



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.19.14

DECEMBER 7, 2023

EFFECTIVE DATE

(01-01-2024)

PURPOSE

- (1) This transmits revised IRM 4.19.14, Liability Determination, Refundable Credits Strategy.

MATERIAL CHANGES

- (1) IRM 4.19.14.1.4, Authority - Added the Inflation Reduction Act of 2022.
- (2) IRM 4.19.14.1.5, Acronyms - Added the acronyms CII and IRA to the paragraph (1) table of acronyms and removed CIS.
- (3) IRM 4.19.14.1.6, Related Resources - Added IRM 21.6 as a resource.
- (4) IRM 4.19.14.2.8, Inflation Reduction Act of 2022 - Added as subsection to Tax Law Changes.
- (5) IRM 4.19.14.4, Program Description - Added Project Code (PC) 1360. IPU 23U0761 issued 06-22-2023. Added PC 1362.
- (6) IRM 4.19.14.5, RPS Casework Procedures - Added explanation for the purpose of the AC 135 to paragraph (3)(b).
- (7) 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. IPU 23U0761 issued 06-22-2023.
- (8) IRM 4.19.14.6, Evaluating EITC Taxpayer Responses - Added language to paragraph (5) to clarify that a taxpayers demonstration of eligibility for a new SSN card is to be considered in the determination of a valid SSN for the EITC. IPU 23U0129 issued 01-19-2023.
- (9) IRM 4.19.14.6.2, EITC - No Qualifying Child - Added and rearranged language for clarification of tax year 2021 changes for a taxpayer without a qualifying child.
- (10) IRM 4.19.14.6.3, EITC - Schedule C Responses - Inserted language into the new paragraph (8) and the paragraph (16) table (formerly (15) table), to explain Form 1099-K issuance, the tax year 2022 pause on reporting requirements and to provide additional instructions to the examiner. IPU 23U0246 issued 02-07-2023.
- (11) IRM 4.19.14.6.3, EITC - Schedule C Responses - Added language to provide context to the lower thresholds for Form 1099-K reporting.
- (12) IRM 4.19.14.6.4, EITC - Filing Status - Updated language in paragraph (2) table for the MFJ status proof requirement; Updated Support and Married Child Joint Return in paragraph (3) table; Added language to the Note below the paragraph (3) tables for the Head of Household filing status.
- (13) IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents - Moved examples of supporting documentation for residence in the paragraph (4) qualifying relative table from the relationship row to the residence row. Also updated language to complement the Form 886-H-DEP. IPU 23U0246 issued 02-07-2023.
- (14) IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents - Deleted the second sentence under the Qualifying Child (QC) Support Eligibility Requirement, Supporting Documentation column, in the

paragraph (4) table. This sentence was deleted to conform to the eligibility requirement that the QC cannot provide more than 1/2 their own support. Therefore, the examiner should not seek substantiation from the taxpayer to show support of the QC; Added language to the TieBreaker Rule, Eligibility Requirement Explanation column, to clarify the tiebreaker rules apply to resolve issues when the claimed dependent is the qualifying child of more than one person. IPU 23U0482 issued 03-31-2023.

- (15) IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents - Corrected the citation in the paragraph (9) table, under Support Test, Verifying Information, for the King v Commissioner tax court case. IPU 23U0482 issued 03-31-2023.
- (16) IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents - Added a Note to the paragraph (7) table to address the treatment of certain public assistance payments when Support is considered; Added language to paragraph (11) to clarify the scope of the Form 8332.
- (17) IRM 4.19.14.8, Dependent Database - Added additional information available on CC DLITE in paragraph (7).
- (18) IRM 4.19.14.8.1, Schedule C Filters - Moved from subsection 4.19.14.8.2.
- (19) IRM 4.19.14.8.1.1 (formerly IRM 4.19.14.8.2.1), Schedule C Loss Filters - Corrected paragraph (3) initial criteria and paragraph (4) filters.
- (20) IRM 4.19.14.8.2, Third Party Affidavit for Residency - Moved from subsection 4.19.14.8.3.
- (21) IRM 4.19.14.8.3, Premium Tax Credit (PTC) - Moved from subsection 4.19.14.8.4.
- (22) IRM 4.19.14.8.4 (formerly IRM 4.19.14.8.5), Non-EITC Filters - Added additional Non-EITC filters and descriptions in the paragraph (2) table.
- (23) IRM 4.19.14.8.5, Pick-ups - Moved from subsection 4.19.14.8.6.
- (24) IRM 4.10.14.9, Questionable Refund Program (QRP) - Edited to clarify Withholding Only Work in paragraph (1).
- (25) IRM 4.19.14.9.1, QRP Referral Process - Deleted reference to the Batch Leveraging Process in paragraph (3).
- (26) IRM 4.19.14.9.1.1, Prisoner Returns - Deleted reference to the Batch Leveraging Process in paragraph (4) and the reference to the Making Work Pay Credit (MWPC) in paragraph (5).
- (27) IRM 4.19.14.9.1.2, General Agreement on Tariff and Trades (GATT) - Deleted reference to the MWPC in paragraph (1).
- (28) 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. IPU 23U0761 issued 06-22-2023.
- (29) IRM 4.19.14.9.2, QRP Source Code and Project Codes - Deleted references to the MWPC throughout.
- (30) IRM 4.19.14.9.3, QRP Examination Process - Deleted references to the MWPC.
- (31) IRM 4.19.14.9.4, QRP Replies and Closing Process - Added an additional Identity Theft IRM issued 06-22-2023.

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- (32) IRM 4.19.14.9.4, QRP Replies and Closing Process - Deleted references to the MWPC and included a project code in the paragraph (6) table.
- (33) IRM 4.19.14.9.5, QRP Negative Deficiency Procedures - Updated instructions to include Schedule C income, other credits, and the Letter 106C. IPU 23U0761 issued 06-22-2023.
- (34) IRM 4.19.14.10, Math/Clerical Error Program - Corrected paragraph (1)(l) to include the Recovery Rebate Credit.; Added Inflation Reduction Act of 2022 math error provisions in paragraph (1)(r) through (1)(v).
- (35) IRM 4.19.14.12, Child Tax Credits - Added paragraph (2) highlighting duplicate TIN procedures.
- (36) IRM 4.19.14.12.2, Requirements for CTC/ACTC (2018-2025 Returns) and Refundable CTC (2021 Returns) - Updated language for citizenship verification in paragraph (3) in conformance with IRM 4.19.14.6(5), reference IPU 23U0129.
- (37) IRM 4.19.14.12.3, Requirements for ODC (2018-2025 Returns) - Added introductory explanatory paragraph (1).
- (38) IRM 4.19.14.13, Child and Dependent Care Credit (CDCC) - Updated and added explanatory information and references for the CDCC, including the duplicate dependent.
- (39) IRM 4.19.14.14, Education Tax Credits - Added paragraph (2) highlighting duplicate TIN procedures.
- (40) IRM 4.19.14.14.1, American Opportunity Tax Credit and Lifetime Learning Credit - Added an additional reference for the credits.
- (41) 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. IPU 23U0761 issued 06-22-2023.
- (42) 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. IPU 23U0761 issued 06-22-2023.
- (43) 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. IPU 23U0761 issued 06-22-2023.
- (44) IRM 4.19.14.18.1, Unallowable Code Assignment and AIMS Opening - Updated the title for UA Code 79 to comply with the Inflation Reduction Act amendment. IPU 23U0360 issued 03-07-2023.
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- (46) IRM 4.19.14.18.4, Initial Taxpayer Contact - Updated initial contact letter procedures, suspense status and number of suspense dates.
- (47) IRM 4.19.14.18.5, Processing Reply/No Reply Unallowable Cases - Updated letter to include for processing replies and no reply cases.
- (48) IRM 4.19.14.18.7, Unallowable Program and Clean Vehicle Credit - Updated the title to comply with the Inflation Reduction Act amendment. IPU 23U0360 issued 03-07-2023.
- (49) IRM 4.19.14.19, Fuel Tax Credit Claimed on Form 4136 - Added language to clarify off-highway business use in paragraphs (1) through (3).

- (50) IRM 4.19.14.20, EITC and Premium Tax Credit Procedures - Added additional references in paragraphs (7) through (9).
- (51) IRM 4.19.14.21, Pre and Post Refund DDB Selections Duplicate TIN (DUPTIN) Program - Moved section and all subsections from 4.19.14.8.1.
- (52) IRM 4.19.14.21.1 (formerly IRM 4.19.14.8.1.2), DUPTIN Related Taxpayers - Updated tolerance in paragraph (5).
- (53) IRM 4.19.14.22 (formerly IRM 4.19.14.18.11), Claim of Right - IRC 1341, Repayment of Income Previously Reported, Credit - Moved subsection and updated description. Original subsection created by IPU 23U0595 issued 05-05-2023.
- (54) IRM 4.19.14-1, Examples of Acceptable Documentation for EITC Claims (not all-inclusive) - Updated descriptive language for Age and removed library card from the list of Citizenship documents.
- (55) Editorial changes made throughout the IRM for clarity. Reviewed and updated plain language, grammar, titles, website addresses, and IRM references.

EFFECT ON OTHER DOCUMENTS

IRM 4.19.14, dated November 30, 2022 (effective January 3, 2023) is superseded. The following IRM Procedural Updates (IPUs), issued from January 19, 2023, through June 22, 2023, have been incorporated into this IRM: IPU 23U0129, IPU 23U0246, IPU 23U0360, IPU 23U0482, IPU 23U0595, IPU 23U0761.

AUDIENCE

This IRM is intended for use by W&I (Wage and Investment) and SBSE (Small Business/Self Employed) Campus Examination employees.

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Wage and Investment Division

4.19.14

Refundable Credits Strategy

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Exhibits

- 4.19.14-1 Examples of Acceptable Documentation for EITC Claims (not all-inclusive)

4.19.14.1
(01-01-2022)
Program Scope and Objectives

- (1) **Purpose:** This IRM provides guidance on the specific Refundable Credit programs in Campus Examination Operations.
- (2) **Audience:** This IRM is used by tax examiners conducting audits on Refundable Credits who work in Campus Examination for Wage & Investment (W&I) Refundable Credits Examination Operation (RCEO) and Small Business/Self Employed (SBSE) Campus Operations.
- (3) **Policy Owner:** The Director of Refundable Credits Program Management (RCPM) owns the policy information contained in this IRM.
- (4) **Program Owner:** The Director of RCPM is the executive responsible for the content.
- (5) **Primary Stakeholders:** Wage and Investment (W&I), Small Business Self Employed (SBSE).
- (6) **Contact Information:** To recommend changes or make suggestions for this IRM, send an e-mail to the IRM author or use the Servicewide Electronic Research Program (SERP) Feedback Application.

4.19.14.1.1
(01-03-2023)
Background

- (1) In 1997, Campus Examination Operations actively began working the Revenue Protection Strategy.
- (2) IRM 4.19.14, Liability Determination, Refundable Credits Strategy, contains information on examination procedures relative to refundable credits, including the Earned Income Tax Credit (EITC) and Non-EITC programs.
- (3) This IRM is used by Wage and Investment (W&I) and Small Business Self Employed (SBSE) Campus Examination to review and process taxpayers' correspondence received in response to examination notices. Other IRM sections will be referenced throughout this IRM to provide specific guidance for individual topics. Examination employees are responsible for researching and utilizing information contained in all reference materials. Legal citations, form and letter references, and IRM references are reviewed and updated as necessary.

4.19.14.1.2
(01-01-2024)
Authority

- (1) IRC 32: Earned Income Tax Credit
- (2) IRC 24 : Child Tax Credit/Additional Child Tax Credit/ Credit for Other Dependents
- (3) IRC 25: American Opportunity and Lifetime Learning Credits
- (4) IRC 23: Adoption Expenses
- (5) IRC 36B: Premium Tax Credit
- (6) IRC 21: Child and Dependent Care Credit
- (7) IRC 34: Certain Uses of Gasoline and Special Fuels
- (8) Various sections of the Protecting Americans from Tax Hikes Act of 2015 (PATH), Public Law 114-113. See IRM 4.19.14.2.2, Protecting Americans from Tax Hikes Act 2015 (PATH)

- (9) Policy Statement 1-236: Fairness and Integrity in Enforcement Selection. See IRM 1.2.1.2.36.
- (10) Disaster Tax Relief and Airport and Airway Extension Act 2017. See IRM 21.6.3.4.2.7.4(6), EITC Earned Income.
- (11) Tax Cuts and Jobs Act of 2017 (TCJA). See IRM 4.19.14.2.4, Tax Cuts and Jobs Act of 2017 (TCJA), for more information.
- (12) Families First Coronavirus Response Act (FFCRA). Authorized paid sick and family leave credits for eligible self-employed individuals. See IRM 4.19.14.2.5, Families First Coronavirus Response Act (FFCRA), for more information.
- (13) Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES ACT). This Act created IRC 6428, establishing the Recovery Rebate Credit for individuals for tax year 2020. See IRM 4.19.14.2.6, Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act), for more information.
- (14) The American Rescue Plan Act of 2021 (ARPA). See IRM 4.19.14.2.7, The American Rescue Plan Act of 2021 (ARPA), for more information.
- (15) Inflation Reduction Act of 2022. See IRM 4.19.14.2.8, Inflation Reduction Act of 2022.

4.19.14.1.3
(12-07-2017)

Roles and Responsibilities

- (1) Director, W&I Return Integrity & Compliance Services (RICS).
- (2) Director, SBSE Campus Examination Operations.
- (3) Director, RICS, Refundable Credits Program Management.
- (4) Manager, Exam Policy and Coordination.
- (5) Headquarter Analysts in both W&I and SBSE provide campus guidance on workload selection and delivery-related issues.

4.19.14.1.4
(01-01-2022)

Program Management and Review

- (1) The Refundable Credit Examination audit inventory is primarily selected systematically using risk based scoring criteria. W&I's Refundable Credit Program Management (RCPM) headquarters staff has primary responsibility for developing and maintaining these criteria. They also have primary responsibility for developing the W&I Examination work plan, which outlines the volumes and timeframes of audits initiated based on the available scored returns and resources. The work plan is meant to be used as a guide only and may be adjusted as warranted based on resource limitations and legislative changes. W&I Refundable Credits Examination Operations (RCEO) and SBSE Campus Operations employees conduct audits.

4.19.14.1.5
(01-01-2024)

Acronyms

- (1) Acronyms used in Exam are listed below:

Acronym	Definition
ACA	Affordable Care Act
ACE	Automated Correspondence Examination
ACTC	Additional Child Tax Credit

Acronym	Definition
AGI	Adjusted Gross Income
AOTC	American Opportunity Tax Credit
APTC	Advanced payments of the Premium Tax Credit
AQC	Automated Questionable Credit
ARC	Aging Reason Code
ARPA	American Rescue Plan Act
ARRA	American Recovery and Reinvestment Act
ASED	Assessment Statute Expiration Date
AIMS	Audit Information Management System (IDRS)
AM	Accounts Management
CARES	Coronavirus Aid, Relief, and Economic Security Act of 2020
CC	Closing Code
CDCC	Child and Dependent Care Credit
CEAS	Correspondence Examination Automation Support
CI	Criminal Investigation
CII	Correspondence Imaging Inventory
CP	Computer Paragraph (notice)
CTC	Child Tax Credit
DAE	Discretionary Automated Examination
DDB	Dependent Database
DEBR	Discretionary Exam Business Rules
DUPTIN	Duplicate TIN
EC	Error Code
EFDS	Electronic Fraud Detection System
EITC	Earned Income Tax Credit
EIP	Economic Impact Payment
FCR	Federal Case Registry
FFCRA	Families First Coronavirus Response Act
FPL	Federal Poverty Level
FTC	Fuel Tax Credit
FY	Filing Year
IAT	Integrated Automation Technologies

Acronym	Definition
ICL	Initial Contact Letter
IMF	Individual Master File
IRA	Inflation Reduction Act
MAGI	Modified Adjusted Gross Income
ODC	Credit for Other Dependents
PTC	Premium Tax Credit
QRP	Questionable Refund Program
QBI	Qualified Business Income
QBID	Qualified Business Income Deduction
REIT	Real Estate Investment Trust
RICS	Return Integrity & Compliance Services
RIVO	Return Integrity Verification Operation
RGS	Report Generation Software
RRC	Recovery Rebate Credit
SFLC	Sick and Family Leave Credit
SLCSP	Second Lowest Cost Silver Plan
SNOD	Statutory Notice of Deficiency
SRP	Shared Responsibility Payment
SSN	Social Security Number
TCJA	Tax Cuts and Jobs Act of 2017
TY	Tax Year
TIN	Taxpayer Identifying Number

- (2) A listing of acronyms can also be found on <https://rnet.web.irs.gov/Resources/AcronymSearch.aspx>.

4.19.14.1.6
(01-01-2024)

Related Resources

- (1) IRM sections containing helpful information on refundable credits programs:
- IRM 4.19.10, Examination General Overview
 - IRM 4.19.11, Examination Classification of Work
 - IRM 4.19.12, Centralized Files and Scheduling
 - IRM 4.19.13, General Case Development and Resolution
 - IRM 4.19.14, Refundable Credits Strategy
 - IRM 4.19.15, Discretionary Programs
 - IRM 4.19.16, Claims
 - IRM 4.19.17, Non-Filer Program
 - IRM 4.19.19, Campus Examination Telephone Contacts
 - IRM 4.19.20, Automated Correspondence Examination (ACE) Processing Overview

- IRM 4.19.21, Clerical
- IRM 21.6, Individual Tax Returns
- IRM 25.23.10, Compliance Identity Theft Case Processing

4.19.14.1.7
(01-03-2023)
**Taxpayer Bill of Rights
(TBOR)**

- (1) The Taxpayer Bill of Rights (TBOR) lists rights already existing in the tax code, explaining them in plain language and grouping them into ten fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. For additional information about TBOR, see IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights, Pub 5170, Taxpayer Bill of Rights (Brochure), and <https://www.taxpayeradvocate.irs.gov/get-help/taxpayer-rights/>.

4.19.14.2
(12-07-2018)
Tax Law Changes

- (1) This subsection is an overview on tax law changes related to refundable and non-refundable credits. It is not all inclusive.

4.19.14.2.1
(03-01-2019)
**The Patient Protection
and Affordable Care Act
(ACA)**

- (1) The Patient Protection and Affordable Care Act (known by the short title Affordable Care Act (ACA)) increased the adoption expense credit for adoption assistance programs and made the credit fully refundable in the year it was claimed. Effective TY 2012, the Adoption Credit became a nonrefundable credit. The Adoption Credit was nonrefundable for most years but was refundable in 2010 and 2011. See IRM 4.19.15.5, Adoption Credit and Qualified Adoption Expenses (QAE), for additional information on Adoption Credit procedures.
- (2) **Premium Tax Credit** - The Patient Protection and Affordable Care Act (ACA) provides low to moderate income Americans with the ability to obtain the Premium Tax Credit (PTC) to pay for health insurance purchased on federal or state health care marketplaces. The IRS helps administer this program by providing tax and family size information to the marketplaces to estimate the amount of allowable PTC, and by requiring taxpayers to calculate and claim the correct amount of PTC on their annual tax return.
- (3) The Advance Premium Tax Credit (APTC) is an amount paid to an insurer on behalf of the taxpayer to assist in paying part or all of the premiums for health insurance coverage obtained through the Marketplace. Eligibility for APTC is determined by the Marketplace and is based on the taxpayer's estimate of their yearly earnings at the time of enrollment. Taxpayers can receive the PTC in two ways:
- The PTC can be received as a refundable credit claimed on the tax return.
 - The PTC can be paid as an advance to the insurer to lower the taxpayer's monthly out-of-pocket costs, based on data available to the Marketplace.
- (4) Regardless of the method chosen to receive the credit, individuals must file a tax return to reconcile the credit. Any individuals who receive the benefit of advance payments of PTC to their insurer must also correctly report this amount on their return. The allowable PTC will be recalculated based on information reported on the tax return and Form 8962, Premium Tax Credit (PTC). If the actual allowable PTC is more than APTC, the difference is refunded to the taxpayer. Some taxpayers may have to repay some or all of the advance payment of PTC. The American Rescue Plan Act of 2021 (ARPA) suspends

the requirement to repay excess APTC for tax year 2020. See IRM 4.19.15.40, Premium Tax Credit - IRC 36B, for additional information on PTC procedures.

4.19.14.2.2
(01-03-2023)

**Protecting Americans
from Tax Hikes Act 2015
(PATH)**

- (1) This subsection covers the various tax law changes impacting refundable credits:

PATH Section	Title and Explanation
101	Enhanced Child Tax Credit is made permanent. <ul style="list-style-type: none"> The reduced earned income threshold for Additional Child Tax Credit is made permanent at \$3,000.
102	Enhanced American Opportunity Tax Credit is made permanent. <ul style="list-style-type: none"> The American Opportunity Tax Credit, which is a modification to the Hope Credit, is made permanent.
103	Enhanced Earned Income Tax Credit is made permanent. <ul style="list-style-type: none"> The higher credit rate when there are 3 or more qualifying children is made permanent. The higher phase-out thresholds for married couples filing joint returns is made permanent.
201	Modification of filing dates of returns and statements relating to employee wage information and non-employee compensation to improve compliance. <ul style="list-style-type: none"> Certain information returns must be filed by January 31 and are no longer eligible for the extended filing date for electronically filed returns under IRC 6071(b). No credit or refund for an overpayment for a taxable year shall be made to a taxpayer before the 15th day of the second month following the close of the taxable year (generally February 15th), if the taxpayer claimed the EITC or ACTC on the tax return.
204	Prevention of retroactive claims of Earned Income Credit after issuance of social security number. <ul style="list-style-type: none"> Limits an individual from retroactively claiming the EITC by amending a return (or filing a late original return) without a valid SSN. A valid SSN must be issued to the primary, secondary and qualifying dependents on or before the due date of the return, including extension.

PATH Section	Title and Explanation
205	Prevention of retroactive claims of Child Tax Credit. <ul style="list-style-type: none"> Limits an individual from retroactively claiming the CTC by amending a return (or filing a late original return) without a valid SSN. A valid TIN (SSN, ITIN, ATIN) must be issued to the primary, secondary and qualifying dependents on or before the due date of the return, including extension.
206	Prevention of retroactive claims of American Opportunity Tax Credit. <ul style="list-style-type: none"> Limits an individual from retroactively claiming the AOTC by amending a return (or filing a late original return) without a valid SSN. A valid TIN (SSN, ITIN, ATIN) must be issued to the primary, secondary and qualifying dependents on or before the due date of the return, including extension.
207	Procedures to reduce improper claims. <ul style="list-style-type: none"> Expands the EITC paid-preparer due diligence requirements, and the associated \$500 penalty for failure to comply, to the CTC/ACTC and AOTC. Requires the IRS to study the effectiveness of the tax preparer due diligence requirements for EITC, CTC/ACTC and AOTC and whether requirements should apply to other methods of tax filing, such as filing online or by paper.
208	Restrictions on taxpayers who improperly claimed credits in prior year <ul style="list-style-type: none"> Expands disallowance rules already existing for EITC to CTC/ACTC and AOTC. This includes a 2-year ban for reckless or intentional disregard of the rules, and a 10-year ban for a claim due to fraud. Also, recertification requirements apply to these credits. Grants math error authority for EITC claimed during ban periods. Grants math error authority if taxpayer claims CTC/ACTC and AOTC during recertification and ban periods.

PATH Section	Title and Explanation
209	<p>Treatment of credits for purposes of certain penalties</p> <ul style="list-style-type: none"> Amends the definition of underpayment used to determine the 20 percent accuracy-related and 75 percent fraud penalties by incorporating in the definition the rule that in determining the tax imposed and the amount of tax shown on the return, the excess of the refundable credits over the tax is taken into account as a negative amount of tax. If a taxpayer files an income tax return erroneously claiming refundable credits in excess of tax, there is an underpayment on which a penalty may be imposed, reversing the Tax Court decision in <i>Rand v. Commissioner</i>. Repeals the earned income credit to the 20 percent erroneous claims penalty, and changes the standard for penalty relief from reasonable basis to reasonable cause.

4.19.14.2.3
(12-07-2018)
**Disaster Tax Relief and
Airport and Airway
Extension Act 2017**

- (1) Qualified individuals whose earned income in 2017 is less than the earned income in 2016 may elect to use their 2016 earned income when figuring EITC. The taxpayer must have lived in the designated disaster area when the disaster occurred. See IRM 21.6.3.4.2.7.4(6), EITC Earned Income.

4.19.14.2.4
(12-07-2018)
**Tax Cuts and Jobs Act
of 2017 (TCJA)**

- (1) This subsection contains provisions of the tax reform legislation related to correspondence examination. It applies to the tax years beginning after December 31, 2017, and before January 1, 2026.

4.19.14.2.4.1
(12-11-2019)
Personal Exemption

- (1) A taxpayer was generally allowed:
- one exemption for themselves (unless the taxpayer could be claimed as a dependent by another taxpayer)
 - one exemption for their spouse if they filed a joint return
 - one personal exemption for each of their dependents

Note: For tax years 2018 through 2025 personal exemptions have been suspended. Taxpayers cannot claim a personal exemption for themselves, their spouse, or their dependents.

4.19.14.2.4.2
(01-03-2023)
Child Tax Credit

- (1) The Child Tax Credit (CTC) is a credit used to reduce the taxpayer's tax liability. For tax years 2018 through 2020 and 2022 through 2025:
- The credit is \$2,000 per qualifying child, and \$1,500 (beginning with tax year 2022) is refundable as Additional Child Tax Credit (ACTC). For tax years 2018 through 2020, the refundable amount (ACTC) was \$1,400.

See IRM 4.19.14.2.7.2, Child Tax Credit (CTC), for tax year 2021 ARPA modifications.

- Each qualifying child must have a valid for employment Social Security number that was issued before the due date of the tax return including extensions.
- The child must also be a United States citizen or resident alien.
- The child must be under age 17 at the end of the calendar year.

- (2) For information about the CTC for tax year 2021, see IRM 4.19.14.2.7.2, Child Tax Credit (CTC).

4.19.14.2.4.3
(12-16-2020)
Credit for Other Dependents

- (1) For tax years 2018 through 2025, the TCJA provided the Credit for Other Dependents (ODC) to taxpayers who have dependents who do not qualify the taxpayer for the CTC or the Additional Child Tax Credit (ACTC) either due to age or other limitations.
- The credit is \$500 and is non-refundable.
 - The person must be a dependent of the taxpayer.
 - The credit is available when the dependent has an Individual Taxpayer Identification Number (ITIN), Social Security Number (SSN), or Adopted Taxpayer Identification Number (ATIN) issued by the due date of the tax return including extensions.

4.19.14.2.4.4
(02-16-2021)
Qualified Business Income Deduction (QBID)

- (1) The Tax Cuts and Job Act (TCJA), enacted on December 22, 2017, created IRC 199A, Qualified Business Income Deduction (QBID). IRC 199A allows individuals and certain estates and trusts to deduct up to 20 percent of Qualified Business Income (QBI) from a qualified trade or business operated as a sole proprietorship or through a partnership, S corporation, trust, or estate. QBI includes income from a qualified domestic trade or business. Amounts received as wages, capital gain, interest, and dividend income that are not considered QBI are excluded from the calculation.
- (2) The QBID is a deduction of up to 20 percent of an eligible taxpayer's net income from qualified trades and businesses plus 20 percent of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income.
- (3) See IRM 21.6.7.4.18, Qualified Business Income Deduction (QBID), or IRM 21.7.7.6.3.8, Section 199(A) - Qualified Business Income Deduction (QBID), for additional information on the QBID.

4.19.14.2.5
(01-03-2023)
Families First Coronavirus Response Act (FFCRA)

- (1) The Families First Coronavirus Response Act (FFCRA), enacted March 18, 2020, authorized paid sick and family leave. Sections 7002 and 7004 of the FFCRA are the Self-Employed Sick and Family Leave Credit (SFLC/SE) provisions. These sections allow refundable sick and family leave equivalent credits for an eligible self-employed individual based on the individual's average daily self-employment income (an amount equal to the net earnings from self-employment for the taxable year or prior taxable year divided by 260) and the number of days during the taxable year that an individual is unable to perform services as a self-employed individual due to certain reasons related to COVID-19. The applicable dates for FFCRA are April 1, 2020, through December 31, 2020. The credits provided by the FFCRA are separate and

distinct from those provided by the American Rescue Plan Act (ARPA). Among other differences, ARPA made changes with respect to paid leave definitions, credit amounts, and credit limits.

- (2) An eligible self-employed individual is defined as an individual who regularly carries on any trade or business within the meaning of section 1402 of the Internal Revenue Code, and would be eligible to receive qualified sick leave wages or qualified family leave wages under the Emergency Paid Sick Leave Act (EPSLA) or Emergency Family and Medical Leave Expansion Act (Expanded FMLA) if the individual were an employee of an Eligible Employer (other than themselves/the self-employed individual) that is subject to the requirements of the EPSLA or Expanded FMLA. Eligible self-employed individuals are allowed an income tax credit to offset their federal self-employment tax for any taxable year equal to their "qualified sick leave equivalent amount" or "qualified family leave equivalent amount."
- (3) An individual regularly carries on a trade or business for the purpose of being an eligible self-employed individual for the qualified sick leave equivalent credit and/or the qualified family leave equivalent credit if they carry on a trade or business within the meaning of Internal Revenue Code (IRC) 1402, or is a partner in a partnership carrying on a trade or business within the meaning of IRC 1402. IRC 1402(c) defines trade or business and includes exceptions to this standard for purposes of IRC 1402.
- (4) A self-employed individual may receive both qualified sick and family leave equivalents and qualified sick and family leave wages. If a self-employed individual is entitled to a refundable credit for the qualified sick or family leave equivalent amounts and also receives the qualified sick or family leave wages as an employee, the equivalent amounts are reduced (but not below zero) to the extent that the sum of the equivalents and wages do not exceed a certain amount described in the FFCRA.

Note: The COVID-Related Tax Relief Act, enacted December 27, 2020, authorized SFLC/SE for the leave taken beginning April 1, 2020, through March 31, 2021. Section 287 of the COVID-Related Tax Relief Act allows self-employed individuals to elect to use prior year net earnings from self-employment to determine their average daily self-employment income by indicating this election when filing their 2020 or 2021 Form 1040.

Note: The American Rescue Plan Act of 2021 sections 9642 and 9643 amended and extended the credits for leave taken beginning April 1, 2021, through September 30, 2021.

4.19.14.2.6
(01-03-2023)
**Coronavirus Aid, Relief,
and Economic Security
Act of 2020 (CARES Act)**

- (1) The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted March 27, 2020. The CARES Act created IRC 6428, entitled 2020 Recovery Rebates for Individuals. The Recovery Rebate Credit (RRC) is a refundable credit allowed against tax for tax year 2020. The RRC can be advanced to taxpayers during 2020. The advance payment of the RRC is referred to as an Economic Impact Payment (EIP).
- (2) The IRS began issuing the first Economic Impact Payments on April 10, 2020. Qualifying individuals are eligible for a payment amount of up to \$1,200

(\$2,400 for Married filing joint). There is an additional payment of up to \$500 for each qualifying child. The EIP is subject to Adjusted Gross Income (AGI) limitations.

- (3) Individuals' eligibility for the EIP was based on a posted tax year 2019 return (including through the Non-Filers Tool) or 2018 return, if 2019 was not filed. For taxpayers who had not filed a 2019 or 2018 return, eligibility was based on:
 - Form SSA -1099 or Form RRB -1099 data on file for tax year 2019
 - Data received for individuals receiving Supplemental Security Income (SSI) and benefits from the Department of Veteran's Affairs (VA)
- (4) IRC 6428 requires written notification to taxpayers not later than 15 days after payment issuance. Notice 1444, Economic Impact Payment 2020, was created to inform taxpayers about the CARES Act and the amount of payment they received or should have received.
- (5) The IRS began issuing the second Economic Impact Payments in December 2020. Qualifying individuals are eligible for a payment of up to \$600 (\$1,200 for Married filing joint). There is an additional payment of up to \$600 for each qualifying child. The second EIP is also subject to AGI limitations.
- (6) Individuals' eligibility for the second EIP was based on a posted tax year 2019 return (including returns filed through the Non-Filers tool on irs.gov by November 21, 2020). For taxpayers who had not filed a 2019 return, eligibility was based on:
 - Form SSA -1099 or Form RRB - 1099 data on file for tax year 2019
 - Data received for individuals receiving Supplemental Security Income (SSI) and benefits from the Department of Veteran's Affairs (VA)
- (7) Notice 1444-B, Your Second Economic Impact Payment, informs taxpayers about the amount of the second EIP they were issued.
- (8) The first and second Economic Impact Payments are posted to the taxpayer's 2020 module.
- (9) Taxpayers can claim the Recovery Rebate Credit on their tax year 2020 return. If taxpayers received less Economic Impact Payments than they were entitled, the remaining credit will be allowed on the tax year 2020 return.
- (10) For more specific EIP and RRC information regarding eligibility, tax module indications, and refund inquiries, refer to IRM 21.6.3.4.2.13, Economic Impact Payments. and IRM 21.6.3.4.2.14, Recovery Rebate Credit.

4.19.14.2.7
(06-16-2022)

**The American Rescue
Plan Act of 2021 (ARPA)**

- (1) The American Rescue Plan Act (ARPA) was enacted on March 11, 2021.
- (2) This subsection also contains provisions of COVID-19 recovery legislation related to correspondence examination. It applies to tax year 2021 beginning after December 31, 2020, and before January 1, 2022.
- (3) Title IX, Subtitle G specifically outlines changes to refundable credits.
- (4) Unemployment Compensation Exclusion (UCE) - The ARPA allows the taxpayer to exclude \$10,200 (if MFJ - \$10,200 per spouse is allowed) of unemployment compensation from income for tax year 2020. For taxpayers who

filed their TY 2020 returns, and included Unemployment Compensation, accounts were corrected systemically through internal recovery efforts.

Note: Cases with a -L freeze were not systemically corrected. Cases with a -L freeze were referred to W&I Campus Examination to adjust the UCE as part of the examination.

4.19.14.2.7.1
(01-01-2022)

Recovery Rebate Credit (RRC)

- (1) Section 9601 of the ARPA authorized a 2021 Recovery Rebate Credit allowed against tax for tax year 2021. The 2021 RRC was advanced to taxpayers during 2021. Advanced payments of the RRC are referred to as the third Economic Impact Payment or EIP3. Refer to IRM 4.19.14.16, Recovery Rebate Credit (RRC), for eligibility requirements and Exam procedures.

4.19.14.2.7.2
(01-01-2022)

Child Tax Credit (CTC)

- (1) For tax year 2021 only, Section 9611 of the ARPA modified provisions of the CTC:

- The CTC is fully refundable if the taxpayer (or spouse if Married Filing Jointly (MFJ)) had a main home in the United States for more than six months of the year, or the taxpayer was a bona fide resident of Puerto Rico for the year.

Note: For information relating to the refundable CTC available to bona fide residents of Puerto Rico, see IRM 4.19.14.12.1(3)(a).

- The credit was \$3,000 per qualifying child age 6 through age 17 at the end of 2021 and \$3,600 per qualifying child age 5 and under at the end of 2021.
- Modified Adjusted Gross Income (MAGI) limits:
 - a. The 2021 credit amount that exceeds \$2,000 per child is reduced by \$50 for each \$1,000 (or fraction thereof) (5%) if the modified adjusted gross income (MAGI) exceeds \$150,000 if MFJ/Qualifying Widower (QW) \$112,500 if Head of Household (HOH); \$75,000 if Single/Married Filing Separate (MFS).

Example: A MFJ filer, three children ages 1, 3, and 7, with a MAGI of \$250,000.

- The tentative CTC is $\$3,600 + \$3,600 + \$3,000 = \$10,200$
- Increased credit is $\$1,600 + \$1,600 + \$1,000 = \$4,200$
- $\$250,000 - \$150,000$ first income threshold = $\$100,000$
- $\$100,000 \times 5$ percent phaseout ($\$50$ for each $\$1,000$) = $\$5,000$
- $\$4,200$ (increased amount) is reduced to $\$0$ by $\$5,000$ adjustment
- Allowed CTC is $\$6,000$ ($\$2,000$ per child)

- b. Once the 2021 credit amount is reduced under the first phaseout, the remaining credit amount phases out at the TCJA levels ($\$400,000$ if MFJ and $\$200,000$ for all other filers).

Example: A MFJ filer, three children ages 1, 3, and 7, with a MAGI of \$450,000.

- The tentative CTC is $\$3,600 + \$3,600 + \$3,000 = \$10,200$

First reduction:

- Increased credit is $\$1,600 + \$1,600 + \$1,000 = \$4,200$

- ☐ \$450,000 - \$150,000 first income threshold = \$300,000
- ☐ \$300,000 X 5 percent phaseout (\$50 for each \$1,000) = \$15,000
- ☐ \$4,200 (increased amount) is reduced to \$0 by \$15,000 adjustment
- ☐ Allowed CTC is \$6,000 (\$2,000 per child)

Second reduction:

- ☐ \$450,000 - \$400,000 second income threshold = \$50,000
- ☐ \$50,000 X 5 percent phaseout (\$50 for each \$1,000) = \$2,500
- ☐ \$6,000 - \$2,500 = \$3,500

- Advance CTC payments:
 - a. Periodic advance CTC payments may be made to taxpayers and are equal to 50% of the estimated 2021 CTC using information from the taxpayer's 2020 return (or 2019 if 2020 was not filed).
 - b. Advance payments are not subject to reduction or offset.
 - c. Schedule 8812, Credits for Qualifying Children and Other Dependents, is required to reconcile the advance CTC payments and to claim the CTC.
 - d. If advance CTC payments were more than the CTC allowed on the taxpayer's return, they will generally have to pay back the excess advance CTC in Part III of Schedule 8812.
 - e. However, Part III provides repayment protection (a safe harbor) to taxpayers whose advance CTC payments took into account more qualifying children than they claimed on their income tax return. If their MAGI is below \$60,000 if MFJ/QW; \$50,000 if HOH; \$40,000 if S/MFS, these taxpayers will be protected from repaying \$2,000 multiplied by the difference in the number of children.
 - f. The repayment protection amount is reduced if the taxpayer's MAGI exceeds \$60,000 if MFJ; \$50,000 if HOH; \$40,000 if S/MFS. The safe harbor amount is reduced to \$0 as the taxpayer's MAGI rises to double the threshold amount.

