [REDACTED] # of the 23c date for the adjustment	No additional penalties or interest are due. Close the case.
The case was suspended as per instructions in the second row of this table	Payment is received but <b>not within</b> 21 days (10 days for amounts of \$100,000 or more) # [REDACTED] # of the 23c date for the adjustment	<ol style="list-style-type: none"> <li>1. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the date of payment.</li> <li>2. Input an adjustment with a TC 270 using the amounts computed in step 1). Accurate underpayment interest will be systemically generated with the adjustment.</li> <li>3. Close the case.</li> </ol>
The case was suspended as per instructions in the second row of this table	Payment is not received by the close of the 60 day suspense period.	<ol style="list-style-type: none"> <li>1. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the 23c date for the adjustment to be input in step 2) below.</li> <li>2. Input an adjustment with a TC 270 using the amount computed in step 1) above. Accurate underpayment interest will be systemically generated with the adjustment.</li> <li>3. Close the case.</li> </ol>

(6) Apply the following special procedures for FTP penalty and underpayment interest when reversing a CRN 290 on a tax period **earlier than** the tax period for which the Form 5884-C or Form 5884-D was filed:

If	And	Then
The CRN 290 amount to be reversed has been paid by the time the adjustment is being input		<ol style="list-style-type: none"> <li>1. Compute the underpayment interest due on the amount of the credit reversal from the return due date of the tax period for which the Form 5884-C or Form 5884-D was filed to the date of payment.</li> <li>2. Input the appropriate CRN 290 reversal with a TC 340 for the amount computed in step 1) and a TC 270 for \$.00.</li> <li>3. Close the case.</li> </ol>
The CRN 290 amount to be reversed has <b>not</b> been paid by the time the adjustment is being input		<ol style="list-style-type: none"> <li>1. Compute the underpayment interest due on the amount of the credit reversal from the return due date of the tax period for which the Form 5884-C or Form 5884-D was filed to the 23c date of your adjustment.</li> <li>2. Input the appropriate CRN 290 reversal with a TC 340 for the amount computed in step 1) and a TC 270 for \$.00.</li> <li>3. Suspend the case for 60 days and monitor for the account for the posting of a payment.</li> <li>4. Continue processing the case as per the guidance in the last three rows of this table.</li> </ol>
The case was suspended as per instructions in the second row of this table	Payment is received within 21 days (10 business days for amounts of \$100,000 or more) # [REDACTED] # of the 23c date for the adjustment	No additional penalties or interest are due. Close the case.
The case was suspended as per instructions in the second row of this	Payment is received but <b>not within</b> 21 days (10 business days for amounts of \$100,000 or	<ol style="list-style-type: none"> <li>1. Compute additional interest due on the amount of the CRN 290 credit reversal <b>and</b> the previously input TC 340</li> </ol>

If	And	Then
table	more) # [REDACTED] [REDACTED] # of the 23c date for the adjustment	<p>amount from the 23c date of the previous adjustment to the date of payment.</p> <ol style="list-style-type: none"> <li>2. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the date of payment.</li> <li>3. Input an adjustment with a TC 340 and TC 270 using the amounts computed in steps 1) and 2).</li> <li>4. Close the case.</li> </ol>
The case was suspended as per instructions in the second row of this table	Payment is not received by the close of the 60 day suspense period.	<ol style="list-style-type: none"> <li>1. Compute additional interest due on the amount of the CRN 290 credit reversal <b>and</b> the previously input TC 340 amount from the 23c date of the previous adjustment to the 23c date for the adjustment to be input in step 3 below.</li> <li>2. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the 23c date for the adjustment to be input in step 3 below.</li> <li>3. Input an adjustment with a TC 340 and TC 270 using the amounts computed in steps 1) and 2).</li> <li>4. Close the case.</li> </ol>

**Caution:** The guidance in the table above is specific to CRN 290 adjustment situations. Keep in mind when restricting penalties and/or interest that it may be necessary to recompute and adjust penalty and/or interest on the full tax module depending on the account situation.

(7) The following examples are provided to illustrate the application of the procedures discussed in the table above.

