

## IRM PROCEDURAL UPDATE

**DATE: 09/04/2020**

**NUMBER: wi-21-0920-0984**

**SUBJECT: Economic Impact Payments**

**AFFECTED IRM(s)/SUBSECTION(s): 21.6.3.4.2.13.3**

**CHANGE(s):**

### **IRM 21.6.3.4.2.13.3 - Added EIP adjustment procedures.**

1. In most cases, taxpayers who received less EIP than entitled to in 2020 must claim the Recovery Rebate Credit on their 2020 return. However, manual adjustments may be input for the following scenarios:

<b>If</b>	<b>And</b>	<b>Then</b>
The taxpayer's EIP was based on a 2019 or 2018 tax return with a math error and the error impacted the amount of EIP originally calculated, such as a qualifying child, AGI, or filing status.	The math error issue can be or was resolved.	Adjust the account following the procedures below.  Do not decrease the EIP.
The taxpayer is a victim of identity theft.	<ul style="list-style-type: none"><li>o EIP was issued based on the fraudulent return and received by the thief, or</li><li>o EIP was issued based on the fraudulent return and received by the taxpayer</li></ul>	Advise the taxpayer the EIP will be adjusted as part of the IDT case resolution. See IRM 25.23.4.20.4, <i>Economic Impact Payment (EIP) - Adjustments</i>
The taxpayer is	The returned check	Adjust the account

returning the entire payment (e.g. not eligible, religious objection, etc.)	or full payment has posted to the 2020 module	following the procedures below.
---	---	---------------------------------

**NOTE: Do not adjust an account with a deceased taxpayer** unless the payment was returned (e.g. not eligible, religious objection).

2. Manual adjustments create a TC 971 AC 199 in the entity. The values for the "MISC" field are:
  - o REBADJ - EIP allowed or increased
  - o REVREB - EIP reversed or reduced

The combined dollar amount associated with the TC 971 AC 199 will be used to compute the Recovery Rebate Credit on the 2020 return.

3. The filing status from the return used to compute EIP plays an important role in how adjustments are input. For all adjustments, normal source code and blocking series apply. All subsequent refunds are issued as paper checks.
4. For **non-joint tax returns**, use the reference numbers and reason codes shown in IRM 21.6.3.4.2.13.1, *Economic Impact Payments - Account Information*. The adjustment will result in a systemic entity transaction (TC 971 AC 199) applicable to the single TIN.

**EXAMPLE:** A taxpayer filed their 2019 return as head of household with one child qualifying for CTC. The child was not allowed resulting in the taxpayer only receiving EIP of \$1,200. To allow the additional \$500 for the child, input a TC 290 .00, RC 001 and 213 (first and second position), CRN 257 \$500. A systemic TC 971 AC 199 MISC> REBADJ for \$500 is created in the entity.

**EXAMPLE:** A taxpayer returns a \$1,200 payment issued to their SSI recipient child. To remove the credit, input a TC 290 .00, RC 209 (in the third position), CRN 338 \$1,200-. A systemic TC 971 AC 199 MISC> REVADJ for \$1200 is created in the entity.

**CAUTION:** If EIP was based on a 2018 return and a joint 2019 return has since posted, hold until programming is updated and a subsequent IRM update is posted.

5. For **Joint tax returns**, you must:
  1. Determine where the EIP is located (primary or secondary TIN)
  2. Determine if the original entity transaction(s) was applied to only one spouse or was split between spouses.
  3. Determine if one or both spouses' entity transaction should be updated.

Generally, the primary and secondary accounts reflects the following:

Taxpayer	Account Information
Primary	<ul style="list-style-type: none"> <li>○ the EIP adjustment (CRN 338/257)</li> <li>○ the EIP refund (TC 846)</li> <li>○ the entity transaction (TC 971 AC 199) reflects half (50 percent) of the total EIP amount</li> </ul>
Secondary	<ul style="list-style-type: none"> <li>○ the zero EIP adjustment (TC 290 .00)</li> <li>○ the entity transaction (TC 971 AC 199) reflects half (50 percent) of the total EIP amount</li> </ul>

Generally, adjustments will apply to both spouses, and if so, use the reference numbers and reason codes shown in IRM 21.6.3.4.2.13.1, *Economic Impact Payments - Account Information*. When these reason codes are used, the system will update the entity transactions (TC 971 AC 199) for both spouses by splitting the adjustment, applying half to each spouse, and issue the refund in both names. If you determine only one spouse is entitled to the payment, hold until programming is updated and a subsequent IRM update is posted.

**CAUTION:** If EIP was based on a 2018 return and a 2019 return posted with a different filing status or a different spouse, the "XREF - TIN" field on CC ADJ54 **must** be used. Failure to use the "XREF - TIN" field will result in a refund being issued in the 2019 entity.

**EXAMPLE:** EIP is based on the 2018 return (John and Mary). John files a joint 2019 return with a new spouse, Karen. When adjusting EIP, Mary's TIN must be entered in the "XREF - TIN" field.

**EXAMPLE:** EIP is based on the 2018 return (Bob and Jane). A 2019 return has not been filed, or a 2019 return was filed but is still Bob and Jane, the "XREF - TIN" field is not required.

Prior to adjusting joint returns, review the TC 971 AC 199 amount shown on each TIN. If the adjustment will not update the TC 971 AC 199 amount to accurately reflect the amount each spouse received, two adjustments are necessary.

1. Reverse the entire EIP adjustment using the reference numbers and reason codes shown in IRM 21.6.3.4.2.13.1, *Economic Impact Payments - Account Information*.
2. Input a second adjustment for the correct amount using the same reference numbers and reason codes