4.19.14.2.7.3
(01-01-2022)
**Earned Income Credit
(EITC)**

- (1) Sections 9621-9626 of the ARPA modified provisions for Earned Income Tax Credit. It should be noted, the provisions in Sections 9621 and 9626 are for tax year 2021 only. Sections 9622-9625 continue to apply to tax years after 2021. The provisions include:
 - (2) Section 9621 (2021 only): Increased the amount of the EITC for individuals with no qualifying children.
 - Reduced the minimum age from 25 to 19, with special eligibility rules for qualifying homeless youth and qualified former foster youth (age 18) and specified students (age 24).
 - Eliminated the maximum age (previously age 65).
 - Increased credit and phaseout percentages.
 - (3) Section 9622: Eliminated the restriction on eligibility for the credit of taxpayers with children who would be qualifying children except that they do not meet the SSN requirement.
 - (4) Section 9623: Credit allowed in case of certain separated spouses.

- A married taxpayer who doesn't file a joint return (may file MFS or HOH, if they qualify) is eligible for EITC if they lived with a qualifying child for more than half of the tax year and either (1) did not live in the same household as their spouse for the last six months of the year or (2) were legally separated according to state law under written separation agreement or decree of separate maintenance and did not live in the same household as their spouse at the end of the year.
- (5) Section 9624: Modified disqualified investment income test.
- Investment income threshold increased from \$2,200 to \$10,000 (to be adjusted for inflation in future years).
- (6) Section 9625: Application of the EITC in possessions of the United States.
- Created new IRM 7530 with rules for EITC in U.S. territories.
- (7) Section 9626 (2021 only): Temporary special rule for determining earned income for the purposes of EITC.
- For tax year 2021, allows any taxpayer whose 2021 earned income is less than their 2019 earned income (including taxpayers who had no earned income for 2021), to elect to use their 2019 earned income in determining the amount of their EITC.
 - The election to use the 2019 earned income can be made at the time of filing an original or amended return.
 - The taxpayer can make the election to use their 2019 earned income during an audit of their tax return.
- Note:** For tax year 2020, Section 211 of the Consolidated Appropriations Act of 2021, enacted on December 27, 2020, allows any taxpayer whose 2020 earned income is less than their 2019 earned income (including those who had no earned income for 2020), to elect to use their 2019 earned income in determining the EITC and/or Additional Child Tax Credit (ACTC).

4.19.14.2.7.4

(01-01-2022)

Child and Dependent Care Credit (CDCC)

- (1) Section 9631 of the ARPA, Child and Dependent Care Credit (CDCC), has the following modifications for tax year 2021 only:
- The CDCC is fully refundable for tax year 2021 only. To qualify, the taxpayer's principal place of abode for more than one half of the taxable year must be in the U.S. For MFJ taxpayers, at least one spouse must have a principal place of abode in the U.S. for more than half of the taxable year.
 - Eligible expenses for child and dependent care increased to \$8,000 for one qualifying individual and \$16,000 for two or more qualifying individuals.
 - The maximum credit increased to 50 percent of eligible expenses, such that the maximum credits are \$4,000 for one qualifying individual and \$8,000 for two qualifying individuals.
 - Two part phaseout of the credit:
 - i. Percentage of eligible expenses begins phasing out at \$125,000 AGI until it is reduced to 20 percent.
 - ii. Percentage of eligible expenses begins phasing out again at \$400,000 AGI until it is reduced to zero.
 - AGI greater than \$438,000 is not eligible for the credit.

- (2) Section 9632 increased the exclusion for employer-provided dependent care assistance to \$10,500 for all filing statuses other than MFS and \$5,250 in case of an MFS return for tax year 2021 only.

4.19.14.2.7.5

(01-03-2023)

Self-Employed Sick and Family Leave Equivalent Credits (SFLC/SE) and Household Employer Credits for Sick and Family Leave Wages (SFLC/HE)

- (1) The American Rescue Plan Act of 2021, enacted March 11, 2021, authorized paid sick and family leave, including the SFLC/SE and the SFLC/HE, for the period April 1, 2021, through September 30, 2021. The provisions of the SFLC/SE are in sections 9642 and 9643 of ARPA (uncodified). These sections allow refundable sick and family leave equivalent credits based on the individual's average daily self-employment income (an amount equal to the net earnings from self-employment for the taxable year or prior taxable year divided by 260) and the number of days during the taxable year that an individual is unable to perform services as a self-employed individual due to certain reasons related to COVID-19. Self-employed individuals may elect to use prior year net earnings from self-employment to determine their average daily self-employment income by indicating this election when filing their 2021 Form 1040. The credits provided by ARPA are separate and distinct from those provided by the FFCRA. Among other differences, ARPA made changes with respect to paid leave definitions, credit amounts, and credit limits.
- (2) ARPA codified the provisions for the SFLC/HE in sections 3131 and 3132 of the Internal Revenue Code. These sections allow refundable credits based on qualified sick and family leave wages paid by household employers.

4.19.14.2.7.6

(01-03-2023)

Premium Tax Credit (PTC)

- (1) There are three provisions of the American Rescue Plan Act of 2021 that temporarily modify Premium Tax Credit (PTC) eligibility.
- Section 9661: For tax years 2021 and 2022, eliminates the requirement that household income not exceed 400 percent of the federal poverty line for the taxpayer's family size in order for the taxpayer to be eligible for the PTC. The tables for determining the taxpayer's contribution to their health care coverage are also modified, increasing the amount of the credit.
 - Section 9662: For tax year 2020 only, eliminated the requirement to repay excess Advanced Premium Tax Credit (APTC).
 - Section 9663: For tax year 2021 only, allowed the maximum credit available to any taxpayer who received or was approved to receive unemployment compensation during the tax year, regardless of their household income.

4.19.14.2.8

(01-01-2024)

Inflation Reduction Act of 2022

- (1) The Inflation Reduction Act of 2022 extended the Premium Tax Credit modifications made by Section 9661 through 2025. See IRM 4.19.14.2.7.6, Premium Tax Credit (PTC).

4.19.14.3

(12-07-2018)

EITC Soft Notices

- (1) See IRM 21.3.1.6.48, CP 85 and CP 87 (Exam Soft Notices).

4.19.14.4

(06-22-2023)

Program Description

- (1) The following tables list program descriptions:

Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0026	30	566-D	EITC, Schedule C Amended Return: Systemic selection by DDBCK for an amended return with a Schedule C filter break and DDB rule break. EITC full scope and Schedule C Net Profit.
0027	06	CP 75/CP 75A	EITC Recertification with Proposed 2-Year Ban: Taxpayer has a Recertification Indicator and broke DDB rule(s). Exam Issues: 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) The 2-year ban is proposed systemically on the Exam report.
0028	06	CP 75/CP 75A	EITC Recertification Schedule C with Proposed 2-Year Ban: Taxpayer has a Recertification Indicator, and broke DDB rule(s) and Schedule C filter(s). The 2-year ban is proposed systemically on exam report. Exam Issues: Schedule C Net Profit 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)
0029	06	CP 75/CP 75A	DDB Pre-Refund Pick-up: Case selected because prior year PC 0621 case open for examination. Exam Issues: 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)
0045	06	566-S	EITC Erroneous Refund: Erroneous Refund issue must include EITC. Exam Issues: Must contain EITC and any other identified issue(s). See IRM 4.19.15.17, Erroneous Refunds.
0054	30	566-D	1040-X - Current year: The taxpayer claimed EITC on both the original and the amended return. Exam issues may originate from either return. Exam Issues: Full scope: EITC and dependents; If applicable, filing status, AOTC, and Schedule C; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction)

Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0058	06	566-S	Related Pick-up for EITC DUPTIN: Related cross reference for EITC DUPTIN PC 0652. Exam Issues: Full scope: EITC and dependents; If applicable, filing status, AOTC and Schedule C; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction)
0061	06	CP 75/CP 75A	Subsequent Year Pick-up for EITC DDB: Pre-refund DDB selected because prior year return is still open in PC 0261 and other project codes without a corresponding pick-up code. Exam Issues: Full scope: EITC and dependents; If applicable, filing status, AOTC and Schedule C; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction)
0099	08	CP 75/CP 75A	EITC/FTHBC: Taxpayer broke the EITC and FTHBC rules. Exam Issues: FTHBC 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)
0132	70	566 series	Exam Issues: Full scope: EITC and dependents; If applicable, filing status, AOTC and Schedule C; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0173	06	CP 75/CP 75A	QRP EITC:

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Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0173	11	CP 75/CP 75A	QRP EITC:
0173	70	CP 75/CP 75A	QRP EITC:
0226	06	566-S	EITC-Schedule C Net Loss: Taxpayer broke DDB rule(s) and Schedule C filter(s), or Taxpayer broke Schedule C filters(s) only. Exam Issues: Schedule C Net Profit 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).
0257	06	CP 75/CP 75A	EITC Recertification and Schedule C: Taxpayer has a Recertification Indicator and broke DDB rule(s) and Schedule C filter(s). Exam Issues: Schedule C Net Profit 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).
0261	06	CP 75/CP 75A	EITC-DDB Pre-Refund : Broke DDB rule(s) Exam Issues: 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).

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Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0263	06	566-E	QRP Non-EITC:
0263	08	566-E	QRP Non-EITC:
0263	11	566-E	QRP Non-EITC:
0263	70	566-E	QRP Non-EITC:
0289	06	CP 75/CP 75A	EITC with Schedule C Allowed Exam Issues: 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).

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Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0291	06	CP 75/CP 75A	<p>Native American with EITC: Form 13588, Native Americans and the Earned Income Credit, is included in mail outs as alternative documentation that can be used in lieu of Form 886-H-EIC.</p> <p>Exam Issues: 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).</p>
0292	06	CP 75/CP 75A	<p>EITC and Net Profit Schedule C – Native American: Form 13588 is included to provide a list of alternative documentation that can be submitted in lieu of the items on Form 886-H-EIC.</p> <p>Exam Issues: Schedule C Net Profit 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).</p>
0367	30	566-D	EITC Amended Return System Selection: Systemic DDBCK selection for an amended return with DDB rule break(s).
0370	30	566-D	EITC Amended Return with No FCR Data: Amended EITC Return meeting CAT-A with no FCR data; Classification needed. See IRM 4.19.14.8 (1) for more information on FCR.
0386	30	566-D	EITC Amended Return – Schedule C with No FCR Data: Amended EITC Return with Schedule C meeting CAT-A with no FCR data; Classification needed. See IRM 4.19.14.8 (1) for more information on FCR.
0390	06	566-E	QRP EITC:

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Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0390	08	566-E	QRP EITC:
0390	11	566-E	QRP EITC:
0390	70	566-E	QRP EITC:
0577	06	566-D	MFS - EITC: Taxpayers need to verify they meet the requirement for EITC with filing status MFS Exam Issues: Filing Status Full scope: EITC and dependents; If applicable, AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0584	06	CP 75/CP 75A	QRP EITC:

Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0584	11	CP 75/CP 75A	QRP EITC:
0584	70	CP 75/CP 75A	QRP EITC:
0586	06	CP 75/CP 75A	EITC Issue Post Refund: EITC single issue; only worked as post refund.
0587	06	CP 75/CP 75A	EITC DUPTIN Pick-ups: Pre-refund DDB cases selected because prior year is still open as PC 0652 examination. Exam Issues: 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).
0600	06	566-S	EITC Unsubstantiated Math Error: Taxpayers claimed EITC on original filed return and received math error notice. Taxpayer replied within 60 days filing a Form 8862. Exam Issues: 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).
0601	06	566-S	EITC - Informant: Third party reports taxpayer on Form 3949 - A for fraudulent tax activities to gain EITC.
0603	11	566 series	QRP EITC:

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Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0607	30	566-D	EITC - Form 1040-X Prior Year: Taxpayers who file an amended return for a prior year to gain EITC.
0608	08	566-S	EITC and Schedule C: Taxpayer broke EITC and Schedule C filters. Exam Issues: Schedule C Net Profit 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).
0611	06	566-E	QRP EITC:
0611	08	566-E	QRP EITC:

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Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0611	11	566-E	QRP EITC:
0611	70	566-E	QRP EITC:
0612	70	566 series	<p>Full Scope and Net Profit Schedule C. The examination can include all EITC children.</p> <p>Exam Issues: Schedule C Net Profit 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).</p>
0621	06	CP 75/CP 75A	<p>EITC DDB - Post Refund: DDB post refund cases selected based on rule breaks.</p> <p>Exam Issues: 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).</p>

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Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0623	06	CP 75/CP 75A	EITC-Schedule C Net Profit: Taxpayer broke DDB rule(s) and Schedule C filter(s). Exam issues: Schedule C Net Profit 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).
0625	30	566-D	EITC - Form 1040-X - Recertification: Taxpayers who claim EITC and received a math error and subsequently filed a Form 8862 after 60 days.
0642	70	566 series	
0652	06	CP 75/CP 75A	EITC - Duplicate - TIN: 2 to 4 taxpayers claiming the same SSN for EITC or as a dependent. Exam Issues: 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).
0691	06	566-S	EITC Fraud: EITC cases accepted into the Fraud Program for audit to determine if the civil fraud penalty (CFP) and the 10-year ban apply.
0694	06	CP 75/CP 75A	EITC- Recertification: Taxpayer claims EITC, has a Recertification indicator and filed a Form 8862 with return. Exam Issues: 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).
0697	06	CP 75C	EITC 2-Year Ban: Taxpayers who claimed EITC while under a 2-year ban. Exam Issue: EITC only.
0698	06	CP 75C	EITC 10-Year Ban: Taxpayers who claimed EITC while under a 10 year ban. Exam Issue: EITC only.

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Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
0903	06	CP 75/CP 75A	<p>EITC Recertification Pick-Up Pre-Refund: Taxpayer has prior year open PC 0694 Exam case and filed another return claiming EITC.</p> <p>Exam Issues: 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).</p>
0906	06	CP 75/CP 75A	<p>DDB Schedule C Pick-up: Taxpayer has prior year PC 0623 open Exam case and filed another return claiming EITC and Schedule C Net Profit.</p> <p>Exam Issues: Full scope: EITC, dependents, and Schedule C; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
0907	06	CP 75/CP 75A	<p>EITC Recertification and Schedule C Pick-Up: Taxpayer has recertification indicator, a prior year PC 0257 open Exam case and filed another return claiming EITC and Schedule C Net Profit.</p> <p>Exam Issues: Full scope: EITC, dependents, and Schedule C; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
0908	06	CP 75/CP 75A	<p>EITC Schedule C Only Pick-Up: Taxpayer has prior year open Exam case with EITC as a statutory change only.</p> <p>Exam Issue: Schedule C Net Profit.</p>
0909	06	CP 75/CP 75A	<p>EITC Full Scope No Schedule C Pick-Up: Taxpayer has prior year PC 0289 open Exam case and filed another return claiming EITC.</p> <p>Exam Issues: Schedule C Net Profit 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).</p>
0981	06	566 series	<p>EITC, Schedule C and Adoption Credit: Taxpayer broke DDB rules, Schedule C and Adoption Credit filters.</p>

Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
1009	06	566-E	QRP EITC:
1009	08	566-E	QRP EITC:
1009	11	566-E	QRP EITC:
1009	70	566-E	QRP EITC:

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Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
1024	08	566 series	Full Scope EITC and LTRC: Taxpayer broke both EITC and LTRC rules/filters. Exam Issues: LTRC 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).
1024	30	566-D	EITC Claims and First Time Homebuyer's Credit: Form 1040 manually selected for audit for EITC and any other classified issues.
1026	06	566 series	Manually Classified EITC Cases: Form 1040 manually selected for audit for EITC and any other classified issues.
1031	06	566-S	Third Party Affidavit – Post Refund: This program gives the taxpayer the option to use Form 14086, Qualifying Children Residency Statement Third Party Affidavit, in addition to or in lieu of other supporting documentation to verify residency of a qualifying child for EITC. Exam Issues: 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).
1032	06	566-S	Third Party Affidavit Pre-Refund: This program gives the taxpayer the option to use a Form 14086, Qualifying Children Residency Statement Third Party Affidavit, in addition to or in lieu of other supporting documentation to verify residency of a qualifying child for EITC. Exam Issues: 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).
1067	06	566 series	EITC and Adoption Credit: Taxpayer broke EITC rules and Adoption Credit rules/filters. Exam Issues: Adoption Credit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, CDCC, and Student Loan Interest deduction).

Project Code	Source Code	ICL Letter	Program Name, Description and DDB Exam Issues
1082	06,11,70	566-E	QRP EITC Referral:
1107	06,11,70	566-E	QRP Non-EITC Referral:
1166	06,11,70	566-E	QRP Non-EITC Referral:
1172	06	566-E	EITC – Unsubstantiated Math Error with Schedule C Filter Breaks: Taxpayers claimed EITC on original filed return and received math error notice. Taxpayer replied within 60 days filing Form 8862. Taxpayer broke Schedule C filters. Exam Issues: Schedule C Net Profit 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).
1336	06	566-S	SFLC: Taxpayer broke SFLC filters. Exam Issues: SFLC Other issues may be added if other filters are broken.

Note: If the taxpayer contacts us (e.g., by telephone or in writing) with a question about PTC, and based on research the case is not in a PTC project code, take the following actions:

- Apologize for any confusion and explain to the taxpayer that they only need to provide documentation to verify the EITC audit issues (e.g., Filing Status, Dependents, and EITC).

- Examiner should follow normal Exam procedures, which includes documenting the workpapers/CEAS.

Project Code	Source Code	ICL Letter	Program Name, Description and Exam Issues:
1301	06	CP 75/CP 75A	Premium Tax Credit and EITC -DDB Pre-Refund Full Scope: Broke DDB rule(s). Exam Issues: PTC 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).
1302	06	CP 75	Premium Tax Credit and EITC-Schedule C Net Profit: Taxpayer broke DDB rule(s) and Schedule C filter(s). (Pre-refund) Exam Issues: PTC and Schedule C Net Profit 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).
1303	06	CP 75/CP 75A	QRP EITC:
1303	11	CP 75/CP 75A	QRP EITC:

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Project Code	Source Code	ICL Letter	Program Name, Description and Exam Issues:
1306	06	CP 75/CP 75A	Premium Tax Credit, EITC Recertification, and Schedule C: Taxpayer has a recertification indicator and broke DDB rule(s) and Schedule C filter(s). Exam Issues: PTC and Schedule C Net Profit 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).
1307	06	CP 75/CP 75A	Premium Tax Credit and Native American with EITC: Form 13588, Native Americans and the Earned Income Credit, is included in mail outs as alternative documentation that can be used in lieu of Form 886-H-EIC. Exam Issues: PTC 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).
1308	06	CP 75/CP 75A	Premium Tax Credit and EITC, Net Profit Schedule C – Native American: Form 13588 is included to provide a list of alternative documentation that can be submitted in lieu of the items on the 886 for Native American. Exam Issues: PTC and Schedule C Net Profit 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).
1309	06	CP 75A	Premium Tax Credit and EITC - Duplicate TIN: 2 or more taxpayers claiming the same SSN for EITC. Exam Issues: PTC 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).
1311	06	566-E	QRP EITC:

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Project Code	Source Code	ICL Letter	Program Name, Description and Exam Issues:
1311	08	566-E	QRP EITC:
1311	11	566-E	QRP EITC:
1311	70	566-E	QRP EITC:
1312	06	CP 75/CP 75A	Premium Tax Credit and EITC, DDB - Post Refund: DDB selected cases based on rule breaks selected as a post refund. Exam Issues: PTC 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).

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Project Code	Source Code	ICL Letter	Program Name, Description and Exam Issues:
1313	06	CP 75/CP 75A	<p>Premium Tax Credit EITC Recertification with Proposed 2-Year Ban: Taxpayer has a recertification indicator and broke DDB rule(s).</p> <p>Exam Issues: PTC 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). The 2-year ban is proposed systemically on Exam report.</p>
1314	06	CP 75/CP 75A	<p>Premium Tax Credit EITC Recertification Schedule C with Proposed 2-Year Ban: Taxpayer has a recertification indicator, and broke DDB rule(s) and Schedule C filter(s). The 2-year ban is proposed systemically on exam report.</p> <p>Exam Issues: PTC and Schedule C Net Profit 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).</p>
1315	06	CP 75C	<p>Premium Tax Credit and EITC 2-Year Ban: Taxpayers who claimed EITC while under a 2-year ban.</p> <p>Exam Issues: PTC 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).</p>
1316	06		<p>Premium Tax Credit and EITC 10-Year Ban: Taxpayers who claimed EITC while under a 10 year ban.</p> <p>Exam Issues: PTC 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).</p>
1317	06	CP 75/CP 75A	<p>Premium Tax Credit DDB Pre-Refund Pick-Up: Case selected because prior year case open for examination.</p> <p>Exam Issues: PTC 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).</p>

Project Code	Source Code	ICL Letter	Program Name, Description and Exam Issues:
1318	06	CP 75/CP 75A	Premium Tax Credit and Schedule C and/or EITC Recertification Pick-Up: Taxpayer has prior year open exam case and filed another return claiming EITC and Schedule C Net Profit. Exam Issues: PTC and Schedule C Net Profit 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).
1319	06	CP 75A	Premium Tax Credit and EITC full scope with Schedule C Allowed Exam Issues: PTC 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).
1320	06	CP 75A	Premium Tax Credit and EITC-Schedule C Net Profit: Taxpayer broke DDB rule(s) and Schedule C filter(s). (Post Refund) Exam Issues: PTC and Schedule C Net Profit 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).
1322	06	566-E	QRP Non-EITC:
1322	08	566-E	QRP Non-EITC:

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Project Code	Source Code	ICL Letter	Program Name, Description and Exam Issues:
1322	11	566-E	QRP Non-EITC:
1322	70	566-E	QRP Non-EITC:

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Note: Any of the above project codes with prisoner income will be identified with additional guidance.

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Project Code	Source Code	ICL Letter	Program Name, Description and Exam Issues:
1351	06	566-S	EITC Schedule C Post-Refund: Taxpayer broke DDB rule(s) and Schedule C filter(s). Exam issues: Schedule C Net Profit 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).
1352	06	566-S	EITC with Non-Examined Schedule C (Post-Refund): EITC full scope, Schedule C allowed. Post Refund Audit. Exam Issues: 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).

Project Code	Source Code	ICL Letter	Program Name, Description and Exam Issues:
1353	30	566-S	<p>Native American with Full Scope EITC (Post-Refund): Form 13588, Native Americans and the Earned Income Credit, is included in mail outs as alternative documentation that can be used in lieu of Form 886-H-EIC.</p> <p>Exam Issues: 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).</p>
1354	30	566-S	<p>EITC Full Scope and Net Profit Schedule C – Native American (Post-Refund): Form 13588 is included to provide a list of alternative documentation that can be submitted in lieu of the items on the Form 886-H-EIC.</p> <p>Exam Issues: Schedule C Net Profit 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).</p>
1356	30	566-S	<p>Native American with Full scope EITC: Form 13588 is included in mail outs as alternative documentation that can be used in lieu of Form 886-H-EIC. The additional procedures described for working a Recertification should be applied when working this type of audit.</p> <p>Exam Issues: 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).</p>
1357	30	566-S	<p>Native American with Full Scope EITC: Form 13588 is included in mail outs as alternative documentation that can be used in lieu of Form 886-H-EIC. The additional procedures described for working a Pickup should be applied when working this type of audit.</p> <p>Exam Issues: 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).</p>

Project Code	Source Code	ICL Letter	Program Name, Description and Exam Issues:
1358	30	566-S	EITC Full Scope and Net Profit Schedule C – Native American: . Form 13588 is included to provide a list of alternative documentation that can be submitted in lieu of the items on the Form 886-H-EIC. The additional procedures described for working a Recertification should be applied when working this type of audit. Exam Issues: Schedule C Net Profit 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).
1359	30	566-S	EITC Full Scope and Net Profit Schedule C – Native American: Form 13588 is included to provide a list of alternative documentation that can be submitted in lieu of the items on the Form 886-H-EIC. The additional procedures described for working a Pickup should be applied when working this type of audit. Exam Issues: Schedule C Net Profit 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).
1360	30	566-S	EITC Full Scope and 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).
1362	30	566-S	EITC Full Scope and Head of Household Post-Refund: Taxpayers broke DDB rule(s) and filing status Exam Issues: Filing Status 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).

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- (2) To work these cases, tax examiners should have knowledge of the seven auditing standards. See IRM 4.19.13.3, Seven Auditing Standards.
- (3) The following issues may be examined or related statutory issues.
- Earned Income Tax Credit

- Dependent(s)
 - Filing Status
 - Schedule C Gross Receipts
 - Child Tax Credit
 - Child and Dependent Care Credit
 - Education Credit
 - American Opportunity Credit
 - Adoption Credit
 - False or Inflated Income
 - Premium Tax Credit
 - Fuel Tax Credit
- (4) Follow the faxed signature instructions in IRM 4.19.13.11.3, Fax Signatures, when working cases in all the project codes listed above.
 - (5) Unless otherwise noted under program procedures, EITC examinations are full scope audits and include the Earned Income Tax Credit (EITC) and dependent(s) as exam issues. If applicable, the filing status, American Opportunity Tax Credit (AOTC) and the Schedule C are also exam issues. All related statutory adjustments apply, based on the dependent or income adjustment. These may include the Child Tax Credit/Additional Child Tax Credit (CTC/ACTC), Adoption Credit, Child and Dependent Care Credit (CDCC), and the Student Loan Interest Deduction.
 - (6) Examiners should use the Project Code to determine the initial exam issue(s). Examiners are required to identify and pursue any other large, unusual, or questionable (LUQ) issue(s) on the return, provided that the issues are within the scope of a campus examination. Follow guidance in IRM 4.19.13.3.1 , Standard 1 - Adequate Consideration of Significant Issues, for the decision to pursue LUQ issues.
 - (7) Please see IRM 4.19.11.2.1, Procedures for Screening Individual Returns, and IRM 4.19.13.3, Seven Auditing Standards, for more information
 - (8) Action 61 will apply to all cases. For Action 61 procedures, see IRM 4.19.13.12, Monitoring Overaged Replies. AIMS will continue to update to status 54, 55 ,57 as the case ages but it will not trigger CP 3500 and CP 3501 for mail out. W&I HQ and SBSE Performance Planning and Analysis (PPA)/ Campus Examination and Document Matching Workload Planning & Analysis (PPA/CEDWPA) will determine the number of additional days that will be used in the CP 3500 Interim letter advising the taxpayer when to expect a response from Exam. If the correspondence is not reviewed by the determined number of days stated on the CP 3500, a CP 3501 interim letter will be sent advising the taxpayer to allow an additional 60 days to review the correspondence.

4.19.14.5
(01-01-2024)
**RPS Casework
Procedures**

- (1) The examination begins with case selection from DDB, EFDS, research extracts, classification and/or prior audit activity.
- (2) Pre-Refund examination refunds will generally be frozen with the following transaction code (TC):
 - TC 810 (DDB/Unsubstantiated Pickups and Recertifications). Frozen refund is for the EITC, ACTC, and PTC amount.
 - TC 570 on QRP referral and Math Error the full refund is held.
- (3) When a decision is made to partially allow:

- a. One of the two questioned qualifying children or
- b. One or two of the three questioned qualifying children,

Input a TC 971 action code (AC) 135 and SSN of the allowed child or children. Inputting a TC 971 with AC 135 will allow Examination to track the allowed child or children for research purposes and scope consideration in a future case selection.

- (4) Overview of the CP 75 Notice Series Process - the following letters are used for EITC examinations:
- CP 75 letter is used for pre refund cases to inform the taxpayer that we are delaying the EITC, and/or the ACTC part of their refund. If the PTC is claimed then we may hold all or a part of the refund.
 - CP 75A letter is used for post refund or cases with a balance due or zero balance so there is no refund to hold.
 - CP 75D is used for pre-refund QRP cases in PC 0173 and 0584, pre-refund QRP cases with PTC in PC 1303 and 1304, and EITC and FTHBC cases in PC 0099 and 0585. This letter informs the taxpayer that we've delayed sending their full refund.
 - The CP 75, CP 75A and CP 75D contains specific paragraphs that explain the issues being examined. These paragraphs are designated by Project Code; see below. The notices include the related attachments that explain the documentation needed to support the issues under examination.
 - The CP 75C is issued for 2/10 year ban (PC 0697/0698) cases. The program is centralized in Austin for W&I and in Brookhaven for SBSE. CP 75C is used to inform the taxpayer their ban is still in effect when a claim for EITC is made during the ban period. The CP 75C is not an initial contact letter. The next letter is the Letter 3219, Statutory Notice of Deficiency. The 2/10 year ban cases with PTC (PC 1315/1316) will be issued an initial contact letter CP 75. These cases will also be centralized in Austin and Brookhaven.
 - Once the CP 75, CP 75A or CP 75D is generated by Master File, dated and mailed, and the case is updated to status 10, which will trigger cycle time to start.
 - The taxpayer should know from the explanations and related attachments what the specific issue(s) are being examined and has the option to provide the documents requested or they can agree they are not entitled.
 - As the case ages through ACE, the batch process, the CP 75, CP 75A, CP 75D Notices will be followed by 30 day Letter 525, General 30 Day Letter, which includes an examination report, Form 4549, Income Tax Examination Changes, outlining the proposed changes. This will provide another opportunity for the taxpayer to send in the documentation needed or agree to the changes. The taxpayer is asked to respond within 30 days.
 - The case will continue to age through ACE for the issuance of the Letter 3219, Statutory Notice of Deficiency. This will provide another opportunity for the taxpayer to send in the documentation needed or agree to the changes. The taxpayer is asked to respond within 90 days (150 days if the taxpayer address is outside the United States) and has the option to petition tax court if they disagree. If no resolution is met and

the taxpayer does not petition tax court, after 105 days (165 days if the taxpayer address is outside the United States) the case is closed as a default.

- (5) The CP 75, CP 75A and CP 75D will include the paragraphs below based on the applicable Project Code and examination issues.

Issue A-1: 0029, 0061, 0099, 0173, 0261, 0289, 0390, 0584, 0585, 0587, 0621, 0623, 0624, 0652, 0906, 0909, 1301, 1302, 1303, 1304, 1309, 1311, 1312, 1319, 1320:

Earned Income Tax Credit (QC Test)

- Review the enclosed Form 886-H-EIC, Documents You Need to Send to Claim the Earned Income Credit On the Basis of a Qualifying Child or Children for Tax Year.
- Submit the documentation requested to show your child met the relationship, age and residency tests to qualify you for the Earned Income Credit.

Issue A-2: 0291, 0292, 1307, 1308:

Earned Income Tax Credit (Native American)

- Review the enclosed Form 886-H-EIC, Documents You Need to Send to Claim the Earned Income Credit On the Basis of a Qualifying Child or Children for Tax Year and Form 13588, Native Americans and the Earned Income Credit.
- Submit the documentation requested on either of these forms to show your child met the relationship, age and residency tests to qualify you for the Earned Income Credit.

Issue A-3: 0257, 0694, 1305, 1306:

Earned Income Credit (Recert)

- You must show that you qualify for EIC since we denied or reduced your EIC during an examination for a previous tax year.
- Review the enclosed Form 886-H-EIC, Documents You Need to Send to Claim the Earned Income Credit On the Basis of a Qualifying Child or Children for Tax Year.
- Submit the documentation requested to show your child met the relationship, age and residency tests to qualify you for the Earned Income Credit.

Issue A-5: 0027, 0028, 1313, 1314:

Earned Income Credit (Recert/2-Yr Ban):

- You must show that you qualify for EIC since we denied or reduced your EIC during an examination for a previous tax year.
- Review the enclosed Form 886-H-EIC, Documents You Need to Prove You Can Claim the Earned Income Credit On the Basis of a Qualifying Child or Children for Tax Year.
- Submit the documentation requested to show your child met the relationship, age and residency tests to qualify you for the Earned Income Credit.
- If you do not prove that you were eligible to claim the Earned Income Credit, we may ban you from claiming the Earned Income Credit for two years.

Issue A-6: 1315, 1316**Earned Income Credit (2/10 year ban / PTC):**

- You were banned from claiming the Earned Income Credit because you intentionally disregarded the rules or made a fraudulent claim.
- Because your ban is still in effect, we are not allowing you the Earned Income Credit.
- No further action is needed concerning the Earned Income Credit.

Issue B: 0027, 0028, 0029, 0061, 0099, 0173, 0257, 0261, 0289, 0291, 0292, 0390, 0584, 0585, 0587, 0621, 0623, 0652, 0694, 0903, 0906, 0907, 0909, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1311, 1312, 1313, 1314, 1317, 1318, 1319, 1320

Dependents:

- If you claimed dependent(s) on your tax return, review the enclosed Form 886-H-DEP, Supporting Documents for Dependency Exemptions.
- Submit the documentation requested to show you have eligible dependents.

Issue C: 0027, 0028, 0029, 0061, 0099, 0173, 0257, 0261, 0289, 0291, 0292, 0390, 0584, 0585, 0587, 0621, 0623, 0652, 0694, 0903, 0906, 0907, 0909, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1311, 1312, 1313, 1314, 1317, 1318, 1319, 1320

Filing Status:

- Beginning with tax year 2021: If you claimed the Head of Household Filing Status or Married Filing Separately on your tax return, review the enclosed Form 14824, Supporting Documents to Prove Filing Status.
- For tax years 2018, 2019, and 2020: If you claimed the Head of Household Filing Status on your tax return, review the enclosed Form 886-H-HOH, Supporting Documents to Prove Head of Household Filing Status.

- Submit the documentation requested to show you are the head of your household.

Issue D-1: 0028, 0257, 0292, 0585, 0623, 0906, 0907, 1302, 1306, 1314, 1318, 1320

Schedule C Income:

- Review the enclosed Form 11652, Questionnaire - Form 1040 Schedule C (Profit or Loss from Business).
- Submit the completed Form 11652 with documentation requested to show you had earned income.

Issue D-2: 0173, 1304

Schedule C Income (QRP):

- Review the enclosed Form 11652, Questionnaire - Form 1040 Schedule C (Profit or Loss from Business).
- Submit the completed Form 11652 with documentation requested to show you had earned income.

Issue E: 0584, 1303

Wages and Withholding:

- Review the enclosed Form 886-L, Supporting Documents.
- Submit the documentation requested to show the amount of wages and withholding you listed on your tax return is correct.

Issue F: 0027, 0028, 0029, 0061, 0099, 0173, 0257, 0261, 0289, 0291, 0292, 0390, 0584, 0585, 0587, 0621, 0623, 0652, 0694, 0903, 0906, 0907, 0909, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1311, 1312, 1313, 1314, 1317, 1318, 1320

American Opportunity Tax Credit:

- If you claimed the American Opportunity Tax Credit on your tax return, review the enclosed Form 886-H-AOC, Supporting Documents to Prove American Opportunity Tax Credit.
- Submit the documentation requested to show you had eligible education expenses.

Issue H: 0390, 1311

Household Help:

- Submit documentation to show the amount of household wages you claimed on your tax return is correct.
- Send us documentation showing your earnings were for household work.

Issue J: 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1311, 1312, 1313, 1314, 1315, 1316, 1317, 1318, 1319, 1320

Premium Tax Credit:

- Review the enclosed Form 14950, Premium Tax Credit Verification.
- Submit the documentation requested to show you are entitled to claim the Premium Tax Credit.

4.19.14.5.1
(12-07-2018)

**Revenue Protection
Strategy (RPS)
Examination Process**

- (1) Cases must move to the next status based on established time frames. See IRM 4.19.10, Examination General Overview, for applicable EITC time frames. The chart below explains the letter and AIMS status update process:

	1st exam letter	2nd Letter	3rd letter - if needed	4th Letter	5th letter - if needed
Letters	CP 75, CP 75A, CP 75D, 566 series	525	692	3219	555
Status (ST)	AIMS ST 10	AIMS ST 22	<ul style="list-style-type: none"> • AIMS ST 23 if the Form 4549 has been changed • AIMS ST 25 if Form 4549 remains the same 	AIMS ST 24	AIMS status does not change from ST 24
Letters	CP 75C	3219			
Status (ST)	<ul style="list-style-type: none"> • Not an ICL • No AIMS Status update 	<ul style="list-style-type: none"> • AIMS ST 24 			

	1st exam letter	2nd Letter	3rd letter - if needed	4th Letter	5th letter - if needed
Letters	566-D - Form 1040-X with no additional tax	569	105C		
Status (ST)	AIMS ST 10	AIMS ST 22	AIMS ST 90		
Letters	566-D - Form 1040-X with additional tax	525	3219	105C	
Status (ST)	AIMS ST 10	AIMS ST 22	AIMS ST 24	AIMS ST 90	

4.19.14.6
(06-22-2023)
**Evaluating EITC
Taxpayer Responses**

- (1) Judgment must be used based on the facts and circumstances in each case to make a substantially correct determination. Workpapers must contain determinations, facts, and circumstances specific to the case obtained either by telephone or written correspondence.
- (2) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights>.
- (3) When allowing Earned Income Credit based on a qualifying child (QC), the child must meet all three tests: Relationship, Age, and Residency. See IRC 32.
- (4) Research DUPOL, AIMS, TXMOD, IMFOL, DDBOL, DDBKD and INOLE for each taxpayer and QC to identify certain information about the QC (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 calculated 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 for 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 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.