**Example:** The IRS receives a Form 5884-C for the second quarter of 2021 on September 16, 2021 along with a payment of \$200 which is posted to the second quarter of 2021. The Form 5884-C reports a balance owed of \$200 on line 12. The taxpayer is a quarterly Form 941 filer and previously claimed a CRN 290 credit of

\$450 on the second quarter of 2021. To record the \$200 owed in this example, a CRN 290 reversal transaction for \$200 would be input to the second quarter of 2021. No FTP penalty would be owed because the amount due was paid before the credit reversal was made, so a TC 270 for \$.00 must be input to prevent the computer from charging the penalty from the second quarter due date to the date of payment. The computer will accurately compute underpayment interest in this example from July 31, 2021 (the second quarter due date) to September 16, 2021 (date of payment) and issue a bill for the correct amount due. The CRN 290 and TC 270 transactions must be input with the same ADJ54.

**Example:** The IRS receives a Form 5884-C for the third quarter of 2021 on November 15, 2021 along with a payment of \$500 which is posted to the third quarter of 2021. The Form 5884-C reports a balance owed of \$500 on line 12. The taxpayer is a quarterly Form 941 filer and claimed a CRN 290 credit of \$900 on the second quarter of 2021 and a CRN 290 credit of \$750 on the first quarter of 2021. To record the \$500 owed in this example, a CRN 290 reversal transaction for \$500 would be input to the second quarter of 2021 and the \$500 payment would be transferred from the third quarter to the second quarter. No FTP penalty would be owed because the amount due was paid before the credit reversal was made, so a TC 270 for \$.00 must be input to prevent the computer from charging the penalty from the second quarter due date to the date of payment. Underpayment interest must be manually computed and assessed with a TC 340 on the \$500 credit reversal from October 31, 2021 (the third quarter due date) to the November 15, 2021 payment date and manually assessed with a TC 340. The CRN 290, TC 270, and TC 340 transactions must be input with the same ADJ54 on the second quarter account.

**Example:** The IRS receives a Form 5884-C for the fourth quarter of 2021 on February 16, 2022 without payment. The Form 5884-C reports a balance owed of \$1,200 on line 12. The taxpayer is a quarterly Form 941 filer and claimed a CRN 290 credit of \$2,500 on the third quarter of 2021 and a CRN 290 credit of \$750 on the first quarter of 2021. To record the \$1,200 owed in this example, a CRN 290 reversal transaction for \$1,200 would be input to the third quarter of 2021. The case is worked on March 9, 2022, so the adjustment will carry a 23c date of April 4, 2022. Because the amount due for the credit reversal was not paid by the time the adjustment is being made, the CRN 290 reversal adjustment will be input with a TC 270 for .00 and a TC 340 for the amount of interest calculated as due from January 31, 2022 to April 4, 2022. The case is then suspended for 60 days (counting days from March 9, 2022). On April 20, 2022, the case is reviewed and it is seen that a payment for the CRN 290 reversal and underpayment interest assessed with TC 340 posted to the account on April 11, 2022. Since payment was received within 21 days of the 23c date (notice date) # [REDACTED] #, no additional penalty or interest would be due and the case would be closed with no additional action.

**Example:** The IRS receives a Form 5884-C for the fourth quarter of 2021 on January 25, 2022 along with a payment of \$700 which is posted to the fourth quarter of 2021. The Form 5884-C reports a balance owed of \$700 on line 12. The taxpayer is a quarterly Form 941 filer and claimed a CRN 290 credit of \$300 on the third quarter of 2021, a CRN 290 credit of \$500 on the second quarter of 2021, and a

CRN 290 credit of \$200 on the first quarter of 2021. To record the \$700 owed in this example, a CRN 290 reversal transaction for \$300 would be input to the third quarter of 2021, \$300 of the payment dated January 25, 2022 on the fourth quarter would be transferred to the third quarter, and penalties and interest associated with this portion of the credit reversal would be restricted to zero amounts (with a TC 270 \$.00 and TC 340 \$.00 on the same ADJ54 input as the CRN 290 credit reversal) since payment was received before the fourth quarter 2021 return due date of January 31, 2022. The remaining \$400 of the amount reported owed on Line 12 of Form 5884-C would be accounted for by inputting a CRN 290 reversal transaction for \$400 on the second quarter of 2021, transferring the remaining \$400 of the payment dated January 25, 2022 on the fourth quarter to the second quarter, and penalties and interest associated with this portion of the credit reversal would be restricted to zero amounts (with a TC 270 \$.00 and TC 340 \$.00 on the same ADJ54 input as the CRN 290 credit reversal) since payment was received before the fourth quarter 2021 return due date of January 31, 2022.

**Note:** Although the examples provided above reference instances of line 12 entries on Form 5884-C, the same principles illustrated also apply to similar instances of line 13 entries on Form 5884-D.

(8) Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance in the event that an unusual credit reversal situation is encountered which the special instructions provided above do not address.