4.19.14.6.1
(09-02-2022)

**EITC Qualifying Child
(QC)**

- (1) The following table is for use with the EITC Qualifying Children (QC). See Exhibit 4.19.14-1, Examples of Acceptable Documentation for EITC claims (not all-inclusive), for the types of documentation needed to establish the relationship or residence of a qualifying child. In addition, the examiner should consider **all** documentation submitted, even if it is not listed and use their judgment when considering the weight of the evidence to determine eligibility for the credit.

EITC (QC)	Explanation	Acceptable Documentation
Relationship Same as dependent QC	<p>Per IRC 32(c)(3)(A), the term “qualifying child” means a qualifying child of the taxpayer (as defined in IRC 152 (c)).</p> <p>Note: An individual legally adopted by the taxpayer or an individual who is lawfully placed with the taxpayer for legal adoption is treated as a child of the taxpayer by blood. An eligible foster child is an individual who is placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. The terms “brother” and “sister” includes siblings who only have one parent in common, for example the same mother but different fathers.</p> <p>Caution: The Government of Puerto Rico enacted a new law (Law 191 of 2009 as Amended). Effective October 31, 2010, any Puerto Rican birth certificate issued prior to July 1, 2010, is no longer valid. If a taxpayer submits a birth certificate that was issued by the Puerto Rican government prior to July 1, 2010, the birth certificate should not be accepted. The taxpayer should be informed of the new law and directed to contact the Puerto Rico Vital Statistics Record Office to request a new birth certificate.</p>	<p>Birth certificates -- For Example: If the dependent the taxpayer is claiming is the child of the taxpayer’s sibling, which is their niece or nephew who lived with them, the taxpayer would need to provide:</p> <ol style="list-style-type: none"> 1. a copy of their birth certificate, 2. a copy of the birth certificate of the taxpayer’s sister or brother who is the parent of the child, and 3. a copy of the birth certificate of the child claimed <p>All three birth certificates would be required to show the relationship linkage.</p> <ul style="list-style-type: none"> • Marriage Certificates that verify your relationship to the child • Letter from an authorized adoption agency • Letter from an authorized placement agency or applicable court document • Social Services records • Parole Office files • Military Records <p>Examples of proof:</p> <ol style="list-style-type: none"> 1. Defense Enrollment Eligibility Reporting System (DEERS), which provides a list if authorized dependents whose relationship, has been verified. 2. Leave and Earnings Statements (LES), which verifies if the taxpayer is paying voluntary allotment for Basic Housing Allotment (BHA) payable to the dependents or custodial parent, or if the taxpayer is having child support payments garnished.

EITC (QC)	Explanation	Acceptable Documentation
<p>Residency More than 1/2 the year in the United States</p>	<p>Per IRC 32(c)(3)(C), for purposes of subparagraph (A), the residency requirements of IRC 152(c)(1), (B) shall be met only if the principal place of abode is in the United States. Relatives and members of household in the United States for more than half of the year IRC 152(c)(1)(B) Temporary absences count as time lived together; Exceptions apply for children of divorced or separated parents IRC 152(e) If a QC who was born or died during the year lived with taxpayer for more than one-half of the portion of the taxable year during which the QC was alive, residency test is treated as met. Prop. Reg. 1.152-4(d)(1). A child adopted by the taxpayer, a child lawfully placed with the taxpayer for legal adoption, or an eligible foster child placed with the taxpayer, meets the residency test for a qualifying child if the child has the same residence as the taxpayer for more than one-half of the portion of the year following the placement of the child with the taxpayer.</p> <p>Example: An eligible foster child is placed with the taxpayer on August 1, 2021, through the end of tax year 2021. The child meets the residence test if the child resides with the taxpayer for more than 2 and ½ months.</p>	<ul style="list-style-type: none"> Photocopies of school, medical, childcare provider (provider can't be a relative) or social service records, rental agreement, eviction notice, parole office files, bank statements, check stubs/ earnings statements. <p>Note: While the majority of report cards do not have all the required information for residency, they should be reviewed on a case by case basis to determine if they show the child's name, address of record, and a verifiable date with the year in question."</p> <ul style="list-style-type: none"> A letter on official letterhead from a school, a health care provider, a social service agency, placement agency official, employer, Indian tribal official, landlord or property manager, or a place of worship that shows the name of child's parent or guardian, child's address and the dates that they lived with taxpayer. See paragraph below for template information to assist the taxpayer.
<p>Age Same as dependent QC</p> <ul style="list-style-type: none"> QC must be younger unless permanently and totally disabled. 	<p>Per IRC 32(c)(3)(A), age requirements are the same as defined in IRC 152(c)(3). Refer to IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents.</p>	<p>Same as dependent QC. Refer to IRM 4.19.14.6.5.</p>
<p>Support</p>	<p>Support is not an EITC issue.</p>	

EITC (QC)	Explanation	Acceptable Documentation
Citizenship	<p>Citizen/national/ resident alien of the United States, resident of Canada or Mexico / adopted child. The exception for an adopted child is found in IRC 152(b)(3).</p> <p>If the taxpayer is a U.S. citizen or U.S. national who has legally adopted a child who is not a U.S. citizen, U.S. resident alien, or U.S. national, and the child lived with the taxpayer as a member of the taxpayer's household all year, the citizenship test is met. The citizenship test is also met if the child was lawfully placed with the taxpayer for legal adoption and the child lived with the taxpayer for the rest of the year after placement.</p> <p>Note: Refer to Pub 519, U.S. Tax Guide for Aliens.</p>	<p>A U.S. birth certificate, unexpired U.S. passport, driver's license (if citizenship is required by state law), school records, parole office files, Social Security card, green card (permanent resident card) or other DHS documents may be provided.</p> <ul style="list-style-type: none"> A resident alien of the United States who does not have a green card must show either (1) the substantial presence test was met, or (2) they resided in Canada or Mexico. Use IDRS Command Code DDBKD to research QC citizenship status.
Social Security Number	<p>The qualifying child must have a valid social security number (SSN) unless the child was born and died in the same tax year.</p> <p>Note: You cannot claim the EITC on the basis of a qualifying child if:</p> <ol style="list-style-type: none"> The SSN was not issued on or before the due date of the return, including extensions, or The qualifying child's social security card says, "Not valid for employment" and was issued for use in getting a federally funded benefit. 	<p>A copy of the child's birth certificate, death certificate, or hospital records showing a live birth.</p> <p>Refer to IRM 4.19.13.4(4), Researching Cases, for guidance in determining the effective date for the issuance of the SSN.</p>
<p>Married Child Joint Return</p> <ul style="list-style-type: none"> Return filed only as a claim for refund. 	<p>Per IRC 152(c)(1)(E), a qualifying child does not include an individual who is married as of the close of the taxable year, unless the qualifying child (i.e., taxpayer) is only filing a claim for refund and no tax liability would exist for either spouse on separate returns.</p>	

EITC (QC)	Explanation	Acceptable Documentation
Tiebreaker Rules	<p>Per IRC 152(c)(4), for EITC purposes a QC may be claimed by a parent or the taxpayer with the highest adjusted gross income (AGI), if not claimed by the parent.</p> <p>Example: If more than 1 parent claims the qualifying child for EITC:</p> <p>If the parents claiming a qualifying child do not file a joint return, the child shall be treated as the qualifying child of --</p> <ol style="list-style-type: none"> the parent with whom the child resided for the longest period of time during the taxable year, or if the child resides with both parents for the same amount of time during the taxable year, the parent with the highest AGI. <p>Example: If no parent claims the qualifying child for EITC:</p> <p>If the parents of a child are eligible to claim them as a QC, but no parent claims the child, the child is treated as the qualifying child of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of either of the child's parents who can claim the child. If the child's parents file a joint return with each other, this rule can be applied by treating the parents total AGI as divided evenly between them.</p> <p>Note: Generally, married taxpayers must file a joint return to be eligible to claim EITC under IRC 32(d). However, beginning with tax year 2021, special rules apply to separated spouses, so that married individuals who do not file a joint return will not be treated as married if they meet certain rules under IRC 32(d)(2)(B).</p>	<ul style="list-style-type: none"> IDRS research (e.g., INOLES, NAMES) to identify other household members, and/or recent name changes by the taxpayer.

EITC (QC)	Explanation	Acceptable Documentation
Requirements and Special Rules A married individual must be claimed as a dependent or not claimed as a dependent under rules of divorced or separated parents	Taxpayer cannot be QC for EITC of anyone else	<ul style="list-style-type: none"> IDRS research DDBKD

- (2) Complete Master File research of all TIN's listed on DDBOL.
 - a. Complete Master File research of DDBKD. It shows relationship and also indicates if the taxpayer was the QC of someone else.
 - b. Complete INOLE research for age verification and TIN/SSN issuance date. See IRM 4.19.13.4, Researching Cases.
 - c. Request proof of separate residence from the person claiming the qualifying child, such as rent receipts, school records, property tax bill, or utility receipts, if research indicates taxpayer is married.
- (3) There are templates located at <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/letter-or-audit-for-eitc>, which the taxpayer can use to secure the correct information requested from the school, health-care provider or childcare provider to verify the qualifying child's residency to claim the EITC. The templates must be pasted on the organization's letterhead.
 - a. There are several ways the templates can be shared with the providers. The taxpayer can print and give the templates or share the link to the templates to their child's school, healthcare provider or childcare provider. Make sure to tell the taxpayer to inform the provider of the tax year from their notice (the tax year is found in the upper right-hand corner of their notice) to receive information for the correct tax year.
 - b. Remind the taxpayer that the school, the healthcare provider, or the childcare provider should paste the template or replicate the information into their letterhead. They should also fill in all the information needed for the tax year shown on the taxpayer's notice. The letter should be dated and signed, and the taxpayer can mail or fax the completed documents to support their EITC claim.

4.19.14.6.2
(01-01-2024)
**EITC - No Qualifying
Child**

- (1) Beginning with tax year 2021 and subsequent tax years, a taxpayer may be allowed self only EITC with children who would be EITC qualifying children (QC), except they do not have a valid SSN for the EITC.
- (2) Prior to tax year 2021, all EITC qualifying children must also have a valid SSN, for a taxpayer to be eligible for the EITC.
- (3) Taxpayers must meet the following requirements.

If	And	Then
<p>Earned Income Tax Credit is disallowed because the taxpayer does not have a (QC), allow EITC for self only based on certain criteria (age, income, etc.).</p> <p>Note: The EITC for self may be allowed by the examiner at any time during the audit process, after the taxpayer has responded (e.g., called in or submitted a reply).</p>	<ol style="list-style-type: none"> 1. Taxpayer is at least 25 but under 65 years of age (For TY 2021 only, at least age 19, 18 if a qualified homeless youth or former foster youth, and 24 if a specified student; no maximum age), 2. Taxpayer does not qualify as a dependent of another person, 3. Taxpayer is not a QC of another taxpayer, 4. Taxpayer had a main home in the U. S. for more than half the tax year and, 5. Taxpayer SSN was issued on or before the due date of the return including extensions 	<ul style="list-style-type: none"> • Use birth certificate or IDRS research Command Code INOLE or RTVUE to verify taxpayer's date of birth. • Do INOLE research for TIN/SSN validation and the issuance date. • Use Command Code DDBKD to determine if another taxpayer has claimed the taxpayer.

Note: If an individual is the QC of another taxpayer for any part of the taxable year, that individual is not eligible to claim EITC for self.

Note: Taxpayers who were disallowed EITC for a QC under the tie-breaker rule, may still qualify for EITC for taxpayers without a QC.

- (4) If the taxpayer is married filing a joint return, either taxpayer must meet the applicable age requirement at the end of the tax year. It does not matter which spouse meets the age test, as long as one of the spouses does.

Example: For tax year 2020. Joe and Jane are married and file a joint return. Joe is 23 and Jane is 27. The taxpayers meet the age test because Jane is at least 25 but under age 65.

Example: For tax year 2021. Joe and Jane are married and file a joint return. Joe is 20 and employed full time, while Jane is 21 and attends school full-time. The taxpayers meet the age test because Joe is at least 19, even though Jane is a specified student and under age 24.

- (5) See IRM 21.6.3.4.2.7.1.1, Earned Income Tax Credit (EITC) - Taxpayer with No Qualifying Child/ren.

4.19.14.6.3
(01-01-2024)
**EITC - Schedule C
Responses**

- (1) The *Form 1040 Schedule C*, Profit or Loss from Business (Sole Proprietorship), is used to report business income and expenses.
- (2) The purpose of the correspondence examination is to determine whether the taxpayer has substantiated they are engaged in a business when the facts and circumstances of the case are considered.

- (3) An activity qualifies as a business if the primary purpose for engaging in the activity is for income or profit, and the taxpayer is involved in the activity with continuity and regularity. However, the determination of whether the taxpayer is engaged in a business for profit is not conducive to correspondence examination and should not be used to allow or disallow the Schedule C business.
- (4) When the taxpayer is being examined for the profit or loss reported on Schedule C, Form 11652, Questionnaire and Supporting Documentation Form 1040 Schedule C (Profit or Loss from Business), will be sent as an enclosure with the CP 75 or Letter 566-S, Initial Contact Letter.
- (5) Examiners should use Form 11652 as a guide to manage the outcome of the Schedule C examination when considering the response received to the examination query letter.
- (6) Form 11652 assists the taxpayer with substantiating their Schedule C business. Descriptive information is requested for the business that is not required to be reported on the Schedule C. This information includes:
 - Business activity, location business is conducted, website, and hours of operation
 - Business licenses or permits held
 - Method of advertisement
 - State or Local sales tax returns filings
- (7) The taxpayer is requested to select or fill-in the type of business records that are created, received, and/or maintained for income and expenses on the Form 11652. The record types listed include:
 - *Form 1099-MISC*, Miscellaneous Information, and Form 1099-NEC, Nonemployee Compensation
 - Accounting records and Ledgers
 - Business bank account statements
 - Paid invoices/receipts

Note: Beginning with tax year 2020, taxpayers with Non-employee Compensation will receive Form 1099-NEC. Prior to tax year 2020, NEC was reported on Form 1099-MISC.
- (8) Form 1099-K, Payment Card and Third Party Network Transactions, may be issued to some Schedule C taxpayers if they received payments by a payment card. Payment cards include credit, debit, and gift cards. There is no reporting threshold for payment card transactions.
 - Taxpayers may also receive Form 1099-K from third party settlement organizations (TPSO), subject to certain reporting thresholds.
 - Section 9674(a) of the American Rescue Plan Act of 2021 provides that, for returns for calendar years beginning after December 31, 2021, a TPSO is required to issue Form 1099-K where aggregate payments to a taxpayer exceed \$600. The IRS delayed the implementation of the \$600 threshold until tax years beginning after December 31, 2022.
 - Common examples of TPSOs include phone apps for driving a car for booked rides, property rentals, and online auctions, as well as certain apps that are used to transfer money if the TPSO takes custody of the funds, such as by using an online “wallet” within the app.

- A TPSON may issue a Form 1099-K for sales of personal items or other non-business transactions, depending on the nature of a taxpayer's business. However, a Form 1099-K issued by a TPSON may not reliably substantiate the taxpayer's Schedule C business like a Form 1099-NEC, Form 1099-MISC, or Form 1099-K reporting payment card transactions would.

On December 23, 2022, the IRS announced that calendar year 2022 will be treated as a transition year for the reduced reporting threshold of \$600 for the Form 1099-K. For calendar year 2022 (and prior years), TPSONs who issue Forms 1099-K are only required to report transactions where gross payments exceed \$20,000 and there are more than 200 transactions.

- Some taxpayers may still receive a 2022 Form 1099-K below the reporting threshold, which could report gross proceeds from business related transactions or from non-business transactions, such as the sale of personal items.
 - In some circumstances, e.g., if the TPSON is an app that is used to transfer money, the Form 1099-K may report proceeds from a mix of business and non-business activity.
 - Taxpayers are provided instructions about how to report these proceeds on <https://www.irs.gov/businesses/understanding-your-form-1099-k>.
- (9) The taxpayer is instructed to send in the records they selected or indicated they maintained on Form 11652. For example, taxpayers may submit Form(s) 1099, receipts from suppliers, invoices to customers, mileage logs, or bank account statements.
- (10) If the taxpayer fails to provide any documentation to substantiate the business or to support information they provided on Form 11652, but indicates business records exist, ask the taxpayer to submit these records for verification. If the taxpayer indicates records have been lost or destroyed, inform the taxpayer that they are allowed to re-create records for the examination, which includes but is not limited to, requesting replacement records from banks, suppliers, or payers.
- (11) It should be noted that a business license alone would NOT substantiate Self Employment (SE) income. The taxpayer would have to provide additional records noted above to validate the Schedule C.
- (12) It is not necessary to verify every expense reported on the Schedule C, rather examiners should ensure the types and amounts of expenses reported and substantiated are ordinary and necessary for the business activity reported on Schedule C.
- (13) An ordinary expense is one that is common and accepted in the business. A necessary expense is one that is helpful and appropriate for the business.
- (14) Throughout the Schedule C examination, examiners should use judgment, based on substantiation received and taxpayer statements, to limit or expand the examination scope. Refer to IRM 4.19.13.3.1, Standard 1 - Adequate Consideration of Significant Issues.
- (15) Refer taxpayers to Pub 334, Tax Guide for Small Business (For Individuals who Use Schedule C), and Pub 583, Starting a Business and Keeping

Records, for additional information. The taxpayer may also reference the *Small Business and Self-Employed Tax Center* on [irs.gov](https://www.irs.gov).

- (16) The following guidelines are used to determine if the taxpayer's activity qualifies as a business:

If	And	Then
Schedule C response is received	<p>Taxpayer submits only one of the following:</p> <ul style="list-style-type: none"> • Form 1099-NEC • Form 1099-MISC • Form 1099-K that reports payment card transactions such as credit, debit, and gift cards • Form 1099-K that reports third party settlement network payments for services, such as for driving a car for booked rides <p>If you receive a Form 1099-K that reports third party settlement network payments for goods or that are issued by a money transfer app, consider if the taxpayer submitted any other record of income or expenses as shown below and on the Form 11652, to determine if there is a business activity.</p>	<p>Verify Entity of Payer (CC BMFOL) and Payer Master File (CC PMFOL).</p> <p>Note: See IRM 2.3.53, Command Code PMFOL, for input screen and additional information on command code PMFOL.</p> <p>If the entity is valid and PMFOL matches, accept the Schedule C.</p> <p>If the entity is not valid and PMFOL does not match, do not accept the Schedule C.</p> <p>Inform the taxpayer that our records did not validate taxpayer information.</p> <p>Inform the taxpayer that acceptable payer information will be a letter on business letterhead verifying the amount paid.</p> <p>If the taxpayer is unable to obtain a letter from the payer, offer other options to verify income. See additional guidance below.</p>

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If	And	Then
Schedule C response is received	<p>Taxpayer submits written records of income, such as,</p> <ul style="list-style-type: none"> • Business/ Personal bank account statements • Electronic payment records • Books and other accounting records • Payer records • Some, a variation or all of the above 	<p>Accept the Schedule C if it appears that the information provided substantiates the business.</p> <p>Note: If statements or other records indicate more income than reported on the Schedule C, issue a revised report to reflect the correct amount.</p> <p>Caution: Do not adjust gross receipts for Form 1099-K amounts reported on Form 8949 (carried to Schedule D) or on Schedule 1, line 8z, as Other Income.</p>

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If	And	Then
Schedule C response is received	<p>Taxpayer sends verification of expenses that would substantiate the business, such as,</p> <ul style="list-style-type: none"> • Car and truck expense receipts or mileage log • Contract labor payments • Business insurance/ rental contracts • Supply receipts • Business/ Occupational licenses • Payer records • Other expense receipts • Cost of goods sold, etc. • Some, a variation, or all of the above 	Accept the Schedule C if the types of expenses are ordinary and necessary for the business activity reported on the return.
Schedule C response is received	Taxpayer submits copies of state tax returns (and/or local) (not personal income tax returns)	Accept the Schedule C if the state tax return shows revenue comparable to the Schedule C income.
Schedule C response is received	Taxpayer indicates that the Schedule C was reported in error (no evidence of recklessness or fraud), i.e., preparer included without taxpayer knowledge	Remove the Schedule C from the return.
Schedule C response is received	Taxpayer indicates that the Schedule C was made up (some indication of recklessness or fraud)	Forward the case to your site's Fraud Coordinator. If not accepted into the fraud program, remove the Schedule C and consider asserting the 2-year ban.

Note: When deciding to remove the Schedule C, the taxpayer's credibility should be part of the decision process. Do you believe them or not? A 2-year ban and/or penalty can be asserted based upon the facts and circumstances of the case.

- (17) Follow the procedures for working responses to Schedule C Classifier identified issue(s).

If	And	Then
Schedule C expenses are identified by the classifier	The taxpayer sends in receipts and cancelled checks to verify expenses	Accept the expenses.
Schedule C expenses are identified by the classifier	The taxpayer does not send in receipts and cancelled checks	Deny the expenses
Schedule C Income is identified by the classifier	The taxpayer submits a Form 1099	Verify Entity of Payer (CC BMFOL) If valid Accept Schedule C. If Not valid, Do not accept Schedule C.
Schedule C Income is identified by the classifier	The taxpayer submits written records of income books, bank statements	Accept Schedule C.
Schedule C Income is identified by the classifier	The taxpayer submits verification of certain expenses that would prove the existence of a business (e.g., advertising, commissions paid, wages paid, appropriate licenses, permits, insurance, cost of goods sold, etc.)	Accept Schedule C.

- (18) If documentation is received that substantiates the business after the issuance of the Statutory Notice of Deficiency (SNOD) and the case is open, process the case as outlined below:

If	And	Then
The time to petition Tax Court has not expired	Sufficient time left in the statute	Prepare a supplemental report with the corrected income. If the Taxpayer signs, close with the agreed deficiency. If Taxpayer does not sign or respond, allow the SNOD to expire, purge on the 105th day, prepare corrected Form 4549 and reissue the SNOD for the correct deficiency. In the explanation to Taxpayer, there must be a statement: This Notice of Deficiency supersedes the Notice of Deficiency dated MMDDYYYY (date of previously issued SNOD).
The time to petition Tax Court has expired	Sufficient time left in the statute	Allow the 105th day purge, prepare corrected Form 4549 and reissue the SNOD for full amount of deficiency . In the explanation to Taxpayer, there must be a statement: This Notice of Deficiency supersedes the Notice of Deficiency dated MMDDYYYY (date of previously issued SNOD).

- (19) If the taxpayer responds with request to remove Schedule C income and Schedule C income is not an issue on the original examination, process the case as outlined below:

If	And	Then
Taxpayer responds with request to remove Schedule C income	Taxpayer indicates that Schedule C income was reported in error (no indication of recklessness or fraud), e.g., Preparer included without the Taxpayer knowledge. There is no record of Form 1099, NEC income.	Remove the income from the return.
Taxpayer responds with request to remove Schedule C Income	Taxpayer indicates that Schedule C income was made up (some indication of recklessness or fraud). There is no record of Form 1099, NEC income.	Forward the case to your Fraud Coordinator. If not accepted into the Fraud program, remove income and consider asserting a 2-year ban.

Note: When deciding to remove income, the taxpayer's credibility should be part of the decision process. Do you believe them or not? A 2-year ban and/or Penalty can be asserted based upon the facts and circumstances of the case.

- (20) If the taxpayer responds with a request to remove Schedule C income on a Claim, process the case as outlined below:

If	And	Then
Taxpayer requests to remove Schedule C Income when EITC was disallowed, and the Schedule C was not an issue on the original examination	Taxpayer indicates that Schedule C income was reported in error (no indication of recklessness or fraud), e.g., Preparer included without the Taxpayer knowledge. There is no record of Form 1099, NEC income.	Remove the income from the return.
Taxpayer requests to remove Schedule C Income when EITC was disallowed and the Schedule C was not an issue on the original examination	Taxpayer indicates that Schedule C income was reported in error (indication of recklessness or fraud). There is a record of Form 1099, NEC income.	<p>Inform the taxpayer that they should contact the payer and request a corrected document, Form 1099, removing the erroneously reported income. Inform the taxpayer that some payers make documents available on the payer's website.</p> <p>If the taxpayer is not able to contact the payer, or if the payer refuses to send a corrected document; have the taxpayer send or fax a letter of explanation to the address on their letter and the examiner will evaluate the response.</p> <p>If the taxpayer cannot verify the income should be removed, leave the income on the return and follow procedures for issuing a Statutory Notice of Deficiency (if applicable).</p>

- (21) If documentation is received that substantiates the business on Reconsideration, process the case as outlined below:

If	And	Then
Schedule C and EITC were disallowed on the original audit. There is time left in the statute	Taxpayer verifies Schedule C and qualifying children for EITC	Allow the Reconsideration.
Schedule C and EITC were disallowed on the original examination. There is time left in the statute	Taxpayer verifies Schedule C but does not verify qualifying children for EITC	Allow the Schedule C. Do not allow the EITC. Input TC 290 for the Self-Employment Tax (SET). Taxpayer must sign for the tax increase. If signature not received, issue SNOD.

If	And	Then
Schedule C and EITC were disallowed on the Original Audit. There is time left in the statute	Taxpayer verifies qualifying children for EITC but does not verify Schedule C	<p>If there is no other income other than the Schedule C disallowed income, then no EITC should be input.</p> <p>But if there is other income on the return, allow the EITC based on the allowable income.</p>
Schedule C and EITC was disallowed on the original audit. The statute has expired.	Taxpayer verifies Schedule C and qualifying children for EITC	<p>Allow the Reconsideration. TC 290 cannot be input for the SET increase due to the expiration of the statute.</p> <p>Input TC 764 for the refundable amount of the EITC (difference between the SET and EITC).</p> <p>Move the remaining SET monies to Excess Collections.</p> <p>In the explanation to the taxpayer, include the statement: The tax return was timely filed within the prescribed time frame when the income was earned.</p> <p>Note: Do not increase the SE income reported. The Social Security Administration will not use this information when computing the taxpayer's Social Security payment amount unless the ASER is still open for the assessment of social security tax on the increase in SE income. Refer to IRM 25.6.1.9.11.2, SECA Procedures, for additional information.</p> <p>Form 3999, Statute Expiration Report, must be prepared to report the barred SET amount.</p>

- (22) If the taxpayer responds with a request to remove income on Reconsideration and the Schedule C was not an issue on the original examination, process the case as outlined below:

If	And	Then
Taxpayer responds with request to remove Schedule C Income	Taxpayer indicates that Schedule C income was reported in error (no indication of recklessness or fraud), i.e., Preparer included without the Taxpayer knowledge.	Remove the Schedule C from the return.
Taxpayer requests to remove Schedule C Income when EITC was disallowed on original audit but Schedule C was not questioned.	Taxpayer indicates that Schedule C income was reported in error (indication of recklessness or fraud). There is a record of Form 1099, NEC income	<p>Inform the taxpayer they should contact the payer and request a corrected document, Form 1099, removing the erroneously reported income.</p> <p>Inform the taxpayer that some payers make documents available on the payer's website. If the taxpayer is not able to contact the payer, or if the payer refuses to send a corrected document; have the taxpayer send or fax a letter of explanation to the address on their letter and the examiner will evaluate the response.</p> <p>If the taxpayer cannot verify the income should be removed, leave the income on the return and follow Audit Reconsideration closing procedures.</p>

4.19.14.6.3.1
(01-27-2021)
**Qualified Business
Income Deduction
(QBID) - Statutory
Adjustment**

- (1) The W&I audits having the Qualified Business Income Deduction (QBID) issue will be identified by Tracking Code 0918. Within the W&I audits, the QBID issue is a statutory adjustment only. The QBID may be adjusted if either the taxable income or Schedule C net profit is changed. Examinations under project codes 0584, 0623, 1351 and 1352 can result in changes which adjust the QBID. However, the QBID issue is not limited to a particular project code.
- (2) The QBID is the lesser of:
 - a. 20 percent of qualified business income (QBI) plus 20 percent of the qualified real estate investment trusts (REIT) dividends and qualified publicly traded partnership (PTP) income or
 - b. An amount equal to 20 percent of the excess (if any) of taxable income of the taxpayer, for the taxable year, over the net capital gain of the taxpayer for the taxable year.
- (3) QBI includes the items of income, gain, deduction, and loss from qualified domestic trades or businesses conducted through a sole proprietorship (Schedule C) or through a partnership, S corporation, and certain estates and trusts. Amounts received such as wages, capital gain or loss, interest not

allocable to a trade or business, and certain dividends are not QBI and **are excluded** from the calculation. A complete list of exclusions can be found in IRC 199A(c)(3)(B).

- (4) The W&I audits with a QBID issue will be identified by the Dependent Database and processed by the Filer bridge.

4.19.14.6.4
(01-01-2024)

EITC - Filing Status

- (1) Following are guidelines to determine if the taxpayer qualifies for “Single” filing status:

If	Accepted proof of status
The taxpayer was never married.	No prior history of filing “Married Filing Jointly” or “Married Filing Separately”.
or	
The taxpayer was unmarried or legally separated from their spouse under a divorce or separate maintenance decree, and the taxpayer does not qualify for another filing status.	Copy of divorce decree or separate maintenance. If decree or agreement is dated any day prior to the last day of the year, the taxpayer is considered single for the entire year.
or	
The taxpayer was widowed before January 1 of the tax year, and did not remarry before the end of the year.	Copy of death certificate for spouse.

- (2) Following are guidelines to determine if the taxpayer qualified for “Married Filing Jointly” filing status:

A Taxpayer’s filing status is “Married Filing Jointly” if	Accepted proof requirement
The taxpayers are legally married on the last day of the year and both agree to file under this status. Taxpayers must be either living together as spouses, or living apart but not legally separated under a decree of divorce or separate maintenance.	Both signatures on the return verify consent of both parties. If prior year’s return(s) shows conflicting data, proof of the marriage may be needed.
or	

A Taxpayer's filing status is "Married Filing Jointly" if	Accepted proof requirement
<p>Taxpayers are living together in a common law marriage that is recognized in the state where they live or in the state where the common law marriage began.</p> <p>The 9 states that recognize common law marriages are CO, IA, KS, MT, OK, RI, TX, UT and the District of Columbia.</p> <p>In order to have a valid common law marriage, the taxpayer and common law spouse must live together for a significant period of time, hold themselves out as a married couple and intend to be married.</p> <p>See IRM 5.19.11.7.1.2.2, Common Law Marriage.</p>	<p>At least two types of documentation to substantiate a claim of common law marriage must be provided. Examples of proof are:</p> <ul style="list-style-type: none"> • Deeds showing title to property held jointly by both parties to the common law marriage • Bank statements and checks showing joint ownership of the accounts • Insurance policies naming the other party as beneficiary • Birth certificates naming the taxpayer and the common law spouse as parents of their children • Loan documents, mortgages, and promissory notes evidencing joint financial obligations
or	
The taxpayer's spouse died during the year.	Death certificate of spouse

- (3) Following are guidelines to determine if the taxpayer qualifies for "Head of Household (HOH)" filing status:

HOH-Unmarried Taxpayer Eligibility Requirement	Eligibility Requirement Explanation	Acceptable Documentation
Relationship	Meets QC or QR minus non-relative household member; IRC 2(b)(1)(A)(i) and (ii) and IRC 2(b)(3)(B)(i). Taxpayer is considered not married if spouse is a non-resident alien; IRC 2(b)(2)(B).	Same as Dependent QC or Qualified Relative. See IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents.
Residency	More than 1/2 the year except for dependent parents; IRC 2(b)(1)(A) and (B)	Same as Dependent QC. See IRM 4.19.14.6.5.
Age	N/A	
Support	Pay for more than 1/2 cost of keeping up a home; IRC 2(b)(1). If for dependent parents, must pay more than 1/2 cost of keeping up a home that was the parents main home for the entire year; IRC 2(b)(1)(B)	Rent receipts, utility bills, grocery receipts, property tax bills, mortgage interest statement, upkeep and repair bills, property insurance statement, and other household bills If two people are claiming the same QC, receipts may be needed from both.

HOH-Unmarried Taxpayer Eligibility Requirement	Eligibility Requirement Explanation	Acceptable Documentation
Citizenship	A married child who fails the citizenship test cannot be a qualifying person for HOH; IRC 2(b)(1)(A)(i)(II)	Birth certificate, Social Security Card, citizenship papers, school records
Married Child Joint Return	A married child who fails the joint return test cannot be a qualifying person for HOH; IRC 2(b)(1)(A)(i)(II)	Verify no other return filed with the dependent's SSN. If a joint return was filed, verify the return was filed only as a claim for refund and no tax liability would exist for either spouse on separate returns.
Tie- Breaker Rule	IRC 2(b)(1)(A)(i)	
Requirements and Special Rules	QC must meet QC age and QC support tests; IRC 2(b)(1)(A)(II) QR must be dependent; IRC 2b(1)(A)(ii) Multiple support QR does not apply; IRC 2(b)(3)(B)(ii)	Same as Dependent QC. See IRM 4.19.14.6.5.

HOH-Considered Unmarried Taxpayer Eligibility Requirement	Eligibility Requirement Explanation	Acceptable Documentation
Relationship	Child, adopted child, stepchild, eligible foster child; IRC 7703(b)(1)	Same as Dependent QC or QR. See IRM 4.19.14.6.5.
Residency	More than 1/2 the year; IRC 7703(b)(1)	Same as Dependent QC. See IRM 4.19.14.6.5.
Age	N/A	
Support	Pay for more than 1/2 cost of keeping up a home; IRC 7703(b)(2)	Rent receipts, utility bills, grocery receipts, property tax bills, mortgage interest statement, upkeep and repair bills, property insurance statement, and other household bills
Citizenship	A married child who fails the citizenship test cannot be a qualifying person for HOH; IRC 2(b)(1)(A)(i)(II)	Birth certificate, citizenship papers, Social Security Card, School Records

HOH-Considered Unmarried Taxpayer Eligibility Requirement	Eligibility Requirement Explanation	Acceptable Documentation
Married Child Joint Return	A married child who fails the joint return test cannot be a qualifying person for HOH; IRC 2(b)(1)(A) (i)(II)	Receipts for food, clothing, rent, medical, dental schooling, recreation, and personal items. If two taxpayers are claiming the same QC, receipts may be needed from both.
Tiebreaker Rules	IRC 2(b)(1)(A)(i)	
Requirements and Special Rules	Child must be dependent QC or QR without regard to exceptions for divorced or separated parents; IRC 7703(b)(1) Other rules residence of spouse for last six months of the year apply.	

Note: The taxpayer and spouse must maintain separate residences and must have lived apart for the last six months of the year. If prior year's research indicates conflicting data, proof of divorce or separate maintenance decree and separate residences may be needed.

Note: Since the passage of the ARPA in 2021, the "considered unmarried" exception for HOH is not the same as the "considered unmarried exception" for EITC under IRC 32(d). If the taxpayer is "considered unmarried" for EITC, the taxpayer may need to establish additional requirements to be considered unmarried for HOH. See paragraph (7) of this section for more information about how a taxpayer is considered unmarried for EITC.

- (4) Following are guidelines to determine if the taxpayer qualifies for the "Qualifying Surviving Spouse with Dependent Child" filing status.

Note: The phrase "Qualifying Surviving Spouse" replaced "Qualifying Widow(er)" beginning with tax year 2022.

A Taxpayer's filing status is "Qualifying Surviving Spouse With Dependent Child" if:	And	Accepted proof
The taxpayer is filing within two years of the year that the spouse died	The taxpayer did not marry before the end of the current filing year	Death certificate

A Taxpayer's filing status is "Qualifying Surviving Spouse With Dependent Child" if:	And	Accepted proof
The taxpayer is filing within two years of the year that the spouse died	The taxpayer has a child, stepchild, adopted child, or child lawfully placed with the taxpayer for legal adoption by the taxpayer for whom they can claim as a dependent.	Birth certificate, school records, adoption records
The taxpayer is filing within two years of the year that the spouse died	The taxpayer paid more than half the cost of keeping up a home that is the main home for them and their child for the entire year.	Receipts and bills for rent, mortgage interest, property taxes, utility charges, upkeep and repairs, property insurance, food consumed in the residence

- (5) Additional information regarding filing status can be found in Pub 501, Dependents, Standard Deductions, and Filing Information, Pub 519, U.S. Tax Guide for Aliens, and Pub 555, Community Property.
- (6) Prior to tax year 2021, taxpayers whose filing status is married filing separate or deemed to be married filing separate are not entitled to EITC with or without Qualifying Child(ren). See IRM 4.19.13, General Case Development and Resolution, for Audit Reconsideration procedures.
- (7) Beginning with tax year 2021, married taxpayers who do not file a joint return (i.e., MFS or HOH and considered unmarried) may qualify for the EITC if they meet the following criteria:
 - Resided with a qualifying child for more than half of the year.
 - For the last six months of the year, they do not have the same residence as the spouse
OR are legally separated according to their state law under a written separation agreement or decree of separate maintenance, and not a member of the same household by the end of the year.

Note: Qualifying individuals must check the appropriate box on Schedule EIC.

4.19.14.6.5
(01-01-2024)
**EITC - Personal
Exemptions and
Dependents**

- (1) The Tax Cuts and Job Act (TCJA) amended IRC 151, Allowance of Deductions for Personal Exemptions, and is effective for tax years 2018 through 2025. Section 11041 of the TCJA suspended the deduction for personal exemptions by reducing the amount of the deduction to zero for tax years 2018 through 2025.
- (2) The requirements for claiming dependents prior to tax year 2009, can be found in Pub 501, Dependents, Standard Deduction, and Filing Information.
- (3) For requirements to claim dependents for tax year 2009 and subsequent, see below. The tax examiner can consider other supporting documentation not in the list below, and should exercise judgment and use internal research when verifying documents sent in by the taxpayer.
- (4) IRC 152 defines a dependent as a qualifying child (QC) or a qualifying relative (QR). There are five dependency tests that apply to determine whether an indi-

vidual is a QR. The tests for determining whether an individual is a QC are different. An individual that is a QC of any taxpayer cannot be a QR of a taxpayer. The definition of a qualifying child is also relevant for determining whether a taxpayer may claim Head of Household (HOH) filing status, the Child Tax Credits, Child and Dependent Care Credit, and the Earned Income Tax Credit.

- (5) See the table below for the QC dependent eligibility requirements.

Qualifying Child (QC) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Relationship	<p>Son or daughter (including an adopted child) grandchild or great grandchild, stepson, stepdaughter, step-grandchild or step-great grandchild, child pending adoption, brother, sister, stepbrother or stepsister or a descendant of any of them (such as a niece or nephew), eligible foster child (placed with you by an authorized placement agency); IRC 152(c)(2)</p> <p>Note: An individual legally adopted by the taxpayer or an individual who is lawfully placed with the taxpayer for legal adoption is treated as a child of the taxpayer by blood. An eligible foster child is an individual who is placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. The terms brother and sister also include siblings who have only one parent in common, for example, the same mother, but have different fathers.</p> <p>Caution: The Government of Puerto Rico enacted a new law (Law 191 of 2009 as Amended). Effective October 31, 2010, any Puerto Rican birth certificate issued prior to July 1, 2010, is no longer valid. If a taxpayer submits a birth certificate that was issued by the Puerto Rican government prior to July 1, 2010, the birth certificate should not be accepted. The taxpayer should be informed of the new law and directed to contact the Puerto Rico Vital Statistics Record Office to request a new birth certificate.</p>	<ul style="list-style-type: none"> Birth certificates or other official documents of birth that shows the relationship to the dependent claimed. <p>For Example: If the dependent the taxpayer is claiming is the child of the taxpayer's sibling, which is their niece or nephew who lived with them, the taxpayer would need to provide:</p> <ol style="list-style-type: none"> 1. A copy of taxpayer's birth certificate, 2. A copy of the birth certificate of the taxpayer's sister or brother who is the parent of the child, and 3. A copy of the birth certificate of the child claimed. <p>Note: All three birth certificates would be required to show the relationship linkage.</p> <ul style="list-style-type: none"> Marriage certificates that verify your relationship to the child Letter from an authorized adoption agency Letter from the authorized placement agency or applicable court document <p>Military Personnel Acceptable proof of status Defense Enrollment Eligibility Reporting System (DEERS), which provides a list of authorized dependents whose relationship, has been verified. Leave and Earnings Statement (LES), which verifies if the taxpayer is paying a voluntary allotment for Basic Housing Allotment (BHA) payable to the dependents or custodial parent, or if the taxpayer is having child support payments garnished.</p>

Qualifying Child (QC) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Residency	<p>The QC must live in the household for more than half of the year; IRC 152(c)(1)(B)</p> <p>Temporary absences count as time lived together;</p> <p>Exceptions apply for children of divorced or separated parents; IRC 152(e)</p> <p>If a QC who was born or died during the year lived with taxpayer for more than one-half of the portion of the taxable year during which the QC was alive, residency test is treated as met. Prop. Reg. 1.152-4(d)(1)</p> <p>A child adopted by the taxpayer, a child lawfully placed with the taxpayer for legal adoption, or an eligible foster child placed with the taxpayer, meets the residency test for a qualifying child if the child has the same residence as the taxpayer for more than one-half of the portion of the year following the placement of the child with the taxpayer.</p> <p>Example: An eligible foster child is placed with the taxpayer on August 1, 2021, through the end of tax year 2021. The child meets the residence test if the child resides with the taxpayer for more than 2 and ½ months.</p>	<ul style="list-style-type: none"> Photocopies of school, medical, childcare provider (provider can't be a relative) or social service records that shows the name of child's parent or guardian, child's address and the dates they lived with taxpayer. <p>Note: The taxpayer may provide other documentation to show residency. Most report cards do not have all the required information for residency but some report cards do have the requested information and should be accepted.</p> <ul style="list-style-type: none"> A letter on official letterhead from a school, a health care provider, a social service agency, placement agency official, employer, Indian tribal official, landlord or property manager, or a place of worship that shows the name of child's parent or guardian, child's address and the dates they lived with taxpayer <p>Note: If the lease is not available on official letterhead, the taxpayer may submit a copy of their existing lease for consideration, along with additional supporting documentation.</p> <p>Note: If the taxpayer's address is a post office box, request a photocopy of the stamped/accepted Postal Form 1093, Application for Post Office Box Service, to verify the taxpayer's street address.</p>

Qualifying Child (QC) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
		<p>Note: If internal research validates information listed on the documents provided by the taxpayer to show residency, use professional judgment to allow. Example: A letter from a landlord, not on official letterhead, verifying the dependent's residency, and Accurint verifies the landlord is the owner of the property, may be accepted.</p>
Age	<p>Under age 19 at the end of the tax year and younger than taxpayer (or taxpayer's spouse, if filing jointly)</p> <p>or</p> <p>Under age 24 at the end of the tax year, a student, and younger than taxpayer (or taxpayer's spouse, if filing jointly)</p> <p>Note: See definition of student in IRC 152(f)(2).</p>	<ul style="list-style-type: none"> The taxpayer should send photocopies of official school records showing the child was a full-time student for at least five months of the tax year. The school records should show the dates of attendance. The months of attendance do not have to be consecutive.

Qualifying Child (QC) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Age	<p>Any age if permanently AND totally disabled at any time during the tax year; IRC 152(c)(3)</p> <p>Note: See definition of permanently and totally disabled in IRC 22(e)(3).</p>	<ul style="list-style-type: none"> The taxpayer should send a letter from the dependent's doctor, other health care provider, or any social service program or agency verifying the dependent is permanently and totally disabled. <p>For Example: Statements from Social Security Administration (SSA) which indicate a qualifying child is receiving Supplement Security Income (SSI) payments may be accepted as verification a dependent is permanently and totally disabled when:</p> <ol style="list-style-type: none"> The dependent is 18 years or older, The SSI is for the audit year, and The dependent is not filing a tax return for the year under audit. <ul style="list-style-type: none"> Use IDRS Command Code INOLE to verify QC age.
Support	QC cannot provide more than 1/2 of their own support; IRC 152(c)(1)(D)	The taxpayer may provide receipts for food, clothing, rent, medical, dental, schooling, recreation, and personal items.
Citizenship	<p>Citizen/national/ resident alien of U.S., resident of Canada or Mexico / adopted child. The exception for an adopted child is found in IRC 152(b)(3).</p> <p>If the taxpayer is a U.S. citizen or U.S. national who has legally adopted a child who is not a U.S. citizen, U.S. resident alien, or U.S. national, and the child lived with the taxpayer as a member of the taxpayer's household all year, the citizenship test is met. The citizenship test is also met if the child was lawfully placed with the taxpayer for legal adoption and the child lived with the taxpayer for the rest of the year after placement.</p> <p>Note: Refer to Pub 519, U.S. Tax Guide for Aliens</p>	<p>A U.S. birth certificate, unexpired U.S. passport, driver's license (if citizenship is required by state law), school records, parole office files, Social Security card, green card (permanent resident card) or other DHS documents may be provided.</p> <ul style="list-style-type: none"> A U.S. resident alien who does not have a green card must either show (1) the substantial presence test was met, or (2) they resided in Canada or Mexico. Use IDRS Command Code DDBKD to research QC citizenship status.

Qualifying Child (QC) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Married Child Joint Return	IRC 152(b)(2) - A qualifying relative shall not include an individual who has made a joint return with the individual's spouse for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.	Verify no other return filed with dependent's SSN. If joint return filed, verify the return was filed only as a claim for refund and no tax liability would exist for either spouse on separate returns.
Tie- Breaker Rule	IRC 152(c)(4) defines the Tiebreaker Rules. Refer to IRM 4.19.14.6.1, EITC Qualifying Child (QC) for additional information.	IRC 152(c)(1) provides a uniform definition of a QC for determining whether a taxpayer qualifies for HOH filing status, CDCC, CTC/ACTC, EITC, for the dependent claimed. Notice 2006-86 clarifies that, unless the special rule in IRC 152(e) for divorced or separated parents applies, the tie-breaking rule in IRC 152(c)(4) applies to these provisions as a group, rather than on a section-by-section basis.
Requirements and Special Rules	The taxpayer cannot be a dependent of another taxpayer; IRC 152(b)(1)	<p>If the taxpayer is claimed as a dependent on another taxpayer's return, and the taxpayer says they should not be claimed on the other taxpayer's return but is self-supporting; the taxpayer needs to provide documentation showing self-support. Some examples are:</p> <ul style="list-style-type: none"> • Utility bills • Rent or mortgage • Receipts, property tax bills <p>Note: These items can be used as proof of self-support and residence. If housing is an item of support, then its value is the rent paid or the fair rental value of the housing.</p>

Complete Master File research on all TIN's listed on DDBOL

- Complete Master File research using DDBKD to verify relationship. Accept Birth Certificate showing relationship. DDBKD also indicates if the taxpayer was the QC of someone else.
- Complete INOLE research for age verification and TIN issuance date. See IRM 4.19.13.4, Researching Cases.
- Request proof of separate residence from the person claiming the qualifying child, such as rent receipts, school records, property tax bill, or utility receipts, if research indicates taxpayer is married.

(6) See the table below for the QR dependent eligibility requirements.

Qualifying Relative (QR) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Relationship	<p>Per IRC 152(d)(2), relationship is defined as a child (son, daughter, adopted child, stepchild, eligible foster child) or descendants. Sibling of son or daughter or step-sibling or step-parent.</p> <p>Parent or ancestor of sibling In-laws (mother, father, brother, sister, son, daughter).</p> <p>Non-relative household member who was not a spouse at any time during the year if the relationship is not in violation of local law.</p> <p>Note: Any of the relationships listed above that were established by marriage are not ended by death or divorce. A person related to a taxpayer in any of the ways listed above does not have to live with the taxpayer to meet the dependency residency test.</p> <p>Caution: The Government of Puerto Rico enacted a new law (Law 191 of 2009 as Amended). Effective October 31, 2010, any Puerto Rican birth certificate issued prior to July 1, 2010, is no longer valid. If a taxpayer submits a birth certificate that was issued by the Puerto Rican government prior to July 1, 2010, the birth certificate should not be accepted. The taxpayer should be informed of the new law and directed to contact the Puerto Rico Vital Statistics Record Office to request a new birth certificate.</p>	<ul style="list-style-type: none"> • Birth Certificate(s) showing relationship, adoption papers, court documents, school records. • IDRS Research. • If taxpayer claims a person who does not meet the relationship as defined in IRC 152(d)(2) as a qualifying relative, the taxpayer should send proof the person has lived in their home for the entire 12 months of the year.

Qualifying Relative (QR) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Residency	<p>Residency requirements applicable only to household members who are not related. Non-relatives must verify residency for entire year per IRC 152(d)(2)(H) .</p> <p>Temporary absences count as time lived together; birth or death during the year count as entire year if QR lived with taxpayer the entire time alive per IRC 152(f)(6)(C)(ii)</p> <p>Exceptions apply for children of divorced or separated parents; IRC 152(e).</p>	<p>To show the taxpayer and non-relative living at the same address or addresses for the entire tax year, the taxpayer should send either:</p> <ul style="list-style-type: none"> • School, medical, daycare, or social service records that show the common address and dates. • A letter on the official letter-head from a school, medical provider, social service agency, or place of worship that shows names, common address, and dates. <p>Do not accept documents signed by someone related to the taxpayer. If the taxpayer submits a document from a relative, inform the taxpayer they will need to provide a document from an unrelated party.</p>
Age	N/A	

Qualifying Relative (QR) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Support	<p>Taxpayer must provide over one half of QR support per IRC 152(d)(1)(C). Multiple support applies.</p> <p>An exception applies for children of divorced or separated parents per IRC 152(e). Kidnapped child exception applies per IRC 152(f)(6)(C).</p> <p>Note: Payments received under Temporary Assistance for Needy Families (TANF) or other public assistance programs used to pay the costs of keeping up the home can be counted as money provided by the recipient (taxpayer).</p>	<p>Taxpayer should send copies of the following documents as proof they provided more than half of their dependent's total support:</p> <ul style="list-style-type: none"> • A statement of account from a child support agency • A statement from any government agency verifying the amount and type of benefits the taxpayer and/or the taxpayer's dependent received for the year • Rental agreements or a statement showing the fair market value of taxpayer's residence (proof of lodging cost) • Utility and repair bills (proof of household expenses) with canceled checks or receipts • Day-care, school, medical records or bills (proof of child's support) with canceled checks or receipts • Clothing bills (proof of child's support) with canceled checks or receipts
Citizenship	Same as Dependent QC. See IRM 4.19.14.6.5, Personal Exemptions and Dependents.	Same as Dependent QC. See IRM 4.19.14.6.5.
Married Child Joint Return	Per IRC 152(b)(2), A qualifying child does not include an individual who is married at the end of the tax year, unless the individual (i.e., taxpayer) is only filing a claim for refund return only and no tax liability would exist for either spouse on separate returns.	Same as Dependent QC. See IRM 4.19.14.6.5.
Tie- Breaker Rule	Does not apply	

Qualifying Relative (QR) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Requirements and Special Rules	QR Cannot be qualifying child of another taxpayer; IRC 152(d)(1)(D)	If the QR qualifies as a QC for another taxpayer, i.e., meets the age, relationship and residency tests, the child MAY NOT be claimed as a qualifying relative by any taxpayer. However, an individual is not a QC of "any other taxpayer" if the individual's parent (or other person with respect to whom the individual is defined as a QC) is not required to file an income tax return and (i) does not file an income tax return, or (ii) files an income tax return to only obtain a refund of withheld taxes.
	For TY 2023, the QR gross income must be less than \$4,700 (\$4,400 for TY 2022), excluding qualified income for permanently disabled QR; IRC 152(d)(1)(B), IRC 152(d)(4) Taxpayer cannot be a dependent of another Taxpayer; IRC 152(b)(1)	Verify that there is no return filed showing income for the dependent. Review CC IRPTR to verify income and/or type reported for dependent.

- (7) Additional information regarding Personal Exemptions and Dependents can be found in Pub 501 and Pub 17, Your Federal Income Tax (For Individuals).
- (8) When dependents are disallowed, consider all related credits.
- (9) There is a **Special rule for children of divorced or separated** parents. This rule also applies to parents who never married. The **custodial parent** is the parent having custody for the greater part of the calendar year. The **noncustodial parent** is the parent who is not the custodial parent.
- (10) A child may be treated as the QC of the noncustodial parent for purposes of claiming the QC as a dependent, and for the child tax credit, the additional child tax credit, and the credit for other dependents (but not the EITC, dependent care credit, or HOH), if all of the following applies:
 - The child received over half of their support for the calendar year from the parents. In the case of the remarriage of a parent, support received from the parent's spouse shall be treated as received from the parent.
 - The child is in the custody of one or both parents for more than half of the calendar year.
 - The custodial parent completes and signs the Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, which provides that the custodial parent will not claim the child as a dependent for the taxable year in question, or for a number of years, which includes the taxable year in question. The custodial parent

may, in lieu of the Form 8332, sign a similar statement containing the same information required by the Form 8332.

- (11) The following tests must also be met for the noncustodial parent to claim the child as a dependent:

Test	Requirement	Verifying Information
Citizen, National, or Resident Test	The taxpayer's dependent must be a U.S. citizen, national, or U.S. resident alien, or a resident of Canada or Mexico.	Birth certificate, driver's license, school records, library card, green card, or INS documents

Support Test	<p>Additionally, if the support of a child is not determined under a multiple support agreement and if all the following are met:</p> <ol style="list-style-type: none"> 1. The parents are divorced or legally separated under a decree of divorce or separate maintenance, or separated under a written separation agreement, or lived apart at all times during the last 6 months of the calendar year. 2. One or both parents provide more than half of the child's total support for the calendar year. 3. One or both parents have custody of the child for more than half of the calendar year. 4. The custodial parent releases a claim to an exemption for the child by a written declaration, as prescribed by the regulations, and the noncustodial parent attaches the release to their tax return. 	<p>Divorce or separation agreement. Form 2120, Multiple Support Declaration, if provided by taxpayer. The U.S. Tax Court issued a decision on the use of Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, in <i>King v. Commissioner</i> (121 TC 245), September 26, 2003. Under the ruling, the use of Form 8332 may also apply to never married parents of minor children, if they have lived apart at all times during the last 6 months of the calendar year. The Form 8332 was revised to delete all references to the requirement that the custodial and non-custodial parents must be or have been married to each other before the special support tests apply. For Examination, if a signed Form 8332 is submitted during the audit, the non-custodial parent is treated as providing more than half the support for the year, and is entitled to the exemption if the other 4 dependency tests are met (relationship/member of Household, citizen, national, or resident, gross income; joint return) provided that one or both parents furnish over half of the child's total support for the year. This applies whether or not the parents of the child were ever married. This also means that under IRC 152(e)(1), the never married custodial parent living apart from the child's other parent is entitled to a presumption of greater than 50 percent of support on the same basis as the custodial parents who are divorced or legally separated under a written agreement. Please refer to IRM 4.19.15.11.2, Processing Taxpayer Replies, for additional guidance when evaluating Form 8332.</p>
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- (12) Additionally, a married filing joint status is allowed for the taxpayer and their spouse if they meet the following requirements.

Requirement	Verifying Information
Neither the taxpayer nor the taxpayer's spouse is a dependent of another taxpayer. See the Joint Return Test exception for Dependents in Publication 17, Your Federal Income Tax (For individuals).	If the taxpayer is claimed as a dependent on another taxpayer's return, and the taxpayer says they should not be claimed on the other taxpayer's return but is self-supporting, taxpayer needs to provide documentation showing self-support. Some examples are: utility bills, rent or mortgage receipts, property tax bills. These items can be used as proof of self-support and residence.
If married filing joint,	Marriage certificate
If the taxpayer's spouse died during the year and the taxpayer did not remarry by end of year, the taxpayer may use the married filing joint filing status.	Death certificate and, if remarried, marriage certificate showing new marriage after last day of tax year.

Note: A taxpayer may file a separate return and claim self if they are not the dependent of another taxpayer.

4.19.14.6.6
(12-07-2018)
Closing Actions

- (1) See IRM 4.19.13.30, Campus Exam Closing Actions.

4.19.14.6.7
(07-13-2022)
Prior Year Earned Income (PYEI)

- (1) For tax year (TY) 2020, a taxpayer can elect to use their TY 2019 earned income (PYEI) to calculate the Earned Income Credit or Additional Child Tax Credit if their TY 2019 earned income is more than their TY 2020 earned income. The taxpayer can apply the election to either credit or both credits, even if they did not have earned income.
- (2) For tax year (TY) 2021, a taxpayer can elect to use their TY 2019 earned income (PYEI) to calculate the Earned Income Credit if their TY 2019 earned income is more than their TY 2021 earned income. The taxpayer can make the election even if they did not have earned income.

Note: The taxpayer cannot elect to use their TY 2020 earned income to calculate the Earned Income Credit on the TY 2021 return.

- (3) Examiners should verify the taxpayer's reported 2019 earned income on the current year's return, by reviewing the TY 2019 tax return using CC TRDBV, CC RTVUE or the Employee User Portal (EUP), and if necessary, obtain the amended TY 2019 return. Examiners can use CC TXMOD to view changes to the tax return. See IRM 21.6.3.4.2.7.4, EITC Earned Income, to assist with the earned income determination.

If	And	Then
The reported 2019 earned income matches the earned income on the TY 2019 tax return	The TY 2019 earned income is more than the current year earned income	Allow the taxpayer's election.
The reported 2019 earned income matches the earned income on the TY 2019 tax return	The TY 2019 earned income is less than the current year earned income	Do not allow the taxpayer's election. Remove the TY 2019 earned income (PYEI) from RGS Return Setup, if applicable. Inform the taxpayer the election is disallowed because the TY 2019 earned income is less than the current year earned income.
The reported 2019 earned income does not match the earned income on the TY 2019 tax return	The TY 2019 earned income is more than the current year earned income	Allow the taxpayer's election for the amount of TY 2019 earned income (PYEI). Update RGS Return Setup. Inform the taxpayer the election is allowed for the amount of the reported TY 2019 earned income.
The reported 2019 earned income does not match the earned income on the TY 2019 return	The TY 2019 earned income is less than the current year earned income	Do not allow the taxpayer's election. Remove the TY 2019 earned income (PYEI) from RGS Return Setup, if applicable. Inform the taxpayer the election is disallowed because the TY 2019 earned income is less than the current year earned income.

4.19.14.6.8
(12-11-2019)
**Problem Correction
Reports**

- (1) The following reports allow the sites to identify pre-refund cases where the refund was held with a TC 810 and may have been processed incorrectly. Examiners will follow these procedures for correct resolution of the cases.

- (2) The reports are to be worked within fourteen days of posting to Control "D" to ensure that taxpayer refunds are issued timely. The reports are important because they detect taxpayer refunds held for excessive periods or detect EITC Recertification indicators not released timely.
- (3) The reports should be annotated to reflect the status of the cases, and necessary actions taken as outlined below. The reports follow the monthly AIMS reporting cycle, but do not generate a report in January. The annotated reports should be retained for six months.
- (4) The sites are required to send a summary confirmation via e-mail detailing the results or trends for each report to their respective W&I Headquarter (HQ) Analyst.
 - For EITC reports #2, #3 and #5, send results to the EITC Recertification Program Analyst.
- (5) In addition, HQ may randomly ask the sites to provide copies of the annotated reports.
- (6) The following table explains procedures which should be followed for working the EITC Reports numbers 1, 2, 3, 4 and 5.

Report	If Account has:	Then
REPORT # 1 Removed as of Cycle 2010 - 08		
REPORT # 2 TC 810 TC 421 and No TC 811	Credit balance and TC 300 for 0, DC 02	Release refund with TC 811
	Credit balance and DC other than 02	Determine if TC 810 should be released. (Case file may need to be pulled and reopened if closed in error).
REPORT # 3 TC 810, TC 811, TC 420, and No TC 421	Been reviewed and it is determined that the account had a refund released in error (Pull case file if necessary)	Continue the audit.
	Been reviewed and it is determined that the account has been properly resolved (Pull case file if necessary)	Input TC 421.
REPORT # 4 Removed as of tax year 2012		

Report	If Account has:	Then
REPORT # 5 TC 150 and TC 810-3 (posting the same cycle as the TC 150) TC 300 - DC 02	A recertification indicator is present on ENMOD, and a determination can be made to release the recertification indicator	Input TC 971 action code 056, Input TC 811.
	A recertification indicator is present on ENMOD, and a determination has been made that an incorrect disposal code was used . Do not release recertification indicator.	

Note: Annotate the 810 listing with action taken. Retain listing for six (6) months.

4.19.14.7
(03-12-2021)
Recertification

- (1) For years after 1996, taxpayers whose EITC was denied or reduced under deficiency procedures must attach Form 8862, Information to Claim Certain Credits After Disallowance, to the next tax return to claim EITC.
- (2) Additionally, for any years after 2015, taxpayers whose CTC, ACTC, ODC or AOTC was denied or reduced under deficiency procedures must attach Form 8862 to the next tax return to claim those credits. Because the ODC is part of the CTC, taxpayers whose ODC is denied or reduced under deficiency procedures must attach Form 8862 to claim the CTC, ACTC, or ODC in a future year.
- (3) The recertification indicator 1 will be set at the National Accounts Profile (NAP) when:
 - EITC is denied and a TC 30X and TC 765 posts to the account
 - CTC/ACTC/ODC is denied and a TC 30X and Reason Code 181 posts to the account

Note: The adjustment to the amount of CTC plus ACTC plus ODC during the audit must be less than the combined amount of CTC plus ACTC plus ODC per return. For example, an increase to CTC of \$1,000 with a decrease to ACTC of \$1,000 will not set the indicator.

 - AOTC is denied and a TC 30X and Reason Code 178 posts to the account
- (4) EITC cases that have a recertification indicator 1 will be selected under the following project codes:
 - PC 0694 - Full scope EITC
 - PC 0257 - Schedule C and full scope EITC
 - PC 0027 - Full scope EITC with 2-year ban proposed

- PC 0028 - Schedule C and full scope EITC with 2-year ban proposed
- PC 0903 - Pick-up of Recertification case (Prior Project Code 0694)
- See IRM 4.19.13.3.1, Standard 1 - Adequate Consideration of Significant Issues, for more information on audit scope expansion.

- (5) If the EITC, combined CTC/ACTC/ODC, or AOTC is disallowed or reduced, a CP 79 will be sent to the taxpayer informing them that the credits were disallowed and that they will be required to file Form 8862 to recertify the next time they claim the credit. A recertification indicator will remain on the account until the taxpayer recertifies.

Note: If the taxpayer files the subsequent year's return claiming EITC with no qualifying child(ren), the taxpayer is not required to attach Form 8862 to recertify. The EITC will be allowed and the Recertification Indicator IS NOT REMOVED. The taxpayer will be required to recertify for the next year that EITC with a qualifying child is claimed.

- (6) Credits claimed by taxpayers who are required to recertify but do not attach Form 8862 to their next return will be denied through Math Error procedures during the processing of the tax return under IRC 6213(g)(2)(K), (P), and (Q).
- (7) Master File programming automatically removes the recertification indicator (RI) 1 or 9 when a case is closed and the taxpayer receives the full EITC, CTC/ACTC/ODC, or AOTC claimed under the conditions detailed below:

EITC

1. TC 300 for \$0 amount containing Disposal Code 02 if the module contains TC 764 or TC 768, or
2. TC 421 with a Disposal Code 20 if the module contains a TC 764 or TC 768, or
3. Current posted TC 764 with an amount equal or exceeds a prior TC 765 with doc. code 47.

Note: All other conditions or Disposal Codes will still require the manual removal of the RI. This is done by inputting TC 971 AC 056.

CTC/ACTC

1. TC 300 for \$0 amount with a Disposal Code of 02 and the reason code 185 is input, or
2. TC 421 with a Disposal Code of 20 and the Tax Module contains a TC 766 CRN 336 or
3. Current posted TC 766 CRN 336 with an amount equal or greater to the amount of a prior posted TC 767 Doc code 47 with CRN 336.

Note: All other conditions or Disposal Codes will still require the manual removal of the RI. This is done by inputting TC 971 AC 161.

AOTC

1. TC 300 for \$0 amount of Disposal Code 02 and Reason Code 184 is input, or
2. TC 421 with a Disposal Code of 20 and the Tax Module contains a TC 766 CRN 260, or

3. Current posted TC 766 CRN 260 with an amount equal or greater to the amount of a prior posted TC 767 Doc code 47 with CRN 260.

Note: All other conditions or Disposal Codes will still require the manual removal of the RI. This is done by inputting TC 971 AC 160.

- (8) When working a taxpayer's response on a Recertification case, research the prior audit information in Correspondence Examination Automation Support (CEAS) to determine if the prior audit adjustments are relevant to the credits under current examination. The prior year audit must be researched and documented in the workpapers per IRM 4.19.13.6, Workpapers for All Cases. Listing the IDRS command used to perform the research is not sufficient. Relevant information includes all prior phone contacts and written correspondence, as well as the facts and circumstances that are similar or different in making a determination in the current year.
- When a case is no changed, use the information from the prior year research to document the workpapers to explain why the credit disallowed in the prior year examination is allowable in the current examination.
 - If the research of the prior year audit shows that the taxpayer was clearly informed of the rules and regulations and they recklessly or intentionally disregarded the rules and regulations for claiming the credits in the current year, then, the 2-year ban should be considered based on the facts and circumstances of both the prior year and current audit. The workpapers must clearly outline the reasoning for assertion and non-assertion of the 2-year ban. See IRM 4.19.14.7.1, 2/10 year ban - Correspondence Guidelines for Examination Technicians (CET), for assertion of the 2-year ban.
- (9) When Recertification Indicator 1 is removed by input of TC 971 AC 056 (EITC), AC 160 (AOTC), AC 161 (CTC/ACTC/ODC), Master File will send a CP 74 to the taxpayer. The CP 74 informs the taxpayer they have recertified, and will receive a refund within 6 weeks, provided the taxpayer owes no other taxes or debts.
- (10) The entity module (IMFOLE or ENMOD) will reflect the Recertification Indicator (RI) 1 or 9, the 2 (RI 2) or 10 (RI 4) year ban indicator, the tax period the ban was set, and the eligible tax period when the taxpayer can claim the credits. The following table explains the RI and the action required:

If the RI is:	And	Then
Blank or 00		Recertification is not required.
1		Recertification is required.
9		Recertification is required.
2	The tax year is < the -EL-TXPD field and > the -TXPD field	Taxpayer is under a 2-year ban and not eligible for the applicable credit(s).
2	The tax year is > or = to the -EL-TXPD field	Recertification is required.

If the RI is:	And	Then
3	The tax year is < the -EL-TXPD field	The taxpayer recertified after the 2 or 10 year ban expired. However, the 2 or 10 year ban is still in place for the banned years.
3	The tax year is > the -EL-TXPD field.	Recertification is not required.
4	The tax year is < the -EL-TXPD field and > the -TXPD field	Taxpayer is under a 10-year ban and not entitled to the credit.
4	The tax year is > or = to the EITC-EL-TXPD field	Recertification is required.

4.19.14.7.1
(01-03-2023)

**2/10 Year Ban -
Correspondence
Guidelines for
Examination Technicians
(CET)**

- (1) The **2-year ban** applies when a deficiency is proposed, and it is determined that a taxpayer recklessly or intentionally disregarded the EITC, CTC/ACTC/refundable CTC/ODC or AOTC rules and regulations when claiming the credit(s). The 2-year ban should be considered by the technician on every EITC, CTC/ACTC/refundable CTC/ODC or AOTC deficiency case. The CET must consider a variety of facts when determining whether the 2-year ban should be imposed. A taxpayer's failure to respond adequately or not respond at all does not in itself indicate that the taxpayer recklessly or intentionally disregarded the rules and regulations.

Note: For a penalty or ban to apply to the CTC, ACTC, refundable CTC or ODC, the total combined amount of the credits must be decreased as a result of a deficiency examination.

Example 1: In the example below, the net adjustment to CTC/ACTC/ODC is a disallowance of \$1,200. The penalty and ban can be asserted.

Credit	Per Return	Per Audit	Adjustment
CTC	\$1,800	-0-	\$1,800
ACTC	\$4,200	\$2,800	\$1,400
ODC	\$500	\$2,500	(\$2,000)
Total Change			\$1,200

Example 2: In the example below, the net adjustment to CTC/ACTC/ODC is zero.

The penalty and ban do not apply.

Credit	Per Return	Per Audit	Adjustment
CTC	-0-	\$600	(\$600)
ACTC	\$5,400	\$2,800	\$2,600

Credit	Per Return	Per Audit	Adjustment
ODC	-0-	\$2,000	(\$2,000)
Total Change			-0-

(2) Upon receipt of correspondence the Correspondence Exam Technician's (CET) decision to assert the 2-year ban or not for each credit needs to be documented and must show the reason for the determination on Form 4700, Examination Workpapers. The CET must do the following:

- Review the documentation submitted by the taxpayer
- Determine whether the 2-year ban should be asserted based on applicable tax law, and
 1. the taxpayer's documentation,
 2. taxpayer contact,
 3. IDRS research,
 4. Prior year CEAS workpapers.
- Clearly document workpapers as indicated in IRM 4.19.13.6, Workpapers for All Cases, including the decision and reason to impose or not impose the 2-year ban.
- Get supervisory approval on CEAS as a Non-Action note prior to asserting the 2-year ban. See IRM 4.19.13.7.1.1, Supervisory Approval of Bans.

Note: Do not use standard statements such as, "The 2-year ban is applicable because taxpayer showed intentional disregard of the rules and regulations for EIC/CTC/ACTC/refundable CTC/ODC or AOTC". Proper workpaper documentation should clearly outline the audit steps taken and fully explain the decision to assert or not assert the 2-year ban.

(3) Tracking Code (TC) 6693 identifies systemic 2-year CTC/ACTC/refundable CTC ban cases. When TC 6693 is present, Automated Correspondence Exam (ACE) will insert RGS paragraph 7312 on the CTC issue and systemically set Items 51, 52, or 53 on Form 5344 to set reason code 182 and the CTC/ACTC/refundable CTC 2-year ban at closing.

- If the taxpayer does not reply, the 2-year ban will systemically post to Master File along with the CTC/ACTC/refundable CTC disallowance.
- If after reviewing the taxpayer's correspondence the determination is made that the 2-year CTC/ACTC/refundable CTC ban will continue to be asserted, the CET must do the following:
 - a. --- Follow the guidance provided in paragraph 2 on obtaining supervisory approval and documenting the workpapers.
 - b. --- Enter RC 182 on Form 5344 and validate.
- If after reviewing the taxpayer correspondence the determination is made that the 2-year CTC/ACTC/refundable CTC ban is not warranted, or the case can be closed no change, the CET must do the following:
 - a. --- Document the workpapers to include the decision and the reason not to continue with the systemic 2-year ban.
 - b. --- Manually remove paragraph 7312 from the CTC issue.
 - c. --- Pre-validate Form 5344.

- (4) See below for the assertion of the 2-year ban. The supervisor must review the entire case file and ensure the following:

- the workpapers are documented according to IRM 4.19.13.6, Workpapers for All Cases, including the decision and reason to impose or not impose the 2-year ban, and
- the decision to assert the 2-year ban is warranted.

The supervisor must input a CEAS non-action note to approve the assertion of the 2-year ban.

- (5) Once approval is received from the supervisor, the CET will do the following:

- Write an 886-A explanation to the taxpayer clearly explaining the reason for the assertion of the 2-year ban
- Take the appropriate steps in RGS to assert the 2-year ban
- Complete Form 5344 by inputting:
 - a. For EITC, TC 300, 765, 240 (reference code 680) and either the priority code 6 or 7.
 - b. For CTC/ACTC/refundable CTC/ODC, TC 300, Reason code 182.
 - c. The AOTC, TC 300, Reason code 179.

Validate and save Form 5344 to complete the assertion of the 2-year ban.

- (6) When the case closes and the ban is being imposed, Master File will mail CP 79A to the taxpayer explaining that the 2-year ban was applied and what they need to do in the future.
- (7) Recertification indicators to identify the 2/10 year bans are found on IDRS CC ENMOD and IMFOLE.

Note: When an ACTC recertification indicator is present, it includes CTC, refundable CTC and ODC.

Example: The taxpayer's 2019 return was audited, ACTC was disallowed under deficiency procedures and a 2-year ban on claiming the ACTC was set. The taxpayer is banned from claiming CTC, refundable CTC, ACTC, and ODC in the ban years.

ENMOD will display:

1. EITC/ACTC/AOTC- RECERT-IND -"2" (2-year ban) or "4" (10-year ban)
2. EITC/ACTC/AOTC- TXPD - tax year the ban was set
3. EITC/ACTC/AOTC- EL-TXPD - the tax year the taxpayer's ban expires, and the taxpayer is subject to Recertification

IMFOLE will display:

1. EITC/ACTC/AOTC -"2" (2-year ban) or "4" (10-year ban)
2. EITC/ACTC/AOTC - RECRT TXPD - tax year the ban was set
3. EITC/ACTC/AOTC - ELG TXPD - the tax year the taxpayer's ban expires, and the taxpayer is subject to Recertification

- (8) The following table provides a starting point to help determine if the 2-year ban is appropriate. All decisions must be made on the facts and circumstances of the case. This table is not all-inclusive.

If	And	Then
This is the first year EITC, CTC/ACTC/refundable CTC/ODC, or AOTC was audited	The TP has responded, you must speak with the taxpayer before you recommend assertion of the ban. Based on the information received and your conversation with the taxpayer, the taxpayer shows they had prior knowledge of the rules and regulations for claiming one or more of the credits, but chose to take it anyway	Assert the ban on each of the credits to which it applies, and include the specific details that showed the taxpayer had prior knowledge of the rules and regulations.
This is not the first year the taxpayer was audited for EITC, CTC/ACTC/refundable CTC/ODC, or AOTC and the taxpayer was disallowed EITC, CTC/ACTC/refundable CTC/ODC, or AOTC in a prior audit	The prior year's Statutory notice was not undeliverable. - and - Inadequate documentation is received from the taxpayer and the case results in the one or more of the credits being disallowed again	Based on prior year research, including workpapers and CEAS notes; the documents received, or any telephone calls, consider applying the two-year ban on each of the credits to which it applies. Document the workpapers with the specific details that led to the decision to recommend the ban.
Insufficient documentation is received for the current audit and the case results in the EITC, CTC/ACTC/refundable CTC/ODC, or AOTC being disallowed again	The TP indicates they clearly feel they are eligible, and are attempting to prove eligibility and it is clear they do not understand	Consider the taxpayer's lack of understanding before considering asserting the ban because inadequate documentation received from the taxpayer in itself does not show intentional disregard of the rules.

- (9) The 10-year ban applies when a deficiency is proposed, and it is determined that a taxpayer fraudulently claimed EITC, or for tax years after 2015, fraudulently claimed the EITC, CTC/ACTC/refundable CTC/ODC or AOTC. See IRM 25.1, Fraud Handbook, and IRM 4.19.10.4, Fraud Referrals, for procedures.
- (10) The 10-year ban should be considered when the technician identifies a return which has indicators of fraud. If the Manager/Team Leader concurs, the tax examiner will initiate a Form 13549, Campus Fraud Lead Sheet, (signed by the manager) for each tax year and refer the case to the Functional Fraud Coordinator (FFC) or Campus Fraud Coordinator/Exam Fraud Coordinator (EFC) for further evaluation. Some examples of fraud indicators may include:
- Apparent false statements from the taxpayer
 - Apparent altered or fictitious documents
- (11) If the FFC or CFC/EFC determines there is no fraud potential, the FFC or CFC/EFC will return the case through the manager annotating the reason for rejection within 21 days. However, the manager and tax examiner should consider asserting the 2-year ban if it applies on the returned case.

- (12) The W&I Fraud program is centralized in Austin, and the SBSE Fraud program is centralized in Brookhaven.
- (13) The 10-year ban is set when the following posts to Master File:
 - a. For EITC TC 300, 765, 320 (reference code 680) and either the priority code 6 or 7
 - b. For CTC/ACTC/refundable CTC/ODC, TC 300, Reason code 183
 - c. For AOTC, TC 300, Reason code 180
- (14) When the case closes and the ban is imposed, Master File will mail a CP 79B to the taxpayer explaining to the taxpayer that the 10-year ban was applied and what they need to do in the future.

4.19.14.7.1.1
(01-03-2023)

**Project Codes 0697 and
0698 - EITC Claimed
Under the 2/10 Year Ban**

- (1) Starting with tax year 2016, if a taxpayer claims EITC, CTC/ACTC/ODC, or AOTC while under a 2-year ban or 10-year ban for that credit, they will receive a math error notice and the credit will be disallowed.
- (2) Project Code 0697 - If the taxpayer claims EITC for tax years prior to 2016 while under the 2-year ban, the return will automatically be established on AIMS through the DDB in Project Code 0697. The CP 75C will be the initial contact letter informing the taxpayer their refund was delayed. RGS will systematically generate a Letter 3219, Statutory Notice of Deficiency. At this point, EITC eligibility is not the issue of this examination and the taxpayer should not be asked to send in qualifying documentation. We are simply notifying the taxpayer that the EITC is disallowed because there is a 2-year ban on the current tax period.
- (3) Project Code 0698 - If the taxpayer claims EITC for tax years prior to 2016 while under the 10-year ban, the return will automatically be established on AIMS through the DDB using PC 0698. The CP 75C will be the initial contact letter informing the taxpayer their refund was delayed. RGS will systematically generate a Letter 3219, Statutory Notice of Deficiency. At this point, EITC eligibility is not the examination issue, and the taxpayer should not be asked to send in qualifying documentation. We are simply notifying the taxpayer that the EITC is disallowed because there is a 10 year-ban on the current tax period.
- (4) For tax years prior to 2016, when taxpayers under the 2/10 year ban call or write in responding to receiving a Letter 3219, Statutory Notice of Deficiency, CETs will:
 - Inform the taxpayer they are under the 2- or 10-year ban and they cannot claim EITC until the ban expires.
 - Refer them to Publication 596, Earned Income Credit (EIC), Chapter 5, which explains the date on which EIC was denied and the date on which the taxpayer files their tax return affects the years the taxpayer is prohibited from claiming the EIC.

Note: The date the TC 300, TC 765, TC 240 (2-year ban trigger) or TC 320 (10-year ban trigger) posts to Master File is the date the ban was imposed. The ban will apply to any tax return due after this date.

Example: Taxpayer claimed EITC on their 2014 tax return, which was filed in March 2015. In October 2015, the IRS denied the claim and determined that there was reckless or intentional disregard of the EITC rules. The taxpayer cannot claim EITC for tax year 2015 or 2016. If they wish to

claim the EITC for the next year, 2017, the taxpayer must complete and file Form 8862, Information To Claim Certain Credits After Disallowance.

Example: The facts are the same as in the above example, except that the IRS did not disallow the 2014 EITC until after the 2015 tax return was filed. The taxpayer would not be able to claim EITC for tax year 2016 and 2017. The taxpayer would be required to recertify in tax year 2018, if claiming EITC with a qualifying child(ren).

- (5) If the taxpayer believes the 2-year ban was incorrectly applied, they must first request audit reconsideration for the year the ban was asserted. Advise the taxpayer that they must provide documentation to show that they are entitled to the credit, or although not entitled to the credit, they did not recklessly or intentionally disregard the EITC rules for the year the ban was imposed and not on the current tax period.

Example: The facts are the same as in the first example, except the taxpayer is under a 10-year ban. Because the taxpayer is banned from claiming the EITC for 2015 through 2024 (the 10 years that are banned), they must first request audit reconsideration for 2014 (the exam year the ban was asserted) and provide supporting documentation for tax year 2014, verifying that the ban was incorrectly applied.

Note: For tax years prior to 2016: If the time to petition the Tax Court has not expired, remind the taxpayer of the following: “Your time to petition the United States Tax Court will end on _____. (Insert or tell taxpayer last date to petition.) However, you may continue to work with us to resolve your tax matter, but we cannot extend your time to petition the United States Tax Court beyond _____. (Insert or tell taxpayer last date to petition)”. If the time to petition the Tax Court has expired, inform the taxpayer of the following: “Your time to petition the United States Tax Court expired on _____. (Insert or tell taxpayer last date to petition.)”. However, if new information is submitted, we will re-evaluate our determination accordingly.

- (6) If the taxpayer believes the 10-year ban was incorrectly applied, they must first request audit reconsideration for the exam year the ban was asserted. Advise the taxpayer that they must provide documentation to show that they are entitled to the credit, or although not entitled to the credit, they did not fraudulently claim the credit for the exam year the ban was imposed and not on the current tax period.

Note: The request for 10-year ban Audit Reconsideration should be forwarded to the Austin EFC to review.

4.19.14.7.1.2
(12-11-2019)
**Telephone Guidelines
for Exam Employees**

- (1) For tax years prior to 2016, when a taxpayer under the 2-year ban calls in responding to receiving a Statutory Notice of Deficiency, Letter 3219, the CET will:
- Inform the taxpayer they are under the 2-year ban and they cannot claim EITC until the ban expires. The CET can inform the taxpayer that Pub 596, chapter 5, explains when the ban expires if the taxpayer needs additional information regarding the 2-year ban.

- Research IDRS command codes per IRM 4.19.14.7.1 to determine what year the 2-year ban was asserted and when the ban expires. Inform the taxpayer of the years under the ban and the year when they are eligible to recertify. Explain to the taxpayer that they will need to attach Form 8862 to their return to recertify the first year they file for EITC with qualifying children after the ban expires.
- If the taxpayer agrees with the ban, inform them that they do not need to submit any documentation for the year under the ban. If the taxpayer feels they should not have been banned, review eligibility for audit reconsideration in IRM 4.13.1.4, Criteria for Reconsideration.

Note: For tax years prior to 2016: If the time to petition the Tax Court **has not** expired, remind the taxpayer of the following: “Your time to petition the United States Tax Court will end on _____. (Insert or tell taxpayer last date to petition.) However, you may continue to work with us to resolve your tax matter, but we cannot extend your time to petition the United States Tax Court beyond _____. (Insert or tell taxpayer last date to petition.)” If the time to petition the Tax Court **has** expired, inform the taxpayer of the following: “Your time to petition the United States Tax Court expired on _____. (Insert or tell taxpayer last date to petition.)”

4.19.14.7.1.3
(01-01-2007)
Petitions to Tax Court

- (1) **For tax years prior to 2016:** If the taxpayer petitions the tax court, in addition to the petitioned year, Counsel requires the case file from the tax year the ban was first applied to properly defend the government's position. This will require the campus to request the closed administrative cases from files.
- (2) The petitioned year case file must include the tax year the ban was applied. In addition to the RGS case file, work papers and all correspondence received for the ban tax period must be included.

4.19.14.7.1.4
(11-02-2017)
**Audit Reconsideration
2/10 Year Ban**

- (1) See IRM 4.13.3.17, Audit Reconsiderations EITC 2/10 Year Ban, for more information if a taxpayer requests a reconsideration of a tax year while under a 2- or 10-year ban.

4.19.14.7.1.5
(01-03-2023)
**Project Codes 0027 and
0028 – EITC
Recertification with a
Proposed 2 Year EITC
Ban**

- (1) Recertification cases selected under Project code 0027 and 0028, include a systemic proposal for the assertion of the 2-year ban based on specific selection criteria. The initial contact letter includes a paragraph informing the taxpayer that the 2-year ban may be asserted and include the following:

Project Code 0027 Letters, Attachments, and Issues	Project Code 0028 Letters, Attachments, and Issues
<ul style="list-style-type: none"> • CP 75/CP 75A with fill ins: EITC Recertification 2 year EITC ban • Form 886-H-EIC (for appropriate tax year). • Form 886-H-DEP (for appropriate tax year) • Form 14824 (beginning with tax year 2021) • Form 886-H-HOH (for appropriate tax year) • Form 886-H-AOC • Publication 3498 -A • Publication 4134 • Return envelope 	<ul style="list-style-type: none"> • CP 75/CP 75A with fill ins: EITC Recertification 2 year EITC ban Schedule C • Form 886-H-EIC (for appropriate tax year). • Form 886-H-DEP (for appropriate tax year) • Form 14824 (beginning with tax year 2021) • Form 886-H-HOH (for appropriate tax year) • Form 886-H-AOC • Form 11652 • Publication 3498-A • Publication 4134 • Return envelope

Note: Beginning with tax year 2021, Form 14824 superseded Form 886-H-HOH. The Form 886-H-HOH will continue to be used for Tax Years 2018, 2019, and 2020.

- (2) The taxpayers will be requested to provide documentation to prove they are entitled to claim the EITC.
- If the taxpayer does not reply, the 2-year ban will systemically post to Master File along with the EITC disallowance.
 - If the taxpayer replies, the documentation received must be evaluated and the procedures per IRM 4.19.14.7.1 must be followed which includes:
 - Making a determination whether the 2-year ban is applicable
 - Getting supervisory approval to continue the assertion of the 2-year ban per IRM 4.19.13.7.1.1, Supervisory Approval of Bans.
 - Providing a detailed explanation to the taxpayer clearly stating the reason for the assertion of the 2-year ban. The standard RGS explanation is not sufficient when correspondence is received.

4.19.14.8
(01-01-2024)
Dependent Database

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- (2) Returns are sent through the DDB as the return is processed. If the return is selected for an EITC rule break, based on the scoring methodology and the business rules, the refund will be held with a TC 810 at the Master File. Most EITC audits will have the CP 75 notice series generated to alert the taxpayer that their refund will be held pending an examination. The case will open on AIMS in Employee Group Code 5014. Some EITC audits are initiated through the Filer Bridge and will have Letter 566-S issued as the ICL.
- (3) EITC selected cases will be sent to the RGS server to the site based on the case assignment.

Note: All pre-refund cases opened through DDB will have the portion of the refund not in question released upon issuance of the initial contact letter using a systemic TC 811 reversal through RGS/CEAS. When a TC 421 is recognized in an account that has had this unique TC 810, a TC 811 will automatically generate, thus releasing the remaining credit.

- (4) DDB will not select EITC cases with any of the following conditions:

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- (5) DDB will not select Non-EITC cases with any of the following conditions:

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- (6) The tax examiners will be able to access DDB for the Classification Viewer Sheet using Command Codes DDBOL or DLITE.
- Command Codes (CC) DDBOL and DLITE are designed to allow the tax examiners access to the Dependent Database rules fired and other information.
 - Tax Examiners will be able to view the rules, any cross-referenced SSN and any other information that is on the DDB.
 - These command codes can be used on any EITC or Non-EITC program since all returns will be scored (even if not selected) through the DDB.
 - CC DDBOL or DLITE **must** be used to work the DDB cases. The information obtained from this command code will act as the classification sheet.
 - Command Code DDBKD allows access to the DDB using the child's

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- (8) If the custodial information on the DDB is incorrect, ask the taxpayer to supply documentation to verify the residency requirement for the Earned Income Tax Credit (EITC). If the taxpayer can provide proof of the residency, allow the EITC if the taxpayer meets all other tests for EITC.
- (9) Information on each taxpayer is stored on DDB with the current year and the two prior years starting with tax year 2000.

4.19.14.8.1
(05-07-2021)
Schedule C Filters

(1) **Initial Criteria**

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(2) Filters

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Cat. No. 48152P (12-07-2023)
Any line marked with a #
is for **Official Use Only**

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4.19.14.8.1.1 (1) Initial Criteria
(01-01-2024)
Schedule C Loss Filters

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(2) **Filters**

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4.19.14.8.2
(03-01-2019)**Third Party Affidavit for Residency**

- (1) Beginning with tax year 2018, W&I Correspondence Exam will accept Form 14086, Qualifying Children Residency Statement - Third Party Affidavit, as an option for project codes (PC) 1031 and 1032, allowing taxpayers to verify the residency of qualifying children that have been claimed for EITC.
- (2) The taxpayer can submit Form 14086 instead of the documents listed on Form 886-H-EIC to verify the residency requirements for each child the taxpayer claims on their return for EITC. The taxpayer is not required to use Form 14086.

Note: Form 14086 verifies residency **only**. All other tests, including relationship, must still be met and documentation submitted.

- (3) PC 1031 is used for post-refund audits. PC 1032 is used for pre-refund audits.
- (4) The Filer Bridge is used to issue the initial contact letter, Letter 566-S, and Form 14086.
- (5) All fields on Form 14086 must be completed **fully**. If Form 14086 is incomplete, it will **not** be accepted.
 - a. The taxpayer and the third party source must both sign and date the affidavit. If a joint return is filed, both taxpayers must sign Form 14086.
 - b. Part I is completed by the taxpayer.
 - c. Part II must be completed and signed by the person verifying the residency of the child(ren). Only authorized sources listed on Form 14086 can verify the residency of the child(ren). The Form 886-H-EIC has the same sources for residency verification.
 - d. Authorized sources include the following:
 - Child Care Provider
 - Health Care Provider
 - Social Service or Other Government Official
 - Court or Placement Agency Official
 - Employer
 - Landlord or Property Owner
 - School official
 - Indian Tribal Official
 - Clergy

Note: The authorized person cannot be a relative of the taxpayer or the qualifying child.

- (6) Documents must be for the same year under examination.
- (7) Below are possible reasons for rejecting Form 14086 (not all inclusive):
 - Partial time frame
 - Non-acceptable source
 - Illegible
 - Missing signature(s)
 - Appears to be fraudulent
 - Did not include address or used a PO Box as the address
 - Wrong year
 - Date(s) not listed on document

- (8) Use the Exam Project Code Search tool when answering taxpayer calls regarding PC 1031 and PC 1032.

4.19.14.8.3
(01-03-2023)
**Premium Tax Credit
(PTC)**

- (1) DDB identifies potentially non-compliant taxpayers claiming Premium Tax Credit (PTC) for compliance treatments. The programming determines the appropriate treatment for returns identified, either Automated Questionable Credit (AQC) processing, Exam audit or non-treatment. Returns are identified in pre-refund environment to ensure revenue protection. The programming has ACE/ Batch integration to provide data on the error conditions to aid with report writing capabilities. Additional functionalities include storing data on rule breaks for scored and selected returns, developing and retrieving reports through Business Objects, and populating data in CC DLITE on the PTC error codes.
- (2) **Error Codes**
- a. PTC error codes will be prioritized depending on the severity of the error. The PTC error code identifies the specific Exam or AQC issue that needs to be evaluated.

PTC Error Code	Explanation
189	
190	Taxpayer reports APTC repayment on Form 1040 or 1040A, but does not attach Form 8962 - (exchange data indicates coverage with record of APTC received)
191	Taxpayer claimed the PTC; however, the taxpayer household income is less than 100 percent of the Federal Poverty Level (FPL) - (exchange data indicates coverage with no record of APTC received)

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PTC Error Code	Explanation
193	<ul style="list-style-type: none"> Taxpayer reports a greater family size to the Exchange that does not equal the family size reported on the return, or Taxpayer indicates an Alternate Calculation of Marriage (ACM) by providing one or more ACM entries on Form 8962, but: <ol style="list-style-type: none"> Does not complete all of the entries, or The start month is before the stop month
194	Taxpayer indicates an allocation by providing one or more allocation entries on Form 8962, but: <ol style="list-style-type: none"> Does not complete all of the required items, or Has a start month before the stop month
195	Taxpayer claims PTC, but no one claimed on the return was enrolled in a QHP through the Exchange.
196	<ul style="list-style-type: none"> Taxpayer provides annual calculation, but Form 8962 includes entries for ACM or shared policy allocation, or Taxpayer completes annual calculation but Exchange data shows premium and SLCSP are not the same values for all 12 months or the taxpayer has less than 12 months of coverage

PTC Error Code	Explanation
197	<ul style="list-style-type: none">• When Exchange data is available for all months, the taxpayer's annual premium amount does not equal the computed exchange annual premium amount, or• When less than 12 months of Exchange data available, the taxpayer annual premium amount is not within the acceptable range with the exchange annual premium amount• For months in which exchange data is available, the taxpayer monthly premium amount does not equal the computed exchange monthly premium amount• For any month, the taxpayer monthly premium amount is not within acceptable range (based on November/ December business rules) with the exchange monthly premium amount

PTC Error Code	Explanation
198	<ul style="list-style-type: none"> • When Exchange data is available for all months, the taxpayer annual premium of SLCSP does not equal the computed exchange annual premium of SLCSP. • When less than 12 months of Exchange data available, the taxpayer annual premium of SLCSP is not within acceptable range (based on November / December business rules) with the exchange annual premium of SLCSP. • For months in which exchange data is available, the taxpayer monthly premium of SLCSP does not equal the computed exchange monthly premium of SLCSP. • For any month, the taxpayer monthly premium of SLCSP is not within acceptable range (based on November/ December business rules) with the exchange monthly premium of SLCSP.

PTC Error Code	Explanation
199	<ul style="list-style-type: none"> When Exchange data is available for all months, the taxpayer annual APTC received does not equal the computed exchange annual APTC received. When less than 12 months of Exchange data available, the taxpayer annual APTC received is not within acceptable range (based on November/ December business rules) with the exchange annual APTC received. For months in which exchange data is available, the taxpayer monthly APTC received does not equal the computed exchange monthly APTC received. For any month, the taxpayer monthly APTC received is not within acceptable range (based on November / December business rules) with the exchange monthly APTC received.
272	FS incompatible with ACM, filing status is not MFJ in F1040/ F1040A – Ineligible for ACM

b. Breakdown of individual PTC error codes:

- The PTC error codes assigned to Exam that will be worked in conjunction with EITC DDB rule breaks includes the following: 190, 191, 193,194,195, 196, 197, 198, and 199.
- The PTC error codes assigned to Exam that will be worked as single issue PTC includes the following: 190, 193, 194, and 196.

191, 195.

Note: For Error code 344. Submission Processing has math error authority to disallow during processing

(3) These are the PTC Flags.

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[illegible]

PTC Flag	CC DLITE Indicators	Explanation
PTC FLAG 7	913	<ul style="list-style-type: none"> The return is claiming PTC.
PTC FLAG 8	914	<ul style="list-style-type: none"> The return is claiming PTC.
PTC FLAG 9	902	<ul style="list-style-type: none"> The return is claiming PTC
PTC FLAG 10	903	<ul style="list-style-type: none"> The return is claiming PTC
PTC FLAG 11	904	<ul style="list-style-type: none"> The return is claiming PTC

Note: See the FPL in IRM 4.19.15.40.2(3) and (4), Common Terms.,

- (4) CC DLITE uses the DDB FAST (Filing Analysis Summary Table) which houses a consolidated view of taxpayer data and all filters fired across DDB compliance Projects. DLITE entered without a tax period provides a summary screen. DLITE entered with a tax period provides an at-a-glance view of many aspects of the taxpayer's tax return and project scoring details. See IRM 2.3.85, Command Code DFAST and DLITE. DDB FAST is loaded nightly; CC DLITE will be current the following morning.
- (5) Using CC DLITE, the tax examiners will be able to access DDB for the Classification Viewer Sheet.
 - DLITE is a command code designed to allow the tax examiners access to the Dependent Database.
 - Tax Examiners will be able to view the PTC Error codes, PTC Exposure Amount, PTC Amount, and Advanced PTC Amounts that represent the data available at the time the taxpayer filed their return.
 - The PTC Exposure Amount is the difference between the recomputed PTC based on CDR data at the time the return is filed compared to the taxpayer's calculation. This amount is used to prioritize case selection. The PTC Exposure Amount is the amount the taxpayer's account will be adjusted if the taxpayer does not respond to the audit letter. If the taxpayer does respond to the audit letter, additional research using CC IRPOLA is required to determine the correct amount of the adjustment.

- DLITE can be used on any Exam program since all returns will be scored (even if not selected) though the DDB.
- CC IRPOLA must be used to work reply cases. IRPOLA reflects the most accurate information for evaluating a taxpayer’s reply.
- DLITE must be used to initiate the PTC cases. The information obtained from this command code will act as the classification sheet.
- Refer to IRM 4.19.14.4, Program Description, for the applicable PTC project codes.

Note: Refer to IRM 4.19.15.40.6, Creating the PTC Issue(s), for information about error codes and flags for discretionary cases.

Note: Refer to IRM 4.19.14.9.2, QRP Source Codes and Project Codes, for other related project codes.

Note: Refer to IRM 4.19.14.20, EITC and Premium Tax Credit Procedures, for information about examination with PTC and EITC.

Note: Refer to IRM 4.19.15.40, Premium Tax Credit - IRC 36B, for initial report writing procedures, and initial issue creation and evaluating taxpayer responses.

4.19.14.8.4
(01-01-2024)
Non-EITC Filters

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(2) The table below provides a description of each Non-EITC DDB rule that will be displayed on IDRS using Command Code DLITE.

Rule ID	Rule Description
CTCA	
CTCB	
CTCC	
CTCD	
RCTA	
RCTB	

#

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Rule ID	Rule Description	
HCTB		#
		#
		#
HCTD		#
		#
		#
CDCA		#
		#
		#
CDCB		#
		#
CDCC		#
		#
CDCD		#
		#
CDCE		#
		#
CDCF		#
		#
CDCG		#
		#
CDCH		#
		#
CDCI		#
		#
CDCJ		#
		#
SFLC		#
		#
		#
CORA		#
		#
		#
CORB		#
CORC		#
CORD		#

4.19.14.8.5
(12-07-2018)
Pick-ups

- (1) The Pick-up Program consists of returns selected for audit because the prior year audit is still open at the time the subsequent return is filed. DDB systemically selects the subsequent return for audit when filed, if the prior audit is still open at the time of filing, and the return fires a DDB rule. Refer to IRM 4.19.14.4, Program Description, for a list of the specific project codes.
- (2) The examination is a full-scope audit and includes the disallowance of all dependents claimed on the return and any other tax credits and benefits claimed that are attributable to the dependent, such as Child Tax Credit, Child and Dependent Care Credit, Education Credit or Head of Household Filing Status.
- (3) The tax examiner must perform research on the prior year audit. A review of the prior year workpapers/audit information helps the tax examiner to identify which child(ren) was disallowed previously and if they are the same child(ren) claimed on the Pick-up return. Similarly, knowing whether the prior year return was adjusted due to lack of documentation, no response, or undeliverable assists the tax examiner with how to conduct the examination. The review of the prior year workpapers can affect the determination made in the year under examination.

4.19.14.9
(01-01-2024)
Questionable Refund Program (QRP)

- (1) Return Integrity Verification Operations (RIVO) identifies individuals filing false returns claiming questionable income and/or withholding (false or inflated), and refundable credits. RIVO handles cases with false withholding only via the Withholding Only Work (WOW) (Notice CP05A) Overview process per IRM 25.25.11.2.
- (2) Cases with false income and withholding only, or the ASED is 12 months or less are sent to AM for processing.
- (3) Cases with refundable credits in addition to the false/inflated income and withholding and the ASED is more than 12 months will be referred to Examination.

4.19.14.9.1
(01-01-2024)
QRP Referral Process

- (1) The Electronic Fraud Detection System (EFDS) will systemically send weekly files to DDB to filter cases and open selected Exam cases on AIMS and push files to RGS/CEAS.
 - (2) For the automated project codes 0173, 0584, 1303, and 1304 DDB will also send a file to systemically generate the CP 75D/75A notice as the initial contact letter (ICL).
- Note:** If PTC Error Code is other than 190, 191 or 195; Excess Advance Premium Tax Credit Issue or Premium Tax Credit Issue will not be automated. For these Project Codes (PC); Error Codes other than 190, 191 or 195 will be routed to B2 for manual creation of the APTC or PTC issue
- (3) All other QRP project codes require the manual preparation/issuance of the ICL. Filer Bridge may be used to generate the ICL for W&I cases.
 - (4) DDB will send a reject file back to EFDS weekly. A TC 971 AC 136 will be posted on the account of all L freeze rejects (TC 42X). The TC 971 AC 136 will cause the case to reject out of Batch to consider incorporating additional issues. See IRM 4.19.14.9.7, EFDS Referral/Open Exam, procedures for further instructions.

	<div>(5) Dependents, Filing Status, Health Coverage Tax Credit (HCTC), and American Opportunity Tax Credit (AOTC) may be additional examination issues on QRP cases. See IRM 4.19.14.2, Tax Law Changes, for tax law changes to refundable credits. See IRM 4.19.15.29, Health Coverage Tax Credit – IRC 35, for more information on HCTC and IRM 4.19.15.3.1, American Opportunity Tax Credit (AOTC) and Lifetime Learning Credit, for more information on AOTC.</div> <div>(6) All statutory adjustments apply when adjusting dependents or income.</div>	
<div>4.19.14.9.1.1 (01-01-2024) Prisoner Returns</div>	<div>Reason Code (ARC) 24.</div> <div>(2) The taxpayer should be incarcerated the entire tax year.</div>	<div>#</div> <div>#</div>
	<div>(4) Work as full scope audit. For the automated project codes 0173, 0584, 1309 and 1304, DDB will also send a file to systemically generate the CP 75D/CP 75A notice as the initial contact letter (ICL). Filer Bridge may be used to generate the ICL for W&I cases and generates a 566-S.</div> <div>Note: If PTC Error Code is other than 190, 191 or 195; Excess Advance Premium Tax Credit Issue or Premium Tax Credit Issue will not be automated. For these PC; Error Codes other than 190, 191 or 195 will be routed to B2 for manual creation of the APTC or PTC issue</div> <div>(5) If a reply is received, all cases should be researched using CC FTBOL to confirm incarceration and release dates.<ul style="list-style-type: none">If the taxpayer was incarcerated the full year and all income was confirmed, EITC is disallowed per GATT (General Agreement on Tariff and Trades) legislation.</div> <div>(6) If the taxpayer was not incarcerated the entire year or not incarcerated at any time during the year, notate on workpapers and follow normal procedures.</div> <div>(7) Please review carefully any documents submitted and compare with IRPTR data. See IRM 4.19.14.9.4, QRP Replies and Closing Process , for additional information.</div>	<div>#</div> <div>#</div> <div>#</div> <div>#</div> <div>#</div>
<div>4.19.14.9.1.2 (01-01-2024) General Agreement on Tariff and Trades (GATT)</div>	<div>(1) GATT cases are prisoner returns where the income has been verified good but does not qualify as earned income for calculating refundable credits, such as EITC and ACTC.</div> <div>(2) PC 0603 (GATT) cases are manually delivered by RIVO via spreadsheet to HQ Exam. HQ Exam will coordinate to have the cases opened on AIMS by DDB.</div> <div>(3) The taxpayer must submit documentation verifying income was not earned while incarcerated.</div>	

4.19.14.9.2
(01-01-2024)

**QRP Source Code and
Project Codes**

- (1) Source codes identify a type of case, and the Project Code identifies the examination issues.

Note: For QRP, source code 06, 08 and 11 have different definitions than outlined in the Document 6209.

- (2) Cases identified as Adoption Credit cases should identify this credit as an exam issue and include the Form 886-H as an enclosure with applicable letters and reports. The Adoption Credit should be disallowed in full, pending receipt of supporting documentation outlined on the Form 886-H. Procedures for making a determination on Adoption Credit are outlined under IRM 4.19.15.5, Adoption Credit and Qualified Adoption Expenses (QAE).

- (3) EITC and Non-EITC QRP cases are full scope audits including the Filing Status, and if present, 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 or PTC.

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

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	
			11	
			70	
W&I	Discretionary	0263	06	

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues
			11	
			70	
SBSE	Discretionary	0263	06	
			11	
			70	
W&I	EITC	0390	06	
			11	
			70	
W&I and SBSE	EITC	0584	06	

#

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues	
			11		#
					#
					#
			70		#
					#
W&I	EITC	0603	11		#
					#
W&I	EITC	0611	06		#
					#
					#
					#
			11		#
					#
					#
			70		#
					#
					#
SBSE	EITC	0611	06		#
					#
					#
					#
					#
			11		#
					#
					#
					#
					#
					#

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues
			70	
W&I	EITC	1009	06	
			11	
			70	
SBSE	EITC	1009	06	
			11	
			70	

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues	
W&I	EITC	1082	06		# # # # # # #
			11		# # # # # # #
			70		# # # # # # #
W&I	Discretionary	1107	06		# # # # #
			11		# # # # #
			70		# # # #
W&I	Discretionary	1162	06		# # # # # # # # #

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BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues
W&I	EITC	1311	06	
			11	
			70	
W&I	Discretionary	1322	06	
			11	
			70	
SBSE	Discretionary	1322	06	
			11	

[illegible]

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues
			70	

#4.19.14.9.3
(01-01-2024)**QRP Examination Process**

- (1) Procedures apply to EITC and Non-EITC cases unless specified. Enclosures are based on examination issues as outlined in the table below.

Project Code	Initial Contact Letter	Enclosures	Automated or Manual Process
0173, 0584 1303, 1304	CP 75D/CP 75A	Form 14950, Premium Tax Credit Form 886- H-AOC Form 886-H-DEP Form 886-H-EIC Form 14824 Form 886-H-HOH Form 886-L Publication 3498-A Publication 4134 Form 11652 (if Sch. C)	Automated process. CP 75D/CP 75A Notice is systemically generated as the ICL when case is selected and opened on AIMS. RGS batch processing will be used to generate subsequent letters and reports.
0263, 1107, 1166, 1162, 1322	Letter 566 family (566-E if payer data is available)	Form 14950 Form 886-A (FTC) Form 886-H- DEP Form 14824 Form 886-H- HOH Form 886-H- AOC Form 11652 (if Sch. C) Publication 3498-A	Manual process: Issues from spreadsheet may be used to create L 566-E and other letters if payer data is available.
0390, 0611,1009, 1082, 1311	Letter 566 family (566-E if payer data is available)	Form 14950 Form 886-H-EIC Form 886-L Form 886-H DEP Form 14824 Form 886-H HOH Form 886-H- AOC Publication 3498-A Publication 4134 Form 11652 (if Sch. C)	Manual process: Letter 566, 525 and first exam report need to be manually completed. Cases can then be introduced to RGS Batch for Aging and Closing. Issues from spreadsheet may be used to create L 566-E and other letters if payer data is available.

0603	Letter 566 family	Form 886-A (GATT) Publication 3498-A	<p>Manual process: Letter 566 family, 525 and first exam report need to be manually completed. Cases can then be introduced to RGS Batch for Aging and Closing.</p> <p>Issues from spreadsheet may be used to create L 566-E and other letters if payer data is available.</p>
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Note: Beginning with tax year 2021, Form 14824, Supporting Documents Needed to Prove Filing Status, superseded Form 886-H-HOH. The Form 886-H-HOH will continue to be used for Tax Years 2018, 2019, and 2020.

- (2) Several Project Codes (PC) have miscellaneous issues that can be by themselves or in combination with other credits. An asterisk indicates the enclosure is only included when it is identified as an exam issue on the case in question. No asterisk indicates it is always an enclosure for this PC, as the exam issues are consistent.
- (3) PC 0611 requires additional information to identify all examination issues included on the ICL. Wages claimed on the return can be found using RTVUE. Verified wages and withholding can be determined using the amounts found on IRPTR.

#

- (4) After ICL mail out, all QRP project codes should follow existing RPS examination process letters and time frames as outlined under IRM 4.19.10, Examination General Overview, for issuing the ICL, 30 day Letter 525 and Letter 3219, Statutory Notice of Deficiency.
- (5) Cases requiring manually prepared ICL, Letter 525 and first exam report should be introduced to RGS Batch for Aging and Closing as soon as possible.
- (6) Taxpayers with more than one tax year open (multi-year) should be bundled together and move through the examination process and AIMS status update as one package.
- (7) Refer to IRM 4.19.14.9.2, QRP Source Code and Project Codes, for additional information on identifying exam issues.
- (8) PC 0584, PC 0390, PC 0611, PC 1009, PC 1082 and PC 1303 will be full scope EITC audits and PC 0263, PC 1107, PC 1162, PC 1166, and PC 1322 will be full scope Non-EITC audits to include, AOTC and Education credits, HCTC, dependent(s) and filing status.

- a. If present, other credits such as Adoption Credit, Child and Dependent Care Credit, Child Tax Credit, Education Credit, Student Loan Interest Deduction, Health Coverage Tax Credit, Premium Tax Credit and Tuition and Fees Deduction should be statutorily adjusted/disallowed when preparing or revising reports.
- (9) The following is an insert paragraph for the Form 886-A for the QRP issues not addressed on Form 886-H-EIC and Form 886-L, Form 886-H-DEP, Form 14824 or Form 886-H-HOH, and Form 886-H-AOC.

1	GATT (PC 0603) <i>Our records show you used amounts earned while you were an inmate to figure your EITC. These amounts don't qualify as earned income for EITC. Please send us documents that show your earnings were not for work performed while in a penal institution, a work release program, or a halfway house.</i>
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4.19.14.9.3.1
(01-03-2023)

Household Help Income

- (1) The Household Help (HSH) program refers to income reported on line 1b of the Form 1040, with no Form W-2 attached to the return. Prior to tax year 2022, HSH was reported on line 1 of the Form 1040.
- (2) Beginning filing season 2013, W&I began selecting Household Help (HSH) cases through DDB as well as EFDS.
- (3) HSH cases with EITC open in Project Code 0390, and HSH cases with no EITC will open in Project Code 1107.
- (4) Cases opened in DDB will have Tracking Code 6485.
- (5) The return should have line 1 income only. The income should be limited to HSH, but occasionally other income may be reported.
- (6) HSH cases are full scope audits including dependent(s), filing status EITC, ACTC, and AOTC.
- (7) All statutory adjustments apply based on income and dependent being disallowed.
- (8) In addition to verifying income, the taxpayer must also send in supporting documentation for any credits claimed.
- (9) The cases will be opened on AIMS and worked as follows:
 - Issue ICL with appropriate enclosures shown in IRM 4.19.14.9.3, QRP Examination Process. The appropriate letter from the 566 family should be used (566-E if payer data is available).
 - For all replies, research IRPTR for income totals. If unreported income cases, use CC FTBOL (P) to confirm incarceration and release dates. If the taxpayer was incarcerated the full year, all refundable credits should be disallowed per the GATT legislation.
 - Acceptable documentation to verify income includes pay stubs and letter from employer on employer's letterhead. Letter from employer must include date(s) work was performed, income earned, and general description of work completed.

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- On some occasions, the taxpayer may have worked several small jobs and are unable get a letter from each employer. If the taxpayer can provide letters from the majority of employers, tax examiners can use judgment to accept a written statement from the taxpayer for the remaining employers. The statement must have specific information on the employer's name, TIN/SSN (if known), location of the job, wages earned, date and duration of employment.

Note: If judgment is used, the factors and details considered in the judgment must be documented on the workpapers.

- Most HSH individuals are not self-employed. However, the taxpayer may have reported self-employment (SE) income erroneously on Line 1. If so, this income reported as wages should be adjusted to SE Income with SE tax applied. Do not revise a tax return to claim income on a Schedule C without a full explanation of why the taxpayer is self-employed. Depending upon the circumstances, it may be more appropriate to ask the taxpayer to file a Form 8919, Uncollected Social Security and Medicare Tax on Wages, and pay the employer portion of SS or accept HSH income, for which there is no SS obligation.

- (10) Follow existing Exam procedures for standard exam letter and EITC/discretionary suspense times.

4.19.14.9.4
(01-01-2024)
**QRP Replies and
Closing Process**

- All replies to the EITC issue will be worked as outlined in IRM 4.19.14, Refundable Credits Strategy.
- If disallowing withholding amounts manually with TC 807, include TC 170 for zero to suppress Estimated Tax Penalty on Form 5344, Examination Closing Record.
- All Schedule C Net Profit issues are to be worked in accordance with IRM 4.19.14.6.3, EITC - Schedule C Responses.
- All replies to the AOTC issue will be worked as outlined in IRM 4.19.15.3.1.1, Education Tax Credits - Evaluating Taxpayer Responses.
- 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 Identity 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.
- All replies to wages and withholding issues will be worked as outlined in the table below.

##

If	Then
	<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 can't be calculated based on earned income from prison. See IRM 4.19.14.9.3, QRP Examination Process. 3. If the taxpayer is replying to the ICL (CP 75D or 566 family) issue Letter 525 and Form 4549 with explanation. 4. If the taxpayer is replying to Letter 525, issue Letter 692 with revised report (Form 4549) removing withholding. Update to status 23.

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- (7) If documentation is received that validates the existence of a business after the issuance of the Statutory Notice of Deficiency (SNOD) and the case is open, process the case as outlined below:

If	And	Then
The time to petition Tax Court has not expired	Sufficient time left in the statute	<p>Prepare a supplemental report for the increased deficiency requesting the taxpayer to sign for the higher deficiency amount.</p> <ul style="list-style-type: none"> • If the taxpayer signs, close on the higher deficiency. • If the taxpayer does not sign or respond, allow the SNOD to expire, purge on the 105th day, prepare corrected Form 4549 and reissue the SNOD for full amount of deficiency (EITC amount). <p>In the explanation to Taxpayer, there must be a statement This Notice of Deficiency supersedes the Notice of Deficiency dated MMDDYYYY (date of previously issued SNOD).</p>

If	And	Then
The time to petition Tax Court has expired	Sufficient time left in the statute	Allow the 105th day purge, prepare corrected Form 4549, and reissue the SNOD for full amount of deficiency (ETC amount). In the explanation to Taxpayer, there must be a statement This Notice of Deficiency supersedes the Notice of Deficiency dated MMDDYYYY (date of previously issued SNOD).

- (8) For Household Help (HSH) cases, the following should be considered as general information when evaluating responses:

Household Employee	Self - Employed
Employer controls not only what work is done, but how it is completed.	Worker controls how the work is scheduled and completed.
Employer provides the tools/supplies needed to complete the work.	Usually provides their own tools/supplies to complete the work.
Does not matter whether the work is full-time or part-time or how the employee is paid, i.e., hourly, daily, weekly or by the job.	Work may be performed outside the home.
Does not matter if the employee was hired through an agency or association.	A company/agency provides the worker and controls the work and how it is completed.
Examples: baby-sitters, nannies, housekeepers/maids, drivers, health aides/private nurses, caretakers, yard workers, similar domestic workers, etc.	Examples: baby-sitters, nannies, housekeepers/maids, drivers, health aides/private nurses, caretakers, yard workers.

Refer to Pub 926, Household Employer's Tax Guide, for additional information.

4.19.14.9.4.1
(10-24-2019)

**QRP Case Information
from EFDS - Workload
Management System
(WMS)**

- (1) There are designated EFDS-WMS Coordinators (EWC) with access to EFDS-WMS in each campus.
- (2) HQ will provide a weekly listing of cases opened to the Campus ICM. The spreadsheet includes:
 - a. Wages claimed on the return and verified amount.
 - b. Withholding claimed on the return and verified amount.
 - c. Employer/payer EIN for each income document.
 - d. If IDRS data is not available the spreadsheet data should be used to complete work papers, letters and reports.

Note: Wage and withholding amounts will not always be a total disallowance. If the spreadsheet or EFDS Return Detail reflects that a portion of the wage and withholding amounts was verified, then only the "unverified" amount should be disallowed.

Note: The "Wages claimed" and the "Withholding claimed" is based on data input into the Scheme Tracking and Referral System (STARS) by RIVO and may not match line 1 and lines 25a, 25b, and 25c, respectively, on the return.

4.19.14.9.5
(06-22-2023)

QRP Negative Deficiency Procedures

- (1) The negative deficiency occurs when there was tax on original filing which is reduced to zero when unverifiable income (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:

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

4.19.14.9.6
(12-07-2017)

- Z Freeze Cases

- (1) Starting in FY 2010, the Z freeze inventory will be reduced significantly because it is being replaced with the TC 971 AC 136 for QRP processing. These procedures are for residual inventory or CI identified schemes.
- (2) Work the case following standard QRP procedures as outlined in IRM 4.19.14.9, Questionable Refund Program (QRP). Once the case is completed, any adjustments made to the account will go unpostable due to the Z freeze. CI's Scheme Development Center (SDC) will subsequently seek force posting approval from the special agent.

4.19.14.9.7
(12-11-2019)

EFDS Referrals/ Open Exam

- (1) Beginning in FY 2010, if AIMS is already open the case will reject back to RIVO as an "L freeze" and a TC 971 AC 136 will systemically post.
- (2) The TC 971 AC 136 is needed to reject the case out of RGS Batch when it moves to the next step in the exam process alerting Exam to research wages and withholding and incorporate the additional issues into the examination. Use RTVUE to identify the wages and withholding claimed. IRPTR should be used to identify the verified amounts.

Note: It is important when completing the research and revising the reports that the TC 971 AC 136 is reversed. If not reversed, the case will continue to reject out of Batch throughout the exam process.

If	Then
The case is in a status prior to 90 Day	<p>a. Compare the wages and withholding claimed on the return with IRPTR to determine if there are any overstated wages or withholding issues that need to be incorporated into the exam report. The WMS spreadsheet provided by HQ may also be used.</p> <p>b. Once the exam report has been revised to include the additional issues, input AIMS Tracking Code 7571 and TC 972 AC 136 to reverse the TC 971. Do not change the source and Project Code for the case on AIMS.</p> <p>c. Examiners should introduce/reintroduce cases with revised reports into RGS Batch immediately after inputting the TC 972 AC 136.</p>
The case is in status 24 after 90 Day Letter has been issued	<p>a. Examiners cannot incorporate additional issues into exam report.</p> <p>b. TC 971 AC 136 will post to cases in status 24.</p>

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4.19.14.10
(01-01-2024)
**Math/Clerical Error
Program**

(1) Math or clerical errors are defined by IRC 6213(g)(2) and include:

- a. An error in addition, subtraction, multiplication, or division shown on any return.
- b. An incorrect use of any table provided by the IRS with respect to any return if such incorrect use is apparent from the existence of other information on the return.
- c. An entry on a return of an item which is inconsistent with another entry of the same or another item on such return.
- d. An omission of information which is required to be supplied on the return to substantiate an entry on the return.
- e. An entry on a return of a deduction or credit in an amount which exceeds a statutory limit imposed by subtitle A or B, or chapters 41, 42, 43, or 44, if such limit is expressed as a specific money amount or as a percentage, ratio, or fraction and if the items entering into the application of such limit appear on such return.
- f. An omission of a correct TIN required under IRC 32 to be shown on the return in order to claim the earned income credit.
- g. An entry on a return claiming the earned income credit with respect to self-employment earnings on which the self-employment tax imposed by IRC 1401 has not been paid.

- h. An omission of a correct TIN required under IRC 21 (expenses for household or dependent care) or IRC 151 (personal exemptions).
- i. An omission of a correct TIN required to be included on the return under IRC 24(e), the Child Tax credit.
- j. An omission of a correct TIN required to be included on the return for purposes of IRC 25A(g)(1) relating to higher education tuition and expenses (effective for tax years beginning after December 31, 1997).
- k. An omission of information required by IRC 32(k)(2) relating to taxpayers making improper prior claims of the earned income credit, or for tax years after 2015, an entry on the return claiming EITC for a taxable year for which the credit is disallowed under a 2 or 10 year ban.
- l. The inclusion of a TIN required on the return under IRC 21, 24, 32, 6428, or 6428A (relating to CDCC, CTC/ACTC, EITC, or RRC) if such TIN is of an individual whose age affects the amount of the credit and the computation of the credit reflects the treatment of such individual as being of an age different from the individual's age based on such TIN.
- m. The entry on the return claiming EITC with respect to a child if, according to the Federal Case Registry of Child Support Orders, the taxpayer is a non-custodial parent of such child.
- n. An omission of any increase required for First Time Homebuyer Credit recapture.
- o. The inclusion on a return of an ITIN issued after December 18, 2015, which has expired, been revoked by the Secretary, or is otherwise invalid.
- p. An omission of required information on a return for tax years after 2015 relating to improper prior claims for CTC/ACTC/ODC or an entry on the return claiming the credit for a taxable year for which the credit is disallowed under a 2 or 10-year ban.
- q. An omission of required information on a return for tax years after 2015 relating to improper prior claims for AOTC or an entry on the return claiming the credit for a taxable year for which the credit is disallowed under a 2 or 10-year ban.
- r. An omission of information or documentation required under section 25C(b)(6)(B) (relating to home energy audits) to be included on a return.
- s. An omission of a correct product identification number required under section 25C(h) (relating to credit for nonbusiness energy property) to be included on a return.
- t. An omission of a correct vehicle identification number required under section 30D(f)(9) (relating to credit for new clean vehicles) to be included on a return.
- u. An omission of a correct vehicle identification number required under section 25E(d) (relating to credit for previously-owned clean vehicles) to be included on a return.
- v. An omission of a correct vehicle identification number required under section 45W(e) (relating to commercial clean vehicle credit) to be included on a return.

A taxpayer shall be treated as having omitted a correct TIN for purposes of the preceding list of math or clerical errors, if information on the return with respect to the individual's TIN differs from the information the Secretary obtains from the person issuing the TIN.

- (2) IRC 6213(b) allows for the assessment of tax resulting from math or clerical errors without the issuance of a statutory notice of deficiency under IRC 6212 .

- (3) A taxpayer who receives a math/clerical error notice of assessment may request an abatement of the assessment within 60 days after the notice of assessment is sent under IRC 6213(b)(2)(A).
- (4) All math/clerical error type appeals for abatement are received in Customer Accounts Service, Accounts Management (AM). Only returns without substantiating documentation or supporting information for the figures on the return will be referred to examination.

4.19.14.10.1
(07-28-2022)

Math Error Referrals to Examination

- (1) If a taxpayer appeals a math error notice within 60 days of the date the notice is sent, but does not provide substantiation to support the issue, the case is considered an unsubstantiated math error protest. Accounts Management (AM) will send unsubstantiated math error protests to Examination, using the procedures that are outlined in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.
- (2) Each year more math errors are being developed for credits/issues other than EITC. It is important that all new math error protest receipts are reviewed for accuracy and other issues that should be included in the examination. The examination issues should be driven by the Math Error Authority (MEA) codes and/or the review for other issues. The math error notice codes in Document 6209 show the issues related to the MEA.

Note: The math error adjustment must be on the account before the Examination is started.

- (3) Prior to referring unsubstantiated math errors protests to Examination, AM issues a letter to inform taxpayers their case was sent to Examination for review.
- (4) If a review identifies a return needs to be examined for issues other than EITC, the issues should be classified and included in the Examination process based on the following criteria:
 - If the Math Error was a result of the taxpayer's requirement to recertify eligibility for the EITC, Correspondence Examination will conduct the examination.
 - If the screening identifies other complex issues on the case that cannot be addressed in Correspondence Examination, the case should be forwarded to the appropriate Area Office for review and the refund released. Initiate refund procedures and input Transaction Code 571 on partial refund returns being transferred to the appropriate Area Office.
- (5) The case should be reviewed, and the initial contact letter prepared by a tax examiner within thirty (30) days of the TC 420. Use DDBCV to review math errors selected by DDBCK.
- (6) When working a taxpayer's response on a Math Error case, research the prior audit information in CEAS to identify if the prior audit adjustments are relevant to the EITC under current examination.
 - When a case is no changed, document workpapers to explain why the refundable credit was disallowed in the prior year examination and is now allowed in the current examination.
 - The 2-year ban should be considered based on the facts and circumstances of each case. Refer to IRM 4.19.14.7.1, 2/10 Year Ban –

Correspondence Guidelines for Examination Technicians (CET), for procedures.

Note: The reason for assertion or non-assertion of the 2-year ban must be documented in the workpapers.

Reminder: Remove the -R freeze on the survey cases.

- (7) See IRM 4.19.14.10.2, EITC Math Error Processing, for processing EITC Math Errors PCs 0600 and 1172.
- (8) See IRM 4.19.14.10.3, Non-EITC Math Error Processing, for processing Discretionary Math Errors PC 0125.

4.19.14.10.2
(07-18-2022)
**EITC Math Error
Processing**

- (1) Unsubstantiated math error protests received within 60 days for Earned Income Tax Credit will include a TC 764 and will be forwarded to Examination for review through CIS. The DLN blocking series (BS) 74X and priority code 7 are used by Accounts Management (AM) to adjust the account to the original filing, freeze the refund and create AIMS.
- (2) Math Error Notice Code 653 is used when the taxpayer is required to recertify for EITC but did not attach Form 8862 to the original return. When taxpayer replies with Form 8862 within 60 days, AM uses DDBCK to score and classify the recertification issue. If CC DDBKD selects the return for examination, AM will adjust the account back to the original filing, using BS 74X, PC7, HC3, PDC1 and forward the case to Examination as a DDBCK select through CIS. EITC unsubstantiated math errors will create in PC 0600 or PC 1172, if Schedule C filters are broken.
- (3) EITC PC 0600 and PC 1172 cases will follow the three letter exam process as is done for all EITC examinations; ICL (566-S), 30 day (525) and Statutory Notice of Deficiency (SNOD) 3219. See IRM 4.19.10, Examination General Overview, for applicable suspense time frames.
- (4) The Letter 566-S (SC/CG) will be used as the initial contact letter with Form 886-H-EIC, Form 886-H-DEP, Form 14824 or Form 886-H-HOH, Form 2297, and Publication 3498-A. Form 11652 will be sent for PC 1172 only.

Note: Beginning with tax year 2021, Form 14824 superseded Form 886-H-HOH. The Form 886-H-HOH will continue to be used for Tax Years 2018, 2019, and 2020.

- (5) A Letter 3219, Statutory Notice of Deficiency, will be issued on all unagreed or no response cases.
- (6) If a case is closed as a default and the refund is frozen, a certified notice of claim disallowance, *Letter 105C*, should also be issued.

4.19.14.10.3
(07-18-2022)
**Non-EITC (Discretionary)
Math Error Processing**

- (1) General procedures for the establishment and processing of unsubstantiated math/clerical error cases are presented in IRM 4.19.14.10, Math/Clerical Error Program.
- (2) Unsubstantiated math error protests for which the original adjustment did not include a TC 764 (Earned Income Tax Credit) received within 60 days will be forwarded to examination for review through CIS. The DLN blocking series

(BS) 74X and priority code 7 are used by AM to adjust the account to the original filing, freeze the refund and create AIMS.

- (3) AM uses CAT-A criteria as a guideline for treating math error responses as unsubstantiated. See IRM 21.5.3-2, Examination Criteria (CAT-A) - General and IRM 21.5.3-3, Examination Criteria (CAT-A) - Credits.

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forwarded to Exam.

- (5) Unsubstantiated math/clerical error protest cases for which the original adjustment did not include a TC 764 (Earned Income Tax Credit) will set up on AIMS under Project Code 0125, Math Error - Non-EITC. Campuses must review the cases to determine whether or not the math/clerical error protest involves potential examination issues.

Note: The math error adjustment must be on the account before the Examination is started.

- (6) PC 0125 cases will be initiated with Letter 566-B, ICL 45-Day Combo, and should be updated to Status 22 on AIMS.
- (7) Letter 3219, Statutory Notice of Deficiency, will be issued on all unagreed or no response cases.
- (8) If a case is closed as a default, and the refund is frozen, a certified notice of claim disallowance, Letter 105C, should also be issued.

4.19.14.10.4
(07-18-2022)
RRC Math Errors

- (1) The Recovery Rebate Credit (RRC) math error cases follow a two-letter process using a Letter 566-B, ICL 45-Day Combo Letter and Statutory Notice of Deficiency (SNOD). See IRM 4.19.10, Examination General Overview, for applicable suspense time frames.
- (2) The Letter 566-B Combo letter will include a report and a customized 886-A.
- (3) Letter 3219, Statutory Notice of Deficiency, will be issued on all unagreed or no response cases.
- (4) The IRS has Math Error Authority to deny or reduce the RRC based on the following:
- The primary or secondary taxpayer checks the box that someone else can claim either of them as a dependent.
 - For tax year 2020, a valid Social Security Number (SSN) for the primary or secondary is not present, with the exception for the Married Filing Joint account having a military indicator, which allows an ITIN for either the primary or secondary taxpayer.
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- themselves without a valid Social Security Number (SSN), with the exception for the Married Filing Joint account having a military indicator, which allows the couple to receive up to the maximum MFJ RRC for the year if one spouse has a valid SSN.
- A valid SSN for a dependent is not present.
 - A decedent SSN is present, and the person died prior to the tax year.
 - The Adjusted Gross Income (AGI) limitation is exceeded.
 - For tax year 2020, the dependent age limitation is exceeded.

- The Economic Impact Payments have not been considered in the calculation of the RRC.
- (5) The Taxpayer Notice Codes are found in IRM 21.6.3.4.2.14.2, RRC Taxpayer Notice Codes (TPNC).
 - (6) The TPNC corresponding math error codes are 681, 682, and 683. Math errors 682 and 683 are associated with more than one explanation for reduction or denial of the RRC. Therefore, prior to corresponding with the taxpayer, examiners will need to complete research to determine the reason for the reduction or denial to the RRC when Math Errors (ME) 682 or 683 are present.
 - (7) The return due date for tax year 2020 was postponed to May 17, 2021, without extensions. The return due date, along with the postponed due date for disasters must be considered, when evaluating the assignment date of the TIN.
 - (8) If research results in allowance of the RRC and the case has not moved to Status 10, survey the case and ensure the applicable refund is released.
 - (9) If correspondence is necessary, the facts and circumstances for each case must be considered. Examiners should use the following guidelines to resolve RRC math error cases.

If	And	Then
The ME is 681	The RRC was reduced or denied because the primary and/or secondary taxpayer checked the box that someone else can claim them as a dependent.	<ol style="list-style-type: none"> 1. Research IDRS to verify: <ol style="list-style-type: none"> a. The age of the primary and/or secondary taxpayer and gross income. b. The address of the primary and/or secondary taxpayer. c. The age and gross income of the other taxpayer's tax return, relationship to the taxpayer, and credits claimed on behalf of the taxpayer. Was the taxpayer claimed as a qualifying child or qualifying relative? Reference IRM 4.19.14.6.5 , EITC – Personal Exemptions and Dependents, for the eligibility requirements for claiming a dependent as a qualifying child or qualifying relative. 2. If it can be reasonably determined the primary and/or secondary taxpayer is entitled to claim themselves, allow the RRC. 3. If it cannot be determined, correspond with the taxpayer for proof of the taxpayer providing their own support during the tax year.

If	And	Then
The ME is 682	The RRC was reduced or denied due to the primary and/or secondary taxpayer's Social Security number being either missing or incomplete.	<ol style="list-style-type: none"> Research IDRS to determine if the correct SSN can be located. If located, refer to IRM 4.19.13.4(4), Researching Cases, to determine the SSN issuance date. <ol style="list-style-type: none"> If assigned before the due date of the return (including extensions), allow the RRC. If an SSN is not located and/or is not assigned before the due date of the return (including extensions), continue disallow the RRC, and request a copy of the taxpayer's SS card. If the SS card and IRS records verify the taxpayer's identity, and the SSN is assigned before the due date of the return (including extensions), allow the RRC. If disallowed, advise the taxpayer to contact the Social Security Administration (SSA). <p>Caution: : For TY 2020 returns, the SSN must be "Valid for Employment". For TY 2021 returns, the SSN does not have to be "Valid for Employment" but must be a valid SSN.</p>
The ME is 682	The RRC was reduced or denied due to the primary and/or secondary's last name not matching IRS records.	<ol style="list-style-type: none"> Research IDRS to determine if the SSN is assigned to the taxpayer (e.g., first name match). <ol style="list-style-type: none"> If the Nm-Ctrl on the tax return matches IRS records, allow the RRC. If the Nm-Ctrl on the tax return does not match IRS records, continue to disallow the RRC, and request a copy of the taxpayer's SS card. If the SS card and IRS records verify the taxpayer's identity, allow the RRC. If disallowed, advise the taxpayer to contact the SSA.

If	And	Then
The ME is 682	The RRC was reduced or denied due to the primary and/or secondary taxpayer using an Individual Taxpayer Identification Number (ITIN) and there is no indication that one spouse was a member of the Armed Forces of the United States at any time during the tax year, so that an exception does not apply to the rule that both spouses must have a social security number.	<ol style="list-style-type: none"> 1. Research the taxpayers' entities for the military indicator, TC 971 AC 162. If found, allow the RRC. 2. Research CC IRPTRO for the Payer's Name Line, and/or search the signature area, Form W-2, and attachments for any of the following indications: <ul style="list-style-type: none"> • United States Air Force • United States Army • United States Coast Guard • United States Marines • United States Navy • DCPS CIVPAY DIRECTOR-ATE • DFAS - ATTN: Defense Finance and Accounting Service • USAF - Active Duty • DFAS - PMJFC/DE • Commanding Office USCG Human Resources Service Information Center 3. If any indicators are found, allow the RRC. 4. If a military indicator is not found, research IDRS to determine if the ITIN spouse has been issued an SS card before the due date of the return. If found, allow the RRC. 5. If research indicates the ITIN spouse does not have an SS card, request a copy of the taxpayer's military ID or any other document which verifies the taxpayer was a member of the U.S. Armed Forces at any time during the tax year. In addition, request a copy of the ITIN spouse's SS card, if applicable. 6. If applicable, advise the taxpayer to contact the SSA.

If	And	Then
The ME is 682	The RRC was reduced or denied because the SSN shown on the tax return for the primary and/or secondary taxpayer, or one or more of the dependents belongs to a deceased person.	<ol style="list-style-type: none"> 1. Research IDRS to determine if any SSN(s) show a date of death prior to 1/1/2020 (TY 2020 returns) or 1/1/2021 (TY 2021 returns). 2. If there is not a date of death prior to the applicable dates, allow the RRC. 3. If there is a date of death prior to the applicable dates, request the SS cards for all individuals on the tax return to verify if the date of death is accurate. 4. If the SS card(s) provided for the individuals on the tax return verifies there is not a date of death, allow the RRC. Note: If an SS card is submitted for a dependent not on the original return, and there is not a record of an amended return, request information to verify the taxpayer is entitled to claim the dependent. 5. If disallowed, advise the taxpayer to contact the SSA. 6. If there is an indication of fraud, contact the manager or lead to discuss indicators.
The ME is 682	The RRC was reduced or denied because the SSN for the primary and/or secondary taxpayer, or one or more of the dependents on the return was not issued before the due date of the tax return.	<ol style="list-style-type: none"> 1. Follow procedures in IRM 4.19.13.4(4), to determine the issuance date of the SS card for the primary and/or secondary taxpayers and the dependents on the tax return. If the issuance dates were before the due date of the return (including extensions), allow the RRC. 2. If the issuance date cannot be verified for one or more of the SSNs on the tax return, request a copy of the applicable SS cards. 3. If the issuance date is before the due date of the return (including extensions), allow the RRC. If not, continue to disallow the RRC. 4. If applicable, advise the taxpayer to contact the SSA.

If	And	Then
If the ME is 683	The RRC is reduced or denied because the last name of one or more individuals claimed as a qualifying dependent does not match IRS records.	<ol style="list-style-type: none"> 1. Research IDRS to determine if each SSN is assigned to the appropriate qualifying dependent. 2. If the examiner can determine that the SSN or last names have been mistakenly switched for one or more dependents on the tax return which caused a name mismatch for one or more of the dependents, allow the RRC. 3. If the last names cannot be verified, request a copy of the SS card(s), birth certificates, court records and/or any necessary documents to verify the taxpayer is eligible to claim the dependent. 4. If taxpayer documentation verifies the dependent's identity, allow the RRC. 5. If disallowed, advise the taxpayer to contact the SSA.
If the ME is 683	For TY 2020 returns only: The RRC was reduced or denied because one or more individuals claimed as a qualifying dependent exceeds the age limit.	<ol style="list-style-type: none"> 1. Research IDRS to determine the age of each qualifying dependent. <ol style="list-style-type: none"> a. If research shows all dependents within the age limit, allow the RRC. Note: For TY 2020 returns, the qualifying dependent must not have attained the age of 17 by 12/31/2020. b. If research does not show all dependents within the age limit, continue to disallow the RRC. 2. Do not request documents from the taxpayer to verify the age of the dependent. 3. If disallowed, advise the taxpayer to contact the SSA.

If	And	Then
The ME is 683	The RRC is reduced or denied because the taxpayer's adjusted gross income exceeds \$75,000 (\$150,000 if married filing jointly or qualifying surviving spouse, \$112,500 if head of household).	<ol style="list-style-type: none"> 1. Disallow the RRC and request the taxpayer's information documents (e.g., Forms W-2, 1099(s)) to verify reported income. 2. Compare documents received to IDRS information to verify the taxpayer's reported income. 3. If necessary, research gross income for prior tax years (e.g., 2020, 2019, 2018) to establish the taxpayer's filing history and location. 4. If information documents, such as the W-2 the taxpayer is refuting, shows inconsistent information when compared to other documents in the current year and/or prior years, adjust the taxpayer's income and allow the RRC. 5. If the income cannot be verified as not belonging to the taxpayer, continue to disallow the RRC.
The ME is 683	The amount was computed incorrectly	<ol style="list-style-type: none"> 1. Research TXMOD to verify the payment was issued to the taxpayer(s). 2. If the payment was issued and there is not an indication the payment was returned, research TXMOD to verify if a refund trace has been initiated. Refer to IRM 21.4.2-2, Disposition Code Chart Non-Receipt Claims CHKCL Claims Only - Refund Inquiry Employees, for a list of disposition codes. If initiated, disallow the RRC. 3. If the payment was not issued, allow the RRC.

4.19.14.11
(01-01-2024)
DDBCK/CAT A (Form 1040-X) EITC Claims

- (1) This subsection provides procedures for current year and/or two prior year EITC Form 1040-X Claims/Amended Returns that will be systemically scored and selected through the Dependent Database Check Command Code (CC) DDBCK.
- (2) Accounts Management processes a claim with EITC that meets CAT A Criteria using the CC DDBCK. The SSN of the Qualifying Child(ren) will be run against

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- (3) The current and two prior year Form 1040-X Claims/Amended Returns will be transferred to the co-located Examination or as directed by CC DDBCK through the Correspondence Imaging System (CIS). See the following table:

If	And	Then
<p>Current Tax Year, and two prior Tax Years (i.e., 2023, 2022, and 2021) EITC Form 1040-X Claim/Amended Returns without a Schedule C are systemically scored and selected by CC DDBCK.</p> <p>Note: CIS Claims will be received through the Exam Electronic Inventory and accessed through the dedicated terminal for amended returns.</p>	<p>Taxpayer claiming additional or new EITC not claimed on original return.</p>	<ol style="list-style-type: none"> 1. Verify: IMFOLT – TC 424 posting AIMS – PC 0367 EGC 5005 Source Code 30 Status Code 08 2. Establish/assign on CEAS. 3. Review CC DDBCK Validation Results, and retrieve DDBCK print if necessary, to identify rule breaks. The rule breaks identify the questionable issues. Claims should be reviewed for related EITC issues: filing status, dependent, Child Tax Credit, Child and Dependent Care Credit, Education Credit, etc., if included on Form 1040-X as well as additional Non-EITC issues that may require further classification. 4. Mail Letter 566-D with appropriate Form 886 to start the examination within 30 days of claim receipt. 5. Follow existing claim procedures in IRM 4.19.16.2.4, Claims Processing in Examination Operation.

If	And	Then
<p>Current Tax Year, and two prior Tax Years (i.e., 2023, 2022, and 2021) EITC Form 1040-X Claim/Amended Returns with Schedule C are systemically scored and selected by CC DDBCK based on selectable rule breaking and Schedule C Filters firing.</p> <p>Note: CIS Claims will be received through the Examination Electronic Inventory and accessed through the dedicated terminal for amended returns.</p>	<p>Taxpayer is claiming Schedule C changes to self-employment income/expense/tax and claiming additional or new EITC not claimed on original return.</p>	<ol style="list-style-type: none"> 1. Verify: IMFOLT – TC 424 posting AIMS – PC 0026 EGC 5005 Source Code 30 Status Code 08 2. Establish/assign on CEAS. 3. Review CC Validation Results , and retrieve DDBCK if necessary, to identify rule breaks. The rule breaks identify the questionable issues. Claims should be reviewed for related EITC issues: filing status, dependent, Child Tax Credit, Child and Dependent Care Credit, Education Credit, etc., if included on Form 1040-X as well as additional Non EITC issues that may require further classification. 4. Mail Letter 566-D with appropriate Form 886-H to start the examination within 30 days of claim receipt. 5. Follow existing Claim procedures in IRM 4.19.16.2.4.
<p>Current Tax Year, and two prior Tax Years (i.e., 2023, 2022, and 2021) EITC Form 1040-X Claim/Amended Returns meeting CAT A criteria are scored and identified by CC DDBCK.</p>	<p>Taxpayer claiming additional or new EITC that was not claimed on original return.</p>	<ol style="list-style-type: none"> 1. Manually classify claims for possible selection. Review for related EITC issues: filing status, dependent, Child Tax Credit, Child and Dependent Care Credit, Education Credit, etc. if also included on the Form 1040-X, as well as any additional non EITC issues that may require further classification. 2. If selected, open on AIMS using Project Code 0370, Source Code 30, Status Code 08. 3. Mail Letter 566-D, with appropriate Form 886-H to start the examination within 30 days of claim receipt. 4. Follow existing claim procedures in IRM 4.19.16.2.4.

If	And	Then
<p>Current Year, and two prior Tax Years (i.e., 2023, 2022, and 2021) EITC Form 1040-X Claim/Amended Returns with Schedule C meeting CAT A criteria are scored and identified by CC DDBCK and Schedule C filters firing .</p> <p>Note: CIS Claims will be received through the Examination Electronic Inventory and accessed through the dedicated terminal for amended returns.</p>		<ol style="list-style-type: none"> 1. Manually classify claims for possible selection. Review for related EITC issues: filing status, dependent, Child Tax Credit, Child and Dependent Care Credit, Education Credit, etc. if also included on the Form 1040-X, as well as any additional non EITC issues that may require further classification. 2. If selected, open on AIMS using: Source Code 30, Project Code 0386, Status Code 08 3. Mail Letter 566-D with the appropriate Form 886-H to start the examination within 30 days of claim receipt. 4. Follow existing claim procedures in IRM 4.19.16.2.4.
<p>Current Year, and two prior Tax Years (i.e., 2023, 2022, and 2021) EITC Form 1040-X Claim/Amended Returns with Recertification Indicator 1 or 9 and EITC was not claimed on the original return, are systemically scored and selected by CC DDBCK.</p>		<ol style="list-style-type: none"> 1. Verify: IMFOLT – TC 424 posting AIMS – PC 0625 EGC 5005 Source Code 30 Status Code 08 2. Establish/assign on CEAS. 3. Review CC DDBCK Validation Results, and retrieve DDBCK print if necessary, to identify rule breaks. The rule breaks identify the questionable issues. Claim should be reviewed for related EITC issues: filing status, dependent, Child Tax Credit, Child and Dependent Care Credit, Education Credit, etc., if included on Form 1040-X as well as additional Non-EITC issues that may require further classification. 4. Follow existing claim procedures in IRM 4.19.16.2.4. <p>Note: See IRM 4.19.14.7, Recertification, to determine when recertification indicator must be removed.</p>

If	And	Then
	Taxpayer claiming EITC and EITC was previously disallowed (Math Error Code 653)	<ol style="list-style-type: none"> 1. Verify: IMFOLT – TC 424 posting AIMS – PC 0625 EGC 5005 Source Code 30 Status Code 08 2. Establish/assign on CEAS. 3. Review CC DDBCK Validation Results, and retrieve DDBCK print, retrieve if necessary, to identify questionable issues. Claims should be reviewed for related EITC issues: filing status, dependent, Child Tax Credit, Child and Dependent Care Credit, Education Credit, etc., if included on Form 1040-X as well as additional Non-EITC issues that may need further classification. 4. Mail Letter 566-D with appropriate Form 886-H to start examination within 30 days of claim receipt. 5. Follow existing claim procedures in IRM 4.19.16.2.4.
	Taxpayer claiming EITC and EITC was previously disallowed	<ol style="list-style-type: none"> 1. Verify: IMFOLT: TC 424 posting AIMS PC 0600 EGC 5005 2. Establish/assign on CEAS. 3. Review CC Validation Results, and retrieve DDBCK print if necessary, to identify questionable issues. Claims should be reviewed for related EITC issues, such as filing status, dependent, Child Tax Credit, Child and Dependent Care Credit, Education Credit, etc., if included on Form 1040-X; Non-EITC issues should also be classified. 4. Follow Math Error procedures in IRM 4.19.14.10, Math/ Clerical Error Program, to initiate the examination within 30 calendar days of the TC 470 cc 94 date that is associated with the DLN blocking series 74X and the TC 764. 5. Follow existing Math Error procedures in IRM 4.19.14.10.

#

If	And	Then
	Taxpayer claiming EITC and EITC was previously disallowed	<ol style="list-style-type: none"> 1. Verify: IMFOLT: TC 424 posting AIMS PC 1172 EGC 5005 2. Establish/assign on CEAS. 3. Review CC Validation Results, and retrieve DDBCK print if necessary, to identify questionable issues. Claims should be reviewed for related EITC issues, such as filing status, dependent, Child Tax Credit, Child and Dependent Care Credit, Education Credit, etc., if included on Form 1040-X; Non- EITC issues should also be classified. 4. Follow Math Error procedures in IRM 4.19.14.10 to initiate the examination within 30 calendar days of the TC 470 cc 94 date that is associated with the DLN blocking series 74X and the TC 764. 5. Follow existing Math Error procedures in IRM 4.19.14.10.

#

- (4) This subsection provides procedures for prior year EITC Form 1040-X Claims/ Amended Returns not being scored and selected through the Dependent Database Check CC DDBCK.

If	And	Then
<p>TY 2020 and prior Form 1040-X Claim/Amended returns without an EITC Recertification Indicator</p> <p>Note: Form 1040-X Claim/ Amended returns with Recertification Indicators 2 or 4 will only be reviewed for years of disallowance. If received for any other year, send Letter 105C to inform the taxpayer that their claim will not be considered. Explain the 2-10 year ban.</p>	Taxpayer claiming an additional child or EITC not claimed on original return	<ol style="list-style-type: none"> 1. Open using: Project Code 607, Source Code 30, Status Code 08 2. Mail Letter 566-D and appropriate Form 886-H to start the examination within 30 days of claim receipt. 3. Follow existing claim procedures in IRM 4.19.16.2.4.

If	And	Then
Presently open on the AIMS data base		<ol style="list-style-type: none"> 1. Associate claim with open case. 2. Follow existing procedures.
Form 1040-X Claim has a Duplicate Dependent condition	It has been determined that the Form 1040-X is the non-custodial/third party of claim receipt.	<ol style="list-style-type: none"> 1. Open with: Project Code 0652, Source Code 30, Status Code 08. 2. Mail Letter 566-D and appropriate Form 886-H to start the examination within 15 days.

4.19.14.11.1
(01-01-2007)

Claims Processing in Examination Operations

- (1) See IRM 4.19.16, Claims, for instructions and processing procedures for Claims cases.

4.19.14.12
(01-01-2024)

Child Tax Credits

- (1) The Child Tax Credit (CTC) includes the Additional Child Tax Credit (ACTC) and the Credit for Other Dependents (ODC).
- (2) If research reveals there are two or more taxpayers claiming the same qualifying child and/or dependents, see IRM 4.19.14.21.1, DUPTIN Related Taxpayers.

4.19.14.12.1
(01-03-2023)

Overview – CTC, ACTC, Refundable CTC and ODC

- (1) **Required TIN for CTC/ACTC/refundable CTC** – The Protecting Americans from Tax Hikes (PATH) Act of 2015 requires the taxpayer, spouse if filing jointly, and each qualifying child (QC) for whom the CTC/ACTC (refundable CTC for tax year 2021) is claimed to have a taxpayer identification number (TIN) issued on or before the return due date (RDD), including extensions. The requirement applies to returns and amended returns filed after December 18, 2015.

A TIN can be a Social Security number (SSN) issued by the Social Security Administration, or an individual taxpayer identification number (ITIN) or adoption taxpayer identification number (ATIN) issued by the Internal Revenue Service (IRS).

- (2) **Credit temporarily modified** – The Tax Cuts and Jobs Act (TCJA) of 2017 temporarily modifies the child tax credit for returns and amended returns for tax years **2018-2025**.
 - a. **Required SSN for CTC/ACTC** – A qualifying child for the CTC/ACTC (and refundable CTC for tax year 2021) must have an SSN that is valid for employment and issued before the return due date, including extensions.
 - b. **ODC** – The TCJA created a nonrefundable \$500 credit for other dependents (ODC). Other dependents are qualifying children who would otherwise be eligible for the CTC/ACTC (refundable CTC for 2021) but they do not have the required SSN or are over age 16 (age 17 for 2022) and still meet the age test for dependent qualifying children. Other de-

pendents can also be a qualifying relatives (QR) who are United States (U.S.) citizens, nationals or residents.

- c. **Required TIN for ODC** – The taxpayer, spouse if filing jointly, and each individual for whom the ODC is claimed must have a TIN issued on or before the return due date (including extensions).

(3) **Credit temporarily fully refundable** - The American Rescue Plan Act (ARPA) of 2021 temporarily modified the CTC to be fully refundable for tax year 2021.

- a. **Principal place of abode:** CTC is fully refundable if the taxpayer (or spouse if MFJ) had a main home in the U.S. for more than six months of the year or is a bona fide resident of Puerto Rico.

Note: Refundable Credit Available to Puerto Rico Bona Fide

Residents- Bona fide residents of Puerto Rico may claim the refundable CTC. The refundable CTC is generally claimed on a Form 1040-SS/PR. For additional information about the CTC filing requirements relating to the Form 1040-SS/PR for Puerto Rico bona fide residents, see IRM 3.38.147.9.3(2) and (3), IRM 21.6.3.4.2.8(6), and IRM 21.8.1.5.5.

- b. **Income:** No income is required for the refundable CTC. Taxpayers without a filing requirement may claim the refundable CTC
- c. **ODC:** This credit remains non-refundable.
- d. **Modified Adjusted Gross Income (MAGI):** The CTC phases out in two different steps based on MAGI. The first phaseout can reduce the Child Tax Credit to \$2,000 per child based on ARPA MAGI limitations. The second phaseout won't reduce the remaining Child Tax Credit below \$2,000 per child until MAGI exceeds the TCJA limitations.
- e. **SSN requirement:** This requirement remains the same as the requirements for the PATH Act and TCJA.

(4) **Required TINs for CTC/ACTC/refundable CTC and ODC :**

Applicable Period	TP, and spouse if filing jointly	QC for CTC/ ACTC/ refundable CTC	QC for ODC	QR for ODC
Tax year 2018-2025	TIN issued on or before RDD (including extensions)	SSN valid for employment and issued before RDD (including extensions)	TIN issued on or before RDD (including extensions)	TIN issued on or before RDD (including extensions)

Applicable Period	TP, and spouse if filing jointly	QC for CTC/ACTC/refundable CTC	QC for ODC	QR for ODC
Tax year 2017 and prior tax year original and amended returns filed after December 18, 2015	TIN issued on or before RDD (including extensions)	TIN issued on or before RDD (including extensions)	N/A	N/A
Original and amended returns filed before December 19, 2015	TIN issued at any time	TIN issued at any time	N/A	N/A

- (5) **Dependency exemption** – The TCJA temporarily reduced the **dependency** exemption amount to zero for tax years 2018-2025. However, the eligibility rules for dependents (qualifying child and qualifying relative) haven't changed.

Refer to IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents, for more information on evaluating taxpayer responses.

- (6) **Head of household filing status** – The TCJA didn't change the eligibility rules for head of household filing status. A taxpayer can still file as head of household with a qualifying person who is the taxpayer's parent living in a separate home in the U.S., Canada or Mexico.

Refer to IRM 4.19.14.6.4, EITC - Filing Status.

- (7) **U.S. national** – For tax purposes, the term 'U.S. national' includes individuals who were born in American Samoa or the Commonwealth of the Northern Mariana Islands who have chosen to be U.S. nationals instead of U.S. citizens.
- (8) **U.S. Resident Alien** – In general, to be a U.S. resident alien, an individual must either be a lawful permanent resident alien (meet the green card test) or be physically present in the U.S. for a certain number of days (meet the substantial presence test). See IRM 4.19.14.12.4, U.S. Resident Alien, and Pub 519, U.S. Tax Guide for Aliens, for more information.
- (9) **Return due date (including extensions)** – The regular return due date is normally April 15th of the year following the calendar tax year. For returns and amended returns filed after the return due date, for CTC/ACTC/ODC purposes, if the taxpayer received an extension of time to file, then the return due date is the extended due date, normally October 15th of the year following the calendar tax year. For more information, see **Extension of Time To File Your**

Tax Return, and the instructions for Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. Note: Different rules can apply for taxpayers outside the United States.

- (10) **Recertification and two and ten-year ban** – The ODC is part of the child tax credit. If a taxpayer is required to recertify for, or is subject to a 2- or 10-year ban on claiming, the CTC/ACTC/refundable CTC, the recertification requirement or ban applies to the ODC as well, and vice versa.

If the overall combined amount of CTC, ACTC, refundable CTC and ODC is decreased because of a deficiency examination, consideration must be given to asserting applicable penalties and a 2- or 10-year ban. See IRM 4.19.14.7, Recertification, for more information.

- (11) **Prior Year Earned Income** - For tax year (TY) 2020, a taxpayer can elect to use their TY 2019 earned income (i.e., PYEI) to calculate their Earned Income Tax Credit or Additional Child Tax Credit if their TY 2019 earned income is more than their TY 2020 earned income. The taxpayer can apply the election to either credit or both credits, even if they did not have earned income for TY 2020. See IRM 4.19.14.6.7, Prior Year Earned Income (PYEI), for more information.
- (12) **Foster/Adopted Child** - An individual legally adopted by the taxpayer or an individual who is lawfully placed with the taxpayer for legal adoption is treated as a child of the taxpayer by blood. An eligible foster child is an individual who is placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. A child adopted by the taxpayer, a child lawfully placed with the taxpayer for legal adoption, or an eligible foster child placed with the taxpayer, meets the residency test for a qualifying child if the child has the same residence as the taxpayer for more than one-half of the portion of the year following the placement of the child with the taxpayer. For additional information on residency, citizenship, and tie-breaker rules, see IRM 4.19.14.6.1, EITC Qualifying Child (QC).

4.19.14.12.2
(01-01-2024)

**Requirements for
CTC/ACTC (2018-2025
Returns) and Refundable
CTC (2021 Returns)**

- (1) A child must:
- Meet the relationship, residency, joint return and support tests to be the taxpayer's dependent qualifying child
 - Be younger than the taxpayer and under the age of 17 (18 for 2021) at the end of the tax year
 - Be a U.S. citizen, national or resident
 - Have the required SSN issued as a citizen of the United States or whose SSN is valid for work purposes before the due date of the return including extensions

Please see the table below for information related to the rules listed above.

<u>Relationship</u> The child must be the taxpayer's:	<u>Residency</u> The child must have:	<u>Joint Return</u> The child must:	<u>Support</u> The child must:	<u>Age</u> The child must be:	<u>U.S. Citizen, National or Resident</u> The child must be:
son, daughter, adopted child, stepchild or a descendant of any of them ---or	lived with the taxpayer (or spouse, if filing jointly) for more than half the year*	not file a joint return or file a joint return only to claim a refund of income tax withheld or estimated tax paid and neither the child nor the child's spouse had a filing requirement	not have provided over half of their own support	younger than the taxpayer and under the age of 17 at the end of the year (18 for 2021)	a U.S. citizen, national or resident alien
brother, sister, stepbrother, stepsister, or a descendant of any of them <i>or</i>	*Exceptions exist for children of divorced or separated taxpayers, temporary absence due to special circumstances, and birth or death of a child				
eligible foster child					

- (2) For math error protest (PC 0125 or 0600) or erroneous refund cases (PC 0044 or 0045) cases, workpapers must address whether the taxpayer, and spouse if filing jointly, has the required TIN.
- (3) Workpapers must address whether each dependent for whom CTC/ACTC or refundable CTC was claimed meets each of the eligibility tests and has the required SSN. The Internal Revenue Code requires the child to have a **valid** social security number (SSN) issued by the Social Security Administration (SSA) before the due date of the tax return (including extensions).
- To be valid, the SSN must have been issued to a child who is a citizen of the United States or whose SSN is valid for work purposes **and** was issued on or before the due date of the return, including extensions.
 - If CC DDBKD shows the child's SSN was updated to citizenship code A or B *after* the due date of the return (including extensions), **and/or** the social security card received has the legend "Not Valid for Employment", verify the child was a citizen or permanent resident on or before 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 have a valid SSN for the CTC/ACTC. See IRM 4.19.14.6(5) for more information.
- If the social security card has the legend “Valid for Work Only with DHS Authorization” issued after the due date of the return (including extensions), verify the child was a citizen or permanent resident by the due date of the return, and request a new social security card without the legend.
- (4) For each dependent who doesn’t meet the tests for the CTC/ACTC/refundable CTC (2021), or doesn’t have the required SSN for the CTC/ACTC/refundable CTC, workpapers must address whether the dependent meets the tests for the ODC and has the required TIN for the ODC. The ODC should be allowed for the dependent if they meet the tests and have the required TIN for the ODC. See IRM 4.19.14.12.2.1, Qualifying Child Age 17-23 or Disabled May be Eligible to be Claimed for ODC (2018-2025 Returns), and IRM 4.19.14.12.2.2, Qualifying Child Without Required SSN May be Eligible to be Claimed for ODC (2018-2025 Returns).
- (5) For W&I Exam, EITC cases in which the dependent has an SSN not valid for work will be identified with Tracking Code 6565.
- (6) For tax year 2021, changes to the MAGI may impact the refundable CTC amount due to ARPA and TCJA threshold phaseouts. Once the refundable CTC is reduced by ARPA thresholds, the credit will then phase out at the current TCJA MAGI thresholds and will not drop below the TCJA amounts (\$2,000 per child). See the table below for examples.

A married taxpayer filing a joint return with 3 children, ages 1, 3, and 7, with a MAGI of \$250,000 will have a tentative refundable credit of \$10,200.	$\$3,600 \times 2 (\$7,200) + \$3,000 =$ \$10,200
The MAGI minus ARPA income threshold equals the reduced MAGI for calculating the refundable CTC.	$\$250,000 - \$150,000 =$ \$100,000
The reduced MAGI multiplied by the five percent phaseout equals the CTC amount the TP is <i>not</i> eligible for.	$\$100,000 \times .05 =$ \$5,000
The tentative refundable credit minus the five percent phaseout amount equals the refundable CTC before TCJA rules are applied.	$\$10,200 - \$5,000 =$ \$5,200
The TP is eligible for the greater of the increased credit amount or the credit amount following prior year rules (\$2,000 per child).	Greater of \$5,200 or \$6,000

- (7) For tax year 2021, the CTC is 100% refundable if the taxpayer (or spouse if MFJ) lived in the United States for more than half the year or was a bona fide resident of Puerto Rico. If during the exam, it is determined that the taxpayer did not reside in the United States for more than half the year, the taxpayer is **not** eligible for the refundable CTC. However, the taxpayer **is** eligible for the non-refundable CTC and ACTC (with a qualifying child). Adjust the RGS issue to the non-refundable CTC and ACTC and continue with the exam to verify the qualifying child.

4.19.14.12.2.1
(01-03-2023)
**Qualifying Child Age
17-23 or Disabled May
be Eligible to be
Claimed for ODC
(2018-2025 Returns)**

- (1) A taxpayer **can't claim the CTC/ACTC or refundable CTC (2021)** for a child who is over age 16 (17 for 2021). However, the taxpayer **can claim the ODC** if the child meets the age test for a dependent qualifying child over age 16 (17 for 2021):

<u>Age</u> The child must be:	<u>Age -- if Permanently and Totally Disabled</u> The child can be:
<ul style="list-style-type: none"> younger than the taxpayer (or spouse if filing jointly), and either under the age of 19 at the end of the year -- or under the age of 24 and a full-time student 	any age if permanently and totally disabled at any time during the year

Example 1: A taxpayer has a niece who is 18 years old, younger than the taxpayer, single, and didn't provide over half of their own support. They lived together all year and are both U.S. citizens. Nobody else can claim the taxpayer's niece as a qualifying child for the CTC/ACTC. The niece meets all other tests to be the taxpayer's qualifying child for the CTC/ACTC but doesn't meet the age test. The taxpayer cannot claim CTC/ACTC for the niece. However, ODC for the taxpayer's niece is allowable.

Example 2: A taxpayer has an older brother who is permanently and totally disabled, single and didn't provide over half of their own support. They lived together all year and are both U.S. citizens. Nobody else can claim the taxpayer's brother as a qualifying child for the CTC/ACTC. The brother meets all other tests to be the taxpayer's qualifying child for the CTC/ACTC but doesn't meet the age test. The ODC for the taxpayer's brother is allowable.

4.19.14.12.2.2
(01-03-2023)
**Qualifying Child Without
Required SSN May be
Eligible to be Claimed
for ODC (2018-2025
Returns)**

- (1) A taxpayer **can't claim the CTC/ACTC or TY 2021 refundable CTC** for a child who doesn't have the required SSN. However, a taxpayer **can claim the ODC** if the child has an SSN not valid for employment, ITIN or ATIN issued on or before the return due date (including extensions).

Example: In 2018, a taxpayer, their spouse and their 6 year-old child lived together all year in the United States. They all have ITINs issued by the return due date. No one else can claim their child as a qualifying child for the CTC/ACTC. Their child

meets all other tests to be the taxpayers' qualifying child for the CTC/ACTC except the required SSN. The ODC for the taxpayers' child is allowable.

4.19.14.12.3
(01-01-2024)

**Requirements for ODC
(2018-2025 Returns)**

- (1) Other dependents are qualifying children who would otherwise be eligible for the CTC/ACTC (refundable CTC for 2021), but they do not have the required SSN or are over the age of 16 (age 17 for 2021) and still meet the age test for dependent qualifying children. Other dependents can also be for qualifying relatives (QR) who are United States (U.S.) citizens, nationals, or residents.
- (2) A qualifying relative must **not** be:
 - a. The taxpayer's qualifying child for the CTC/ACTC/refundable CTC (2021)
 - b. A qualifying child of any other taxpayer for the CTC/ACTC/refundable CTC (2021) or ODC
- (3) A qualifying relative must:
 - a. Meet the relationship or member of household, gross income, joint return and support tests to be the taxpayer's dependent qualifying relative
 - b. Be a U.S. citizen, national or resident
 - c. Have the required TIN

<u>Relation- ship or Member of Household</u> The individual must be the taxpayer's:	<u>Gross Income</u> The individual must:	<u>Joint Return</u> The individual must:	<u>Support: The taxpayer must:</u>	<u>U.S. Citizen, National or Resident</u> The individual must:
child, stepchild, foster child, or a descendant of any of them, sibling, half sibling, or a son or daughter of any of them	have gross income that is less a certain amount (\$4,400 in tax year 2022; \$4,300 in tax years 2021 and 2020), indexed for inflation after	not file a joint return	provide over half the person's support for the year	be a U.S. citizen, national or resident alien

<u>Relationship or Member of Household</u> The individual must be the taxpayer's:	<u>Gross Income</u> The individual must:	<u>Joint Return</u> The individual must:	<u>Support:</u> The taxpayer must:	<u>U.S. Citizen, National or Resident</u> The individual must:
parent or an ancestor or sibling of either parent but not a foster parent	There are special rules for the income of disabled dependents	or	There are special rules for multiple support agreements, spousal or child support, and support of children of divorced or separated parents.	
step-sibling, stepparent, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law		file a joint return only to claim a refund of income tax withheld or estimated tax paid and neither the individual nor the individual's spouse has a filing requirement		
or				

<u>Relation- ship or Member of Household</u> The individual must be the taxpayer's:	<u>Gross Income</u> The individual must:	<u>Joint Return</u> The individual must:	<u>Support:</u> The taxpayer must:	<u>U.S. Citizen, National or Resident</u> The individual must:
any other person (other than the taxpay- er's spouse) who lived with the taxpayer all year as a member of the taxpay- er's household if the relation- ship didn't violate local law				

(4) Some examples:

Example 1: An unmarried taxpayer provided over half the total support for their widowed parent who earned \$1,500 (U.S. dollars), has a timely-issued ITIN and lives in Mexico. The parent meets all other tests to be the taxpayer's qualifying relative but doesn't meet the U.S. citizen or resident test, and the ODC isn't allowable.

Note: Since the taxpayer's parent is a dependent qualifying relative, they can be the taxpayer's qualifying person for head of household filing status if all eligibility tests are met.

Example 2: A taxpayer lived all year with and provided over half the total support for their 30-year-old friend and their friend's 10-year-old child. The friend earned \$1,500 during the year, and all three individuals have timely-issued ITINs. The friend and the friend's child meet all tests to be the taxpayer's qualifying relatives; the ODC is allowable.

Example 3: A taxpayer lived all year with and provided over half the total support for a 30-year-old friend and the friend's 10-year-old child. The friend earned \$8,000 during the year, and all three individuals have timely-issued ITINs. The friend earned too much to be the taxpayer's qualifying relative for the ODC. The friend's child meets many tests to be the taxpayer's qualifying relative for the ODC, but the child is the friend's qualifying child for the ODC under the rules in IRM 4.19.14.12.2.2, Qualifying Child Without Required SSN May be Eligible to be

Claimed for ODC (2018-2025 Returns). The taxpayer can't claim the ODC for the friend or the friend's child as a qualifying relative.

- (5) For math error protest (PC 0125 or 0600) or erroneous refund (PC 0044 or 0045) cases, workpapers must address whether the taxpayer, and spouse if filing jointly, has the required TIN
- (6) Workpapers must address whether each dependent for whom ODC was claimed meets each of the eligibility tests and has the required TIN.

4.19.14.12.4
(01-03-2023)
U.S. Resident Alien

- (1) A dependent who is a U.S. resident alien generally must meet either the green card test or the substantial presence test. See Pub 519, U.S. Tax Guide for Aliens, for more information.
- (2) **Green Card test** - An individual meets the green card test for the year under examination if they are a lawful permanent resident of the United States at any time during the calendar year. A lawful permanent resident has been given the privilege, according to the immigration laws, of residing permanently in the United States as an immigrant. Generally, the U.S. Citizenship and Immigration Services (USCIS) issued the individual an alien registration card, also known as a "green card." The individual continues to have resident status under this test unless the status is taken away or is administratively or judicially determined to have been abandoned.

A resident alien who meets the green card test is eligible for an SSN and is not eligible for an ITIN. See IRM 4.19.14.12.5, What is an ITIN?, for more information.

- (3) **Substantial presence test** - An individual meets the substantial presence test for the year under examination if they are physically present in the U.S. for:
 - a. At least 31 days in the calendar year under examination, and
 - b. A total of 183 days during the three-year period that includes the year under examination, and the two years immediately before that. Total days are calculated as total days in the year under examination, plus one-third of the days for the immediate prior year, and one-sixth of the days for the second prior year.
- (4) An alien who meets the substantial presence test may have either an SSN, ITIN or ATIN.

Example 1: An alien who is present in the U.S. from July 1st to December 31st, or 184 days, in 2018 meets the substantial presence test for 2018.

Example 2: An alien who was present in the U.S. from January 1st to 31st in 2018 (31 days), all year in 2017 (365 days), and all year in 2016 (365 days) meets the substantial presence test for 2018.

The computation of days of physical presence is shown below.

Computation of days of physical presence:		
All the days present in 2018		31
One third of the days present in 2017	365 x 1/3	121
One sixth of the days present in 2016	365 x 1/6	60
Total days of physical presence		212

- (5) **Dual-status alien** - Dual-status taxpayers are those who have been both a resident alien and a nonresident alien in the same year. The most common dual-status tax years are the years of U.S. arrival and departure. In addition to status changes, a green card or meeting the substantial presence test, taxpayers may also become resident aliens by attaching a timely statement to their income tax return or sending the statement to the IRS.

4.19.14.12.5
(01-03-2023)

What is an ITIN?

- (1) **Authority** - Under Treas. Reg. 301.6109-1, a TIN must be furnished on all tax returns, statements, and other tax-related documents. The Department of the Treasury created the ITIN so that a foreign individual not eligible for an SSN could use an identification number for U.S. federal tax reporting.
- (2) **Effect** - An ITIN doesn't affect an individual's immigration status, isn't valid for identification purposes outside the U.S. federal tax system and doesn't authorize an individual to:
- Work in the U.S.
 - Receive Social Security benefits
 - Claim the EITC or be claimed as a qualifying child for the EITC
 - Be claimed as a qualifying child for the CTC/ACTC for 2018-2025 or refundable CTC for 2021
- (3) **Eligibility** - Any individual who doesn't qualify for an SSN is eligible to receive an ITIN if the individual has a valid U.S. federal tax filing requirement, or if a dependency exemption or other tax benefit may be claimed for the individual.
- (4) **Format** - An ITIN is a nine-digit tax processing number issued by the IRS in the same format as an SSN, except that:
- The first digit is (9)
 - The fourth and fifth digits range from (50-65), (70-88), (90-92), or (94-99)

Note: An ITIN is not the same as an Internal Revenue Service Number (IRSN). An IRSN is a tax processing number assigned to a taxpayer or spouse by the IRS to process a tax return until the taxpayer is assigned an SSN or ITIN or until their SSN or ITIN is located. An IRSN is in the same format as an ITIN, except that the fourth and fifth digits are always a valid IRS Campus Code (IRSC), ranging from (02-10), (17-18), (28-29), (37-39), 49, 66 and 89. See IRM 3.21.263.5.5, Internal Revenue Service Number (IRSN), for more information.

- (5) **Expiration/Deactivation** - ITINs that haven't been included on a federal tax return at least once in the last three consecutive tax years will expire. Further, ITINs that were assigned before 2013 will expire according to an annual schedule based on the middle digits of the ITIN. To renew or reactivate an expired or deactivated ITIN, a taxpayer must submit Form W-7, Application for IRS Individual Taxpayer Identification Number. Once approved, the taxpayer will be assigned the same ITIN as originally issued. For more information, see IRM 3.21.263.2.1, How to Identify Expired/Deactivated ITINs, and IRM 3.21.263.2.2, How to Identify Renewed/Reactivated ITINs.

4.19.14.12.6

(01-03-2023)

ITIN and ATIN Issuance Date

- (1) **Original assignment** - If an ITIN or ATIN is applied for on or before the return due date (including extensions) and the IRS assigns an ITIN or ATIN because of the application, the IRS will consider the ITIN or ATIN as issued on or before the return due date.
- (2) **Renewed/reactivated and 'gap period'** - When an ITIN is renewed, the ITIN Assignment Date on the renewal application will be the original date the ITIN was assigned. See paragraph (5) of IRM 4.19.14.12.5, What is an ITIN?, and IRM 3.21.263.2.2, How to Identify Renewed/Reactivated ITINs.
- (3) The below is an example of the status of a child's ITIN.

Child's ITIN Status	Status Date
Child's ITIN originally assigned	April 15, 2010
Child's ITIN deactivated	December 31, 2015
Taxpayer submitted renewal Form W-7 for the child	June 15, 2019
Child's ITIN reactivated	June 30, 2019
Child's ITIN assignment date after reactivation	April 15, 2010

- There was a gap period when the ITIN was deactivated from 12/31/15-6/29/19. However, **after renewal/reactivation**, CTC/ACTC and ODC can be allowed retroactively for tax years during the gap period if the child meets all other eligibility tests for the credit(s).
- For tax year 2018, the child has the required TIN for the ODC after reactivation.
- For tax years 2015, 2016 and 2017, the child has the required TIN for the CTC/ACTC after reactivation. See IRM 4.19.14.12.9, Requirements for CTC/ACTC for Tax Years Prior to 2018, for more information.

Note: No credit or refund will be made for years for which an original or amended return claiming the CTC/ACTC/refundable CTC or ODC is received after the Refund Statute Expiration Date (RSED).

4.19.14.12.7

(01-03-2023)

ITIN and EITC

- (1) If the earned income tax credit (EITC) is claimed on an original return by a taxpayer with an ITIN, or spouse with an ITIN if filing jointly, or claimed for a child with an ITIN, the return is either rejected (electronically) or the EITC is denied using math error correction authority. Research Integrated Data Retrieval System (IDRS) command codes TXMOD, IMFOLT, RTVUE, TRDBV,

the Employee User Portal (EUP) or other IRS electronic account research systems as authorized to verify whether the taxpayer improperly received the EITC. If so, with managerial approval, include the EITC as an audit issue.

- (2) If the taxpayer and spouse if filing jointly each have valid SSNs, they can receive the EITC for each qualifying child with a valid SSN if all other eligibility tests are met. They can't receive the EITC if the taxpayer or spouse, if filing jointly, has an SSN issued solely to get a federally funded benefit or has an ITIN. If taxpayers have valid SSNs, they can't receive an additional amount of EITC for any qualifying child who has an SSN issued solely to get a federally funded benefit or who has an ITIN or ATIN.
- (3) See IRM 4.19.15.34.1, Programs and Initial Contacts, for more information on EITC issues in CTC/ ACTC/ODC programs.

4.19.14.12.8
(01-03-2023)
Date of Attainment

- (1) Rev. Rul. 2003-72 applies a uniform method of determining when a child attains a specific age for the purposes of child tax credit, dependent care credit, adoption credit, earned income credit, dependent care assistance programs, foster care payments, adoption assistance programs and dependency exemptions. The ruling provides that a child attains a given age on the anniversary of the date that the child was born. This ruling includes determinations of age for the purposes of child tax credit and dependents.

Example 1: A child born on January 1, 2002, attains the age of 17 on January 1, 2019, for purposes of the CTC/ACTC. For tax year 2018, the child meets the age test for the CTC/ACTC.

Example 2: A child born on December 31, 2001, attains the age of 17 on December 31, 2018, for purposes of the CTC/ACTC. For tax year 2018, the child doesn't meet the age test for the CTC/ACTC.

4.19.14.12.9
(01-03-2023)
**Requirements for
CTC/ACTC for Tax Years
Prior to 2018**

- (1) The following subsections apply to CTC/ACTC claimed on original and amended returns for tax years prior to 2018.

4.19.14.12.9.1
(01-03-2023)
**CTC/ACTC for 2017 and
Prior-Year Returns and
Claims for Refund Filed
After December 18, 2015**

- (1) A child must:
 - a. Meet the relationship, residency, joint return and support tests to be the taxpayer's qualifying child.
 - b. Be younger than the taxpayer and under age 17 at the end of the tax year.
 - c. Be a U.S. citizen, national or resident.
 - d. Have the required TIN.

<u>Relationship</u> The child must be the taxpayer's:	<u>Residency</u> The child must have:	<u>Joint Return</u> The child must:	<u>Support</u> The child must:	<u>Age</u> The child must be:	<u>U.S. Citizen, National or Resident</u> The child must be:
Son, daughter, adopted child, stepchild or a descendant of any of them	lived with the taxpayer (or spouse, if filing jointly) for more than half the year*	not file a joint return or file a joint return only to claim a refund of income tax withheld or estimated tax paid, and neither the child nor the child's spouse had a filing requirement	not have provided over half of their own support	younger than the taxpayer and under the age of 17 at the end of the year	a U.S. citizen, national or resident alien
or					
brother, sister, stepbrother, stepsister, or a descendant of any of them or	*Exceptions exist for children of divorced or separated taxpayers, temporary absence due to special circumstances and birth or death of a child				
eligible foster child					

- (2) For math error protest (PC 0125 or 0600) or erroneous refund (PC 0044 or 0045) cases, workpapers must address whether the taxpayer, and spouse if filing jointly, has the required TIN.
- (3) Workpapers must address whether each dependent for whom CTC/ACTC was claimed meets each of the eligibility tests and has the required TIN.

4.19.14.12.9.2
(01-03-2023)

CTC/ACTC for Returns and Claims for Refund Filed Prior to December 19, 2015

- (1) For returns and claims for refund filed prior to December 19, 2015, the TIN of the taxpayer, spouse if filing jointly, and each qualifying child for whom the credit is claimed can be an SSN, ITIN or ATIN and the TIN can be issued before, on or after the return due date.
- (2) A child must meet the tests shown in IRM 4.19.14.12.9, Requirements for CTC/ACTC for Tax Years Prior to 2018.

(3) Workpapers must address whether each dependent for whom CTC/ACTC was claimed meets each of the eligibility tests.

4.19.14.13
(01-01-2024)
**Child and Dependent
Care Credit (CDCC)**

- (1) The following guidelines are used to determine if the taxpayer qualifies for the Child and Dependent Care Credit.
- The limit on the amount of qualifying expenses that can be considered in computing the credit is \$3,000 for one qualifying person or \$6,000 for two or more qualifying persons. The amount of qualifying expenses after applying the limit is reduced by the aggregate amount of dependent care assistance excludable from gross income for the tax year.
 - The credit can be as much as 35 percent of qualifying expenses. Refer to Form 2441, Child and Dependent Car Expenses, for computation.

Note: The American Rescue Plan Act revised the Child and Dependent Care Credit rules for tax year 2021 only. For tax year 2021, the limit on the amount of qualifying expenses that can be considered in computing the credit is \$8,000 for one qualifying person or \$16,000 for two or more qualifying persons. The credit can be as much as 50 percent of qualifying expenses, and the amount of qualifying expenses must be reduced by the aggregate amount of dependent care assistance excludable from gross income for the tax year. Refer to the 2021 *Form 2441* and the 2021 *Instructions for Form 2441* for computation.

(2) The charts below will be helpful in determining what can be accepted to verify amounts claimed for the Child and Dependent Care Credit. IRC 152 defines a dependent as a qualifying child (QC) or a qualifying relative (QR). See IRM 4.19.15.2, Child and Dependent Care Credit, and IRM 21.6.3.4.1.3, Child and Dependent Care Credit, for more information about refundable and non-refundable credits. See the instructions for Form 2441 for more information, including income thresholds for the tax year being examined.

A qualifying person is:	Verifying Information
The taxpayer's dependent who was under age 13 when the care was provided and whom the taxpayer can claim as a dependent.	Birth certificate, school records, or baptismal certificate. Military Personnel Acceptable proof of status Defense Enrollment Eligibility Reporting System (DEERS), which provides a list of authorized dependents whose relationship, has been verified. Leave and Earnings Statement (LES), which verifies if the taxpayer is paying a voluntary allotment for Basic Housing Allotment (BHA) payable to the dependents or custodial parent, or if the taxpayer is having child support payments garnished.
or	

A qualifying person is:	Verifying Information
The taxpayer's spouse who was physically or mentally not able to care for themselves and who has the same principal place of abode as the taxpayer for more than one-half of the year.	Marriage certificate (proof of spouse), and Doctor's note or State certification (proof of disability).
or	
Any other person who was physically or mentally not able to care for themselves and had the same principal place of abode as the taxpayer for more than one-half of the year, or an unrelated individual who lived with the taxpayer all year as a member of the taxpayer's household, if the relationship didn't violate local laws and whom the taxpayer can claim as a dependent or could claim as a dependent except that the person had gross income in excess of \$4,400 (\$4,300 tax years 2020 and 2021) or more or because the taxpayer claiming the credit could be claimed as a dependent on another taxpayer's return .	Proof of keeping up home: Rent receipts, mortgage documents, property tax bills, utility bills. Proof of person's claimed residency: School records, official mail. Doctors' note or State certification verifying disability.

Eligibility Requirement Tests	Verifying information
The taxpayer (and spouse if married) must have earned income during the year. (However, there are exceptions for student-spouse or spouse not able to care for self.)	Form W-2 and/or Form 1099
and	
The taxpayer must pay child or dependent care expenses so that they (and spouse if married) can work or look for work.	Proof of payments to provider: Receipts or cancelled checks, and account statements or letters from each childcare or dependent care provider. If looking for work, a calendar showing interviews and dates. If no log or calendar available, statement from the taxpayer that the taxpayer was looking for work and the types of places the taxpayer was applying.

and	
The taxpayer must make payments for child and dependent care to someone they (or spouse) cannot claim as a dependent. If payments are made to the taxpayer's child, that child cannot be the taxpayer's dependent and must be age 19 or older by the end of the year.	Review the name(s) on receipts or cancelled checks. If same surname, determine if claimed as a dependent on return. If not claimed, verify the age using CC INOLE, via a driver's license, birth certificate, or school records.
and	
The filing status must be single, head of household, surviving spouse with dependent child, or married filing jointly. If married, a joint return must be filed or the taxpayer must meet the criteria in IRM 4.19.14.13.1, Statutory Requirement - Married Filing Separate.	
and	
The identity of the care provider must be provided on the tax return.	Must include name, address, and TIN/EIN. If an individual, then SSN. Proof can be: Copy of provider's SSN card, copy of provider's driver's license (if SSN on it), a copy of provider's completed W-4 if household employee, copy of statement from employer if part of employer's dependent care plan, or a letter or invoice from the provider with the needed information.
and	
Adjustments must be made for any dependent care assistance benefits provided by employer.	Review Form W-2, Box 10, for employer provided benefits or letter from employer and ensure the excluded benefits are not used to compute the credit. See Part III of Form 2441.

Note: If the taxpayer cannot claim the child as a dependent, the child may still be a qualifying person for the Child and Dependent Care Credit if:

- The child was under age 13 or was physically or mentally not able to care for themselves, and
- The taxpayer is the child's custodial parent (the parent with whom the child lived for the greater part of the year), and

- The child received over half of their support during the calendar year from one or both parents who are divorced or legally separated under a decree of divorce or separate maintenance, are separated under a written separation agreement, or lived apart at all times during the last 6 months of the calendar year, and
- The child was in the custody of one or both parents for more than half the year.

Note: The noncustodial parent cannot claim the qualifying person for the CDCC even if they claim the person as a dependent under the special rules for a child of divorced or separated parents.

- (3) **If the above conditions are met, allow the credit up to the allowable amount.**
- (4) Expenses for a child to attend kindergarten or a higher grade do not qualify for the Child and Dependent Care Credit. Expenses for before-school or after-school care of a child in kindergarten or a higher grade may qualify for the credit.
- (5) Additional information regarding the Child and Dependent Care Credit can be found in Pub 503, Child and Dependent Care Expenses.
- (6) For situations in which there is a duplicate dependent used to obtain the child and dependent care credit:
- For EITC cases, the three letter process applies: ICL, 30 Day and SNOD. For Discretionary cases, the 566-B Combo letter is used to start the examination. The ICL should include Form 14801, Child and Dependent Care Credit Explanation of Items.
 - Request documentation applicable to the duplicate condition. The taxpayer must certify that he has a qualifying child per the rules as shown in the para (2) table of this section.
 - Follow normal examination procedures to work case.
 - If the taxpayer is allowed the credit, follow procedures in IRM 4.19.14.21.1, DUPTIN Related Taxpayers, to open the other duplicate dependent case and disallow the credit.
- (7) The below table provides the Child and Dependent Care Rule Summary:

Eligibility Requirement	Qualifying Person Rule Summary
Relationship	Same as dependent QC, physically or mentally incapable dependent QR spouse IRC 21(b)(1), IRM 4.19.14.6.5, EITC-Personal Exemptions and Dependents.

Eligibility Requirement	Qualifying Person Rule Summary
Residency	Same as dependent QC IRC 21(b)(1)(A), or physically or mentally incapable dependent QR or spouse who lived with Taxpayer more than 1/2 year IRC 21(b)(1)(B) and IRC 21(b)(1)(C), IRM 4.19.14.13, Child and Dependent Care Credit (CDCC). Note: For Tax Year 2021 only, the Child and Dependent Care Credit was fully refundable if the taxpayer, or spouse if married filing jointly, had a principal place of abode in the U.S. for more than half the year. The taxpayer will verify residency by checking the checkbox on <i>Form 2441</i> , line B. If the box is not checked, the credit is nonrefundable. See IRM 21.6.3.4.1.3.3, Form 2441 - Adjusting the Credit, for more information.
Age	Expenses paid up to age 13 or for physically or mentally incapable dependent or spouse IRC 21(b)(1).
Support	Same as dependent QC, physically or mentally incapable dependent QR IRC 21(b)(1)(A) or N/A for incapable spouse IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents.
Citizenship	Same as dependent QC, physically or mentally incapable dependent QR N/A for incapable spouse IRM 4.19.14.13, Child and Dependent Care Credit (CDCC).
Married Child Joint Return	Does not apply.
Tiebreaker Rules	Apply for divorced or separated parents if two taxpayers claim the CDCC for the same dependent.
Requirements and Special Rules	Must be dependent QC or physically or mentally incapable spouse / dependent QR; except divorced / separated parents IRC 21(e)(5); except kidnapped child IRC 152(f)(6)(A).
Credit for Prior Year's Expenses	Credit for Prior Year Expenses (CPYE) is the portion of the credit attributable to expenses incurred in a prior year but paid in the current year. Review the prior year's Form 2441 to verify if the maximum credit was not claimed for the qualifying individual. If the maximum credit was not claimed, the taxpayer may be able to claim CPYE. Refer to Worksheet A for the current year.

4.19.14.13.1
(01-03-2023)

**Statutory Requirement -
Married Filing Separate**

- (1) Generally, married couples must file a joint return to claim the Child and Dependent Care Credit.
- (2) However, if taxpayers are legally separated or living apart from their spouse, they may be able to file a separate return and take the credit if they are not considered married.
- (3) Taxpayers are not considered married if all of the following apply:
 - a. The taxpayer files a separate return.
 - b. The taxpayer provides a home for a qualifying person for more than half the year.

- c. The taxpayer pays more than half the cost of keeping up their home for the year.
- d. The spouse did not live in the home for the last 6 months of the year.

4.19.14.14
(01-01-2024)
Education Tax Credits

- (1) The Education Tax Credits consists of the American Opportunity Tax Credit (AOTC), the Lifetime Learning Credit, and the Above the Line Deduction for Qualified Higher Education Expenses.
- (2) If research reveals there are two or more taxpayers claiming the same qualifying child and/or dependents, see IRM 4.19.14.21.1, DUPTIN Related Taxpayers.

4.19.14.14.1
(01-01-2024)
American Opportunity Tax Credit and Lifetime Learning Credit

- (1) See IRM 4.19.15.3.1, American Opportunity Tax Credit (AOTC) and Lifetime Learning Credit, and IRM 21.6.3.4.5.1, Form 8863, Education Credits, for information.

4.19.14.14.2
(01-03-2023)
Above the Line Deduction for Qualified Higher Education Expenses

- (1) See IRM 4.19.15.3.2, Tuition and Fees Deduction, for information.

4.19.14.15
(01-03-2023)
Qualified Adoption Expenses

- (1) See IRM 4.19.15.5, Adoption Credit and Qualified Adoption Expenses (QAE), for explanation and procedures.

4.19.14.16
(06-22-2023)
Recovery Rebate Credit (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

Category	TY 2020 RRC	TY 2021 RRC
Eligible Individual	<p>An eligible individual for the RRC is an individual other than:</p> <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 	<p>An eligible individual for the RRC is an individual other than:</p> <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	<p>Valid SSN issued before the due date of the return, 5/17/2021, or 10/15/2021, if an extension was filed.</p> <p>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.</p>	<p>Valid SSN issued before the due date of the return, or 10/15/2022, if an extension was filed.</p> <p>See note below. Eligible individuals who do not have a valid SSN can claim RRC for qualifying dependents.</p>
Maximum Credit for Eligible Individuals	<p>Eligible individuals are entitled to a credit of up to \$1,800 (\$3,600 if MFJ).</p>	<p>Eligible individuals are entitled to a credit of up to \$1,400 (\$2,800 if MFJ).</p>

Category	TY 2020 RRC	TY 2021 RRC
Qualifying Dependents	<p>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. See NOTE below.</p> <p>Exception: Children issued an ATIN at any time are qualifying children.</p>	<p>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.</p> <p>Exception: Children issued an ATIN at any time are qualifying children.</p>
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	<p>The RRC is reduced when the taxpayer's AGI exceeds:</p> <ul style="list-style-type: none"> 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 	<p>The RRC is reduced when the taxpayer's AGI exceeds:</p> <ul style="list-style-type: none"> 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

Category	TY 2020 RRC	TY 2021 RRC
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: <ol style="list-style-type: none"> \$160,000 for MFJ or QW \$120,000 for HOH \$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) 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 a child now 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 TY 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 now a dependent).

4.19.14.16.1
(01-03-2023)
**RRC Reporting
Requirements**

- (1) For both tax years (TY) 2020 and 2021, taxpayers will claim the Recovery Rebate Credit (RRC) on line 30 of their tax return. A worksheet is available to the taxpayer for this calculation and is not required to be attached to the tax return. The RRC is reduced by the amount of the Economic Impact Payment (EIP) received, and this difference is the amount to be reported on the tax return.

Note: EIPs were based on prior year information. A change in circumstances from the prior year (such as fewer children or more income in the current year) does not require the taxpayer to repay any EIP. No repayment is required on Form 1040 or Form 1040-SR.

- (2) For TY 2020, Economic Impact Payments (EIP1 and EIP2) posted to the 2020 tax module and entity, as separate transactions on the tax module. For TY 2021, EIP3 posted to the 2021 tax module and entity. The taxpayer may have been entitled to a “plus up” payment after the issuance of EIP3. This payment is considered to be a portion of EIP3 and is recorded as a separate transaction on the tax module.
- (3) If research is necessary, payments may be found using command codes IMFOLT, IMFOLA, IMFOLE, and ENMOD.
 - a. The EIP posted with a Transaction Code (TC) 766 and the following credit reference numbers on IMFOLT and IMFOLA
338: The amount attributable to the primary and secondary taxpayer, if applicable.
257: The amount attributable to the qualifying child(ren).
 - b. The EIP posted with a TC 971 Action Code 0199 on IMFOLE and ENMOD.
 - c. For TY 2020, there are separate transactions for EIP1 and EIP2.
 - d. For TY 2021, the EIP3 and the “plus up” payment (if applicable) are recorded as separate transactions on the module.
- (4) For TY 2020, the RRC posted to the 2020 tax module with a TC 766 and CRN 256 only. For TY 2021, the RRC posted to the 2021 tax module with a TC 766 and CRN 256 only. Therefore, the RRC can be a combination of the RRC for a qualifying child and a primary and/or secondary taxpayer.
- (5) For more in-depth account research information, including entity and module conditions, refer to IRM 21.6.3.4.2.13.1, Economic Impact Payments - Account Information.

4.19.14.16.2
(01-03-2023)

RRC Exam Procedures

- (1) W&I examinations may include the RRC as an issue under any project code. The RRC will primarily be adjusted by the disallowance of a qualifying child.
- (2) On any pre-refund or post-refund project code where Earned Income Tax Credit (EITC) or CTC/ACTC is an issue, the RRC will be added as an issue when present. This includes most EITC project codes and any project code (EITC or non-EITC) for which the ACTC is an issue. The full amount of RRC claimed on the return will be frozen.
- (3) The full amount of RRC claimed on the return will be frozen. However, the portion of the RRC attributable to the primary and/or secondary taxpayer is not an examination issue. Ensure the RRC is allowed, regardless of the examination determination, when the initial reply is worked.
- (4) If the taxpayer submits a signed agreement with no correspondence, confirm the RRC claimed on the return for the primary and/or secondary taxpayer is allowed. If the amount of the RRC claimed on the return for the primary and/or secondary taxpayer(s) has not been allowed, issue a corrected report without a taxpayer signature line, allowing that portion of the RRC, and continue with case closure.

Note: For TY 2020 returns, the maximum RRC that can be claimed for the primary and/or secondary taxpayer is \$1,800. Therefore, the maximum RRC is \$3,600 for Married Filing Jointly return. During return processing, the RRC is reduced by the amount of the Economic Impact Payments (EIP1 and EIP2) received.

For TY 2021 returns, the maximum RRC that can be claimed for the primary and/or secondary taxpayer is \$1,400. Therefore, the maximum RRC is \$2,800 for Married Filing Jointly return. During return processing, the RRC is reduced by the amount of Economic Impact Payments (EIP3 and plus-up payments) received.

- (5) The amount of the RRC may be limited by the taxpayers Adjusted Gross Income (AGI). Refer to IRM 4.19.14.16, Recovery Rebate Credit (RRC).
- (6) The RRC cannot be reduced below zero. Therefore, if research reveals that a taxpayer has received more EIP than they were entitled to, do not attempt to recover the EIP.

4.19.14.17
(01-03-2023)

Self-Employed Sick and Family Leave Equivalent Credits (SFLC/SE)

- (1) The SFLC/SE is refundable for tax year (TY) 2020 and TY 2021. The SFLC/SE is figured independently between the credits allowed under the Families First Coronavirus Response Act (FFCRA) (as amended by the COVID-Related Tax Relief Act) and those allowed under the American Rescue Plan Act of 2021 (ARPA).
 - a. The SFLC/SE for TY 2020 is figured for leave taken beginning April 1, 2020, through December 31, 2020.
 - b. The SFLC/SE for TY 2021 is figured separately for two periods during 2021:
 - i. the leave taken beginning January 1, 2021, through March 31, 2021 (taking into account TY 2020), and
 - ii. the leave taken beginning April 1, 2021, through September 30, 2021 (not taking into account any other period)
- (2) The FFCRA contains qualified sick and family leave equivalent credits for certain self-employed individuals for the leave taken beginning April 1, 2020, through December 31, 2020. The amendments made to the credits allowed under the FFCRA by the COVID-Related Tax Relief Act apply to TY 2020.
- (3) The COVID-Related Tax Relief Act extended the SFLC/SE under the FFCRA for leave taken through March 31, 2021. For TY 2021, the SFLC/SE under the FFCRA is figured for the leave taken beginning January 1, 2021, through March 31, 2021. The limits that apply to the SFLC/SE under the FFCRA are applied for the entire period beginning April 1, 2020, through March 31, 2021.
- (4) The ARPA contains qualified sick and family leave equivalent credits for certain self-employed individuals for the leave taken beginning April 1, 2021, through September 30, 2021. For TY 2021, the SFLC/SE under the ARPA (for leave taken April 1, 2021, through September 30, 2021) is figured separately from the SFLC/SE under the FFCRA (for leave taken January 1, 2021, through March 31, 2021).
- (5) Eligible self-employed individuals must:

- a. have regularly carried on a trade or business within the meaning of Internal Revenue Code (IRC) 1402, or were a partner in a partnership carrying on a trade or business within the meaning of IRC 1402, and
- b. would have been eligible to receive qualified sick leave wages under the Emergency Paid Sick Leave Act (EPSLA) and/or eligible to receive qualified family leave wages under the Emergency Leave Family Expansion Act (Expanded FMLA), as an employee.

Note: The EPSLA and Expanded FMLA expired on December 31, 2020. However, for TY 2021, the EPSLA or Expanded FMLA are treated as if they apply in 2021 when figuring the SFLC/SE under the FFCRA. The EPSLA or Expanded FMLA are also treated as if they apply in 2021 when figuring the SFLC/SE under the ARPA, but with certain modifications. The EPSLA and Expanded FMLA requirements that apply under the FFCRA and the ARPA are slightly different.

- (6) An eligible self-employed individual for the SFLC/SE may have separately received qualified sick or family leave wages as an employee of an employer (other than themselves). The employer, not the employee who is also a self-employed individual, receives credit for those qualified leave wages. However, the self-employed individual's SFLC/SE is reduced (but not below zero) to the extent that the sum of SFLC/SE and the qualified sick and family leave wages paid to the individual as an employee exceeds certain limits. An employer is required to provide the amount of qualified sick and family leave wages to each employee on a Form W-2 or on a separate statement provided with the employee's Form W-2 so that a self-employed individual can properly figure the SFLC/SE.

4.19.14.17.1
(01-03-2023)

**Self-Employed Sick and
Family Leave Equivalent
Credits (SFLC/SE)
Reporting Requirements**

- (1) For tax year 2020 and tax year 2021, taxpayers are instructed to complete Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, to figure the amount to claim for qualified Sick and Family leave credit (SFLC/SE).
- (2) For TY 2020, the SFLC/SE from Form 7202 is reported on Form 1040, *Schedule 3*, Line 12b. The SFLC/SE from *Schedule H* is also reported on Schedule 3, Line 12b.
- (3) For TY 2021, the Sick and Family leave credit from Form 7202 is reported on Form 1040, *Schedule 3*, line 13b and line 13h.
 - a. Line 13b is for SFLC/SE under the FFCRA for the period beginning January 1, 2021, through March 31, 2021 (or for leave taken before April 1, 2021).
 - b. Line 13h is for SFLC/SE under the ARPA for the period beginning April 1, 2021, through September 30, 2021 (or for leave taken after March 31, 2021).
- (4) For tax year 2021, the SFLC/HE from Schedule H is also reported on Schedule 3, lines 13b and 13h for the same time periods.
- (5) If the taxpayers file a joint return and both are self-employed individuals, each must file a separate Form 7202.

Note: A self-employed individual may **elect** to use Prior Year Net Earnings from self-employment to figure the Self-Employed Sick and Family Leave Credit

on the Form 7202 if prior year net earnings from self-employment were greater than current year net earnings from self-employment. However, a taxpayer must be in business in the **current** year to claim the credit regardless of whether prior year or current year net earnings from self-employment are used to calculate the SFLC.

4.19.14.17.2
(06-22-2023)
**Tax Year 2020 SFLC
Exam Procedures**

- (1) The following actions are needed **only** if *Schedule C* is disallowed, adjusted, allowed, and there is an amount on Schedule 3, line 12b, with a corresponding amount on *Form 1040*, line 31. The examiner should ensure that the Sick and Family Leave Credit (SFLC) flows from *Form 7202* prior to making an adjustment to the credit.
- (2) If an adjustment is warranted for the TY 2020 SFLC, the examiner will create the issue in RGS.

Note: If there is more than one Schedule C attached to the return, the examiner will determine the SFLC separately for each Schedule C.

- (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 on the Form 7202 match the net earnings on the current year or prior year 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 or 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.

If	And	Then
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		<p>Research EUP to determine if the taxpayer has attached the Form 7202.</p> <ol style="list-style-type: none"> 1. If the Form 7202 is attached, manually calculate the Sick and Family Leave credit. <p>OR</p> <ol style="list-style-type: none"> 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.

If	And	Then
There is a Schedule H attached to the return	There is not an amount on Schedule H, Line 8e	<p>Research EUP to determine if the taxpayer has attached the Form 7202.</p> <ol style="list-style-type: none"> 1. If the Form 7202 is attached, manually calculate the Sick and Family Leave Credit, <p>OR</p> <ol style="list-style-type: none"> 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	<p>There is an amount on Schedule H, Line 8e</p> <p>AND</p> <p>The amount equals the amount on Schedule 3, Line 12b</p>	<p>Allow the SFLC.</p> <p>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.</p>

If	And	Then
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> 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		<p>Research EUP to determine if the taxpayer attached Form 7202.</p> <p>1. If Form 7202 is attached,</p> <p>confirmed, allow the SFLC.</p> <p>OR</p> <p>2. If there is not a Form 7202 attached, locate the net earnings on the Schedule</p> <p>allow the SFLC.</p> <p>earnings exceed current year net earnings, then</p> <p>allow the SFLC.</p> <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 <i>TY 2020 Schedule SE</i>, or Lines 4 or 6 on the <i>TY 2019 Schedule SE</i>.</p>

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If	And	Then
There is a Schedule H, and there is an amount on line		<p>Research EUP to determine if the taxpayer has attached Form 7202.</p> <p>1. If Form 7202 is attached,</p> <p>first subtracting line 8e from the total SFLC to determine the SFLC to be used to confirm the percentage. If confirmed, allow the SFLC.</p> <p>OR</p> <p>2. If there is not a Form 7202 attached, locate the net earnings on the Schedule</p> <p>ing line 8e from the total SFLC to determine the SFLC to be used to confirm the percentage. If confirmed, allow the SFLC.</p> <p>the prior year net earnings exceed current year net</p> <p>If confirmed, allow the SFLC.</p> <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 Form 7202 should be on line 6 on the <i>TY 2020 Schedule SE</i>, or lines 4 (if filing the short <i>Schedule SE</i>) or 6 on the <i>TY 2019 Schedule SE</i>.</p>

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If	And	Then
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.

- (4) Examiners may identify the Sick and Family Leave Credit on cases where the Schedule C is not an examination issue. The credit may also be identified on cases that do not have a Schedule C or other business schedule attached. If the examiner considers the credit large, unusual, or questionable, follow guidance in IRM 4.19.13.3.1, Standard 1 - Adequate Consideration of Significant Issues, to determine the scope of the examination.

Note: Business schedules include Schedule C, Schedule F and Schedule H. Examiners should also consider Schedule SE, Form 1099-NEC and Schedule K-1 (Form 1065) (reported on Schedule E), as indicators of business activity. However, the facts and circumstances of each case must be considered. See IRM 4.19.14.17.4 for additional instructions.

- (5) For more information about Form 7202, reference Tax Year 2020 *Form 7202 Instructions*.
- (6) Additional information for the Self-employed Sick and Family Leave credit authorized by the FFCRA can be found on [irs.gov](https://www.irs.gov) at *Tax Credits for Paid Leave Under the Families First Coronavirus Response Act for Leave Prior to April 1, 2021*. See the specific provisions related to self-employed individuals.

4.19.14.17.3
(06-22-2023)
**Tax Year 2021 SFLC
Exam Procedures**

- (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 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: The Form 7202 may be present in EUP as a pdf attachment to the MeF return or an e-file html form.

- (2) A taxpayer who files Schedule F, Profit or Loss from Farming, can also complete Form 7202 to claim the SFLC. A taxpayer who receives net earnings as a partner in a partnership carrying on a trade or business, can also complete Form 7202 to claim the SFLC. W&I examiners will not examine these

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- (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 the 2021 Schedule 3, line 13b (leave taken before April 1, 2021) and/or line 13h (leave taken after March 31, 2021). The SFLC TC 766 CRN 299 increases the credit and TC 767 CRN 299 decreases the credit claimed on Schedule 3, line 13b. The SFLC TC 766, CRN 271 increases the credit and TC 767, CRN 271 decreases the credit claimed on Schedule 3, line 13h.
- (4) Follow the steps in the tables below based on whether the Schedule C is disallowed, adjusted or allowed. If the audit results in an adjustment to the Schedule C or an allowance of the Schedule C, examiners should confirm the net earnings on the Form 7202 match the net earnings on the Schedule SE, if applicable. If the taxpayer used prior year net earnings to calculate the credits on the Form 7202, examiners should confirm that the prior year net earnings are more than the current year net earnings, and match the net earnings on the prior year 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: W&I examiners will not need to consider the Schedule H in potential audit adjustments for tax year 2021 returns.

If the Schedule C is disallowed, and:

If	And	Then
There is not a business schedule attached (other than a Schedule C) or other indication of a trade or business		Disallow the SFLC for the leave taken before April 1, 2021 and leave taken after March 31, 2021.
There is a business schedule attached (other than a Schedule C) or other indication of a trade or business		Allow the SFLC.

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If	And	Then
There is a business schedule attached (other than a Schedule C) or other indication of a trade or business	Net earnings on the Form 7202 are a combination of Schedule C and other trade or business	<p>Research EUP to determine if the taxpayer has attached the Form 7202 .</p> <ol style="list-style-type: none"> 1. If Form 7202 is attached, manually calculate the SFLC. <p>OR</p> <ol style="list-style-type: none"> 2. If there is not a Form 7202 attached, request the form from the taxpayer. Once received, manually calculate the SFLC.

If the Schedule C is adjusted, and:

If	And	Then
There is not a business schedule attached (other than a Schedule C) or other indication of a trade or business		<p>Research EUP to determine if the taxpayer has attached the Form 7202.</p> <ol style="list-style-type: none"> 1. If the Form 7202 is attached, manually calculate the Sick and Family Leave credit, <p>OR</p> <ol style="list-style-type: none"> 2. If there is not a Form 7202 attached, request the form from the taxpayer. Once received, manually calculate the Sick and Family Leave credit.

If	And	Then
There is a business schedule attached (other than a Schedule) or other indication of a trade or business	Net earnings on the Form 7202 are only from the trade or business, and none from the Schedule C	Allow the SFLC.
There is a business schedule attached (other than a Schedule C) or other indication of a trade or business	Net earnings on the Form 7202 are a combination of Schedule and another trade or business	<p>Research EUP to determine if the taxpayer attached the Form 7202.</p> <ol style="list-style-type: none"> 1. If the Form 7202 is attached, manually calculate the SFLC. <p>OR</p> <ol style="list-style-type: none"> 2. If there is not a Form 7202 attached, request the form from the taxpayer. Once received, manually calculate the SFLC.

If the Schedule C is allowed:

If	And	Then
<p>The taxpayer has reported a loss in the current and prior year,</p> <p>OR</p> <p>the taxpayer has reported a loss in the current year and no self-employment income in the prior year</p>	There is no indication of other trades or businesses reported in the current year	<p>Research EUP to determine if the taxpayer has attached the Form 7202.</p> <ol style="list-style-type: none"> 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.

- (5) Examiners may identify the SFLC on cases where the Schedule C is not an examination issue. The credit may also be identified on cases that do not have a Schedule C or other business schedule attached. If the examiner considers the credit large, unusual or questionable, follow guidance in IRM 4.19.13.3.1, Standard 1 - Adequate Consideration of Significant Issues to Determine the Scope of the Examination.

Note: Business schedules include Schedule C, Schedule F and Schedule H. Examiners should also consider Schedule SE, Form 1099-NEC and Schedule K-1 (Form 1065) (reported on Schedule E), as indicators of business activity. However, the facts and circumstances of each case must be considered. See IRM 4.19.14.17.4 for additional instructions.

- (6) For more information, reference the Tax Year 2021 *Form 7202 Instructions*.
- (7) Additional information for the Self-employed Sick and Family Leave credit authorized by the FFCRA can be found on [irs.gov](https://www.irs.gov) at *Tax Credits for Paid Leave Under the American Rescue Plan Act of 2021 for Leave After March 31, 2021*. See the specific provisions related to self-employed individuals.

4.19.14.17.4
(01-03-2023)

**Sick and Family Leave
Credit (No current year
business reported)**

- (1) W&I examinations will include the SFLC as an issue under Project Code 1336. This project code identifies a claim for the SFLC when there is no apparent indication of the taxpayer meeting eligibility requirements described in IRM 4.19.14.17, Self-employed Sick and Family Leave Equivalent Credits (SFLC/SE).

Note: A self-employed individual may **elect** to use Prior Year Net Earnings from self-employment to figure the Self-Employed Sick and Family Leave Credit on the Form 7202 if prior year net earnings from self-employment were greater than current year net earnings from self-employment. However, a taxpayer must be in business in the **current** year to claim the credit regardless of whether prior year or current year net earnings from self-employment is used in the calculation.

- (2) Examiners should consider the following schedules and information documents as business indicators in the current year:

- a. Schedule C, Profit or Loss from Business (Sole Proprietorship)
- b. Schedule F, Profit or Loss from Farming
- c. Schedule H, Household Employment Taxes
- d. Schedule SE, Self-Employment Tax
- e. Form 1099-NEC, Nonemployee Compensation
- f. Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, and Other Items
- g. Schedule E, Supplemental Income and Loss

Note: The Form 7202 is the form used to calculate the Self-Employed Sick and Family Leave Credit. The presence of Form 7202 does not verify that the taxpayer is in business for the current year.

- (3) The facts and circumstances of each case must be considered. Examiners should use the following guidance upon taxpayer response.

If	And	Then
The taxpayer responds indicating the SFLC was calculated using income (net earnings) from self-employment in the prior year	Does not indicate current year net income or loss from self-employment	Disallow the SFLC. Inform the taxpayer they must be regularly carrying on a trade or business in the current year to claim the SFLC using prior year net earnings from self-employment. If the taxpayer is regularly carrying on such a trade or business during the current year, they will need to file an amended return and report the business income and expenses for the current year on the appropriate form or schedule, even if it shows a loss.
The taxpayer responds indicating the SFLC was calculated using income (net earnings) from self-employment in the prior year	Indicates current year income from self-employment that is not reported on the filed return	Disallow the SFLC. Inform the taxpayer they will need to file an amended return to report business income and expenses for the current year.

If	And	Then
<p>The taxpayer responds indicating the SFLC was calculated using income (net earnings) from self-employment in the prior year</p>	<p>Indicates current year income from self-employment that should have been reported on Schedule C AND Submits a Form 1099-NEC or 1099-K, and/or these forms are located on IRP. Note: If the taxpayer submits expense substantiation, accept the expenses if they are ordinary and necessary for the business activity.</p>	<p>Verify Entity of Payer (CC BMFOL) and Payer Master File (CC PMFOL).</p> <ol style="list-style-type: none"> 1. If the entity is valid and PMFOL matches, enter the income on the Schedule C for the SE tax calculation. <ol style="list-style-type: none"> a. Accept the SFLC if the taxpayer properly calculated the SFLC using prior year net earnings, and prior year net earnings are greater than current year net earnings. b. If current year net earnings are greater than prior year net earnings, allow the calculated SFLC using the current year's net earnings. <p>Note: The taxpayer must elect to use the Prior Year Net earnings to calculate SFLC. The examiner cannot make this election for the taxpayer.</p> 2. If the entity is not valid and PMFOL does not match, Do NOT accept Schedule C income. Disallow the SFLC. <ol style="list-style-type: none"> a. Inform the taxpayer our records did not validate payer information. b. Inform the taxpayer that acceptable payer information will be a letter on business letterhead verifying the amount paid. <p>Note: If the taxpayer is unable to obtain letter from payer, suggest other options to verify income. Refer to IRM 4.19.14.6.3, EITC Schedule C Responses.</p>

If	And	Then
<p>The taxpayer responds indicating income (net earnings) from self-employment was reported incorrectly (e.g., Schedule 1, Other Income)</p>	<p>Indicates income from self-employment should have been reported on a Schedule C, AND Submits Form 1099-NEC or 1099-K, which matches the misplaced entry or these forms can be located on IRP</p> <p>Note: If the taxpayer submits expense substantiation, accept the expenses if they are ordinary and necessary for the business activity.</p> <p>Note: If the Forms 1099-NEC or 1099-K do not match the misplaced entry but the income is valid, move the income to the Schedule C.</p> <p>Examiners should use judgement to determine if it is reasonable to remove or reduce the amount of the misplaced entry. If a determination cannot be made, inform the taxpayer they will need to file an amended return to remove or correct the income on the return.</p>	<p>Verify Entity of Payer (CC BMFOL) and Payer Master File (CC PMFOL).</p> <ol style="list-style-type: none"> 1. If the entity is valid and PMFOL matches, move the income from (e.g., Schedule 1) to the Schedule C for the SE tax calculation. <ol style="list-style-type: none"> a. Accept the SFLC if the taxpayer properly calculated the SFLC using either the prior year (if greater than the current year) or the current year net earnings. b. If not properly calculated, allow the calculated SFLC using the appropriate year's net earnings. <p>Note: The taxpayer must elect to use the Prior Year Net earnings to calculate SFLC. The examiner cannot make this election for the taxpayer.</p> 2. If not valid and PMFOL does not match, Do NOT accept Schedule C income. Disallow the SFLC. <ol style="list-style-type: none"> a. Inform taxpayer our records did not validate payer information. b. Inform the taxpayer that acceptable payer information will be a letter on business letterhead verifying the amount paid. <p>Note: If taxpayer is unable to obtain letter from payer, suggest other options to verify income. Refer to IRM 4.19.14.6.3, EITC Schedule C Responses.</p>

If	And	Then
The taxpayer responds indicating income (net earnings) from self-employment was reported incorrectly (e.g., Schedule 1, Other Income)	Indicates the income should have been reported on Schedule C, AND There is not a Form 1099-NEC or 1099-K matching the misplaced entry	Disallow the SFLC. Inform the taxpayer they will need to file an amended return to report the business income and expenses.
The taxpayer responds indicating income (net earnings) from self-employment was reported incorrectly (e.g., Schedule 1, Other Income)	Indicates the income should have been reported on a business Schedule other than a Schedule C (e.g., Schedule F)	Disallow the SFLC. Inform the taxpayer they will need to file an amended return to report the business income and expenses.

4.19.14.18
(01-03-2023)
Unallowable (UA) Code Program

- (1) The Unallowable Code (UA) Program is a pre-refund program that identifies items for potential audit during return processing. It is a compliance initiative used to prevent the issuance of erroneous tax refunds on both Individual Master File (IMF) and Business Master File (BMF) tax returns. The program requires coordination between headquarters analysts in W&I Campus Examination, SBSE Campus Examination, Large Business & International (LB&I) and Submission Processing (SP) to ensure the correct types of Unallowable Conditions are being identified.
- (2) During processing, returns are reviewed for unallowable issues. If there is an unallowable issue present on the return, the appropriate code is assigned to the return. The cases are systemically opened on Audit Information Management System (AIMS) to the appropriate campus based upon back-end state mapping.
- (3) For a complete listing of unallowable codes, refer to Document 6209, IRS Processing Codes and Information

4.19.14.18.1
(01-01-2024)
Unallowable Code Assignment and AIMS Opening

- (1) Submission Processing (SP) Headquarters (HQ) analysts are the primary owners of any work request that activates and establishes the programming for an Unallowable Code.
- (2) Examination HQ analysts contact SP with any changes that need to be made in the Unallowable Program.
- (3) SP employees in Code & Edit and Error Resolution System (ERS)/Rejects identify unallowable issues during return processing. Unallowable Code tolerances are as follows:

[illegible]

- IRM 3.11.3.3.7.7, Unallowable Code (UAC)
- IRM 3.11.3.18, Schedule A - Itemized Deductions
- IRM 3.12.2.5.4, Unallowables
- IRM 3.12.2-6, Audit Codes
- IRM 3.12.2-7, Unallowable Codes

- Cat. No. 48152P (12-07-2023)
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extent of the credit balance in suspense. The TC 576 will set a -Q Freeze, which prevents the amount of the TC 576 from refund or offset.

- (5) The cases will be systemically opened on AIMS to the campuses under Project Code (PC) 0000, Source Code (SC) 03, and Employee Group Code (EGC) 5000. The Primary Business Code (PBC) will be based on back-end mapping.

4.19.14.18.2
(01-03-2023)
Identifying Unallowable Inventory for Classification

- (1) Most of the cases in the Unallowable (UA) program are opened in PC 0000 and SC 03. The cases have frozen refunds and should be started within 30 days of full AIMS creation.
- (2) Other cases selected using an Audit Code open in PC 0000 and SC 02. These cases should also be classified to determine if the return should be selected for examination.
- (3) One of the data sources available to identify new UA inventory is the SSIVL (Statistical Sampling Inventory Validation).

4.19.14.18.3
(01-03-2023)
Reviewing and Classifying Unallowable Inventory

- (1) When new Unallowable returns are opened to campus examination inventory, Exam Tax Compliance Officers (TCOs) should classify them. See IRM 4.19.11.2, Examination Classification of Work, IRM 4.19.13, General Case Development and Resolution, and IRM 4.8.4.2, Cases Subject to Mandatory Review.
- (2) TCOs should review the return using Command Codes RTVUE, BRTVU, or TRDBV. The Employee User Portal (EUP) can be used to view Modernized Electronically Filed (MeF) returns. Detailed return information and attachments are often available on EUP. SP employees are not trained on all tax law issues, and it is possible that the unallowable condition was incorrectly identified or coded. Classifiers should verify the unallowable conditions on the return and look for any other large, unusual and questionable items.

Note: Refer to Document 6209, IRS Processing Codes and Information, for a list of unallowable codes and explanations to ensure the unallowable code(s) was properly coded. Referrals should be made to the appropriate area when potentially-abusive preparers and/or fraud are identified.

- (3) Unallowable codes and amounts are shown on the last page of RTVUE and on the Code and Edit Values section on EUP. RTVUE will also show if there is a change to adjusted gross income, itemized deductions, or a tax adjustment. If RTVUE "Per Return" side and "Per Computer" side are different, a math error notice should have been sent. If the math error resolved the unallowable issue, close the case per local procedures.
- (4) Process cases as follows:

If	Then

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If	Then
The taxpayer is in an active combat zone	Refer to IRM 4.19.13.22, Combat Zone, for instructions.
The unallowable code was coded incorrectly and no other unallowable issue is present on the return	Survey the case with Disposal Code 20.
The unallowable amount is below the Unallowable tolerance amount or no unallowable issue is present on the return.	Survey the case with Disposal Code 32.
4.19.11.2.1.1, Non-Business Issue Conducive to Correspondence Examination, and Document 6209, IRS Processing Codes and Information.	Survey the case with Disposal Code 32.
No additional issues are identified for the return and the UA issue does not need additional clarification	Form 6754, Examination Classification Checksheet, is not required. The case is ready for initial contact letter.
No additional issues are identified for the return and the UA issue needs additional clarification (e.g., UA code is incorrect or EUP provides a description of the UA item)	Use Form 6754 to identify the unallowable item(s).
Additional issues are identified for the return	Use Form 6754 to identify the unallowable and additional issue(s). Change to Source Code 20. The Project Code will remain the same.

#4.19.14.18.4
(01-01-2024)**Initial Taxpayer Contact**

- (1) Workpapers should be updated to include the specific issue(s) being audited (including UA code and description) along with any research conducted. See IRM 4.19.13.6, Workpapers for All Cases, for additional requirements.
- (2) Issue initial contact letter (ICL), to notify the taxpayer of the unallowable issue(s) as follows:
 - a. Issue Letter 6520, Unallowable Combo, and
 - b. Completed Form 4549, Report of Income Tax Examination Changes, and
 - c. Form 2297, Waiver of Statutory Notification of Claim Disallowance; or add the following paragraph to the Form 4549: **"My original return shows an overpayment. However, based on the adjustments listed above, the IRS has reduced or eliminated the overpayment and is disallowing part or all of my claim for credit or refund. I waive the**

requirements that a notice of claim disallowance be sent to me (by certified mail) for the disallowance of part or all of any claim made on my original return. I will still receive notice for any claim filed on an amended return or otherwise filed apart from the original return that is disallowed.”; and

- d. Form 886-A, Explanation of Items, to explain the issue(s) being examined/disallowed.

Note: For UA 89, PC 0505 cases, see IRM 4.19.15.29, Health Coverage Tax Credit - IRC 35, for examination instructions.

- (3) Update AIMS to Status 22 and suspend the case for 45 days.

4.19.14.18.5
(01-01-2024)

**Processing Reply/No
Reply Unallowable
Cases**

- (1) When processing replies or no reply cases, refer to IRM 4.19.13, General Case Development and Resolution. See below for additional requirements relating to the unallowable program that are not shown in the referenced IRM.

If	Then
Sending Letter 3219, Notice of Deficiency	In addition to the attachments noted in IRM 4.19.13, General Case Development and Resolution, include: o Form 2297, Waiver of Statutory Notification of Claim Disallowance OR o Include the following paragraph on Form 4549, Report of Income Tax Examination Changes, with the following paragraph: “I waive the requirement that a notice of claim disallowance be sent to me by certified mail to disallow the refund claimed on my income tax return as described above. I understand that waiving this requirement is irrevocable and it will begin the 2-year period for filing suit with the United States District Court or the United States Court of Federal Claims for refund of the disallowed claim as if the notice of disallowance had been sent by certified or registered mail.”
Case is closed as unagreed	Issue <i>Letter 105C</i> , Claim Disallowed, or <i>Letter 106C</i> , Claim Partially Disallowed, as appropriate.

4.19.14.18.6
(01-03-2023)
Transcripts

- (1) Transcripts titled, – *QFRZALERT*, will be sent to the responsible campus when an unreleased TC 576 remains on a module longer than 6 months without open AIMS or 18 months for a module with open AIMS.
- (2) The transcript should be resolved within 15 days of receipt.

4.19.14.18.6.1
(01-03-2023)
Resolving the -Q freeze

- (1) The -Q freeze is set by a TC 576. The TC 576 freezes an amount claimed on a return that appears to be unallowable by tax law.
- (2) The amount will remain frozen until the exam is closed/surveyed, or the refund is manually released.
- (3) To resolve the -Q freeze, the campus will need to identify the reason the unallowable was coded and take one of the following actions:

If	And	Then
There is no TC 420	The unallowable was identified correctly in processing	Establish AIMS using SC 06, PC 0000. Once the AIMS base is established, convert to SC 03. Refer to IRM 4.19.13.22, Combat Zone, for Combat Zone procedures.
There is no TC 420	The unallowable was identified incorrectly in processing	Release the TC 576 through a manual online adjustment using a TC 572. This will generate a TC 577, restoring the TC 576 Unallowable Tax into the tax module, releasing the TC 576 hold.
There is no TC 420	There is a TC 971/ 522 on ENMOD indicating ID Theft for the tax year	Refer to IRM 4.19.13.27, Campus Exam Identity Theft.
There is a TC 420	The examination has not started	Follow IRM 4.19.14.18.3, Reviewing and Classifying Unallowable Inventory, to see if the case should be examined or surveyed.

If	And	Then
There is a TC 420	The examination has started	Find where the examination stalled and promptly take the appropriate actions to get the case into the next stage of the examination process.
There is a TC 300 or TC 421	The examination is closed	Ensure the correct blocking series and Disposal Code were used at closure. Doc Code 47 is to be used with Disposal Code 20-25, 27, 29, 31-33, 35 or 36. If the incorrect Doc Code was used, then please correct or manually input the TC 572 to release the TC 576.

4.19.14.18.7
(03-07-2023)

**Unallowable Program
and Clean Vehicle Credit**

- (1) UA code 79 is used when a taxpayer claims the same vehicle more than once on a combination of Form 8834, Qualified Electric Vehicle Credit, Form 8910, Alternative Motor Vehicle Credit, and Form 8936, Clean Vehicle Credits.
- (2) These cases open in Source Code 03 and PC 0000.
- (3) See IRM 4.19.15.38, Qualified Plug-in Electric Drive Motor Vehicle Credit, for additional information. See IRM 4.19.15.38.2, Taxpayer Explanations for Form 886-A, for appropriate paragraphs and substantiation requirements.

4.19.14.18.8
(01-03-2023)

**Unallowable Program
and First Time
Homebuyer Credit
(FTHBC)**

- (1) UA code 84 is used when the taxpayer could not have transferred a home, which was claimed for the FTHBC, as part of a divorce settlement because the taxpayer was not married filing jointly or married filing separately in the year the credit was issued.

Note: If the taxpayer was Married Filing Jointly (FS 2) in the year the credit was issued, the case does not meet the unallowable referral criteria and should be surveyed. If during your research, you determine that the taxpayer rightfully transferred the property to an ex-spouse, then no examination is needed; and the case can be surveyed.
- (2) Refer to IRM 3.12.3.13.7, Error Code 126 (CE) Unallowable First-Time Homebuyer Credit (UA 84), for the specific unallowable information.
- (3) These cases open in Source Code 03 and PC 0000.

- (4) For homes purchased in 2008, taxpayers generally must repay all remaining annual installments in the year the disposition occurred if the taxpayers disposed on the home during the 15-year recapture period.
- (5) For homes purchased in 2009 and 2010, taxpayers must generally repay the credit in the year of the disposition if the disposition occurred within 36 months of the purchase date.
- (6) If the home is sold to an unrelated person, repayment in the year of the sale is limited to the amount of the gain on the sale. For taxpayers who meet this standard, the taxpayer will reduce the adjusted basis of the home by the amount of the credit.

Note: A gift of a home to a relative or non-relative, including a part sale/part gift triggers full repayment of the credit. The gain limitation does not apply to the taxpayer's repayment liability.

- (7) The following dispositions require accelerated repayment:
 - The home was sold
 - The entire home was converted to business or rental property
 - The home was abandoned, other than in the face of foreclosure
 - The lender foreclosed on the mortgage
 - The home is no longer the taxpayer's main home
- (8) Exceptions to the acceleration rule:
 - Death of a taxpayer
 - Involuntary conversion
 - Transfers between spouses / divorce
 - Qualified official extended duty for members of the Armed Services, members of the Foreign Service of the United States, or members of the Intelligence community (dispositions of cessations after Dec. 31, 2008, only)
- (9) Taxpayers must file Form 5405, First-Time Homebuyer Credit and Repayment of the Credit, with the appropriate box checked in Part III, with their Form 1040, U.S. Individual Income Tax Return.
- (10) When manually adjusting the FTHBC recapture amount, specific reference numbers must be used with each adjustment. For more information about manually adjusting the First-Time Homebuyer Credit, refer to IRM 21.6.4.4.17.4, Manually Adjusting the Recapture Amount.

Caution: When manually transferring the repayment amount to the liable taxpayer (For example, when both taxpayers are no longer liable due to a divorce), ensure the repayment amount shows on CC IMFOLF under the correct liable primary or secondary taxpayer's SSN.

4.19.14.18.9
(01-03-2023)
**Unallowable Program
and Health Coverage
Tax Credit**

- (2) These cases will open in SC 03 and PC 0505.

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4.19.14.18.10
(01-03-2023)

**Unallowable Program
and the District of
Columbia First-Time
Homebuyer Credit
Carryforward**

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- (3) Refer to IRM 4.19.15.29, Health Coverage Tax Credit - IRC 35, for specific unallowable conditions and examination procedures.
- (2) These cases open in Source Code 03 and PC 0000.
- (3) The DC First-Time Homebuyer Credit was available for the purchase or construction of a principal residence beginning August 5, 1997, through December 31, 2011. Any unused portion of the credit can be used to claim a carryforward until the maximum \$5,000 (\$2,500 MFS) has been reached.
- (4) When a new UA code 61 opens to the campus, Exam TCOs should research the taxpayer's account to determine if one or more of the following unallowable conditions are present:
 - a. the taxpayer has taken a cumulative amount greater than the maximum credit of \$5,000 (\$2,500 MFS)
 - b. the taxpayer does not appear to have resided in Washington DC
 - c. other questionable conditions identified by the TCO
- (5) If there are no unallowable conditions present, survey the case with DC 20.

4.19.14.19
(01-01-2024)

**Fuel Tax Credit Claimed
on Form 4136**

- (1) Form 4136, Credit for Federal Tax Paid on Fuels, is used to claim income tax credits for certain uses and sales of fuel, including an income tax credit for certain nontaxable uses (or sales) of fuel during the tax year. Ultimate purchasers, credit card issuers, and in some cases, ultimate vendors of certain types of fuels may be able to claim a fuel tax credit (FTC). A claim cannot be made for personal use of any fuel on Form 4136, line 1, nontaxable use of gasoline. Form 4136 also applies to claims for off-highway business use of fuels other than gasoline, with some differences in rules, but the focus here is on claims made on line 1, nontaxable use of gasoline.
- (2) Form 4136 is often used to claim a credit for gasoline used in an off-highway business use. An off-highway business use is a use by a person in a trade or business of that person or in an income-producing activity described in IRC 212 other than as a fuel in a highway vehicle:
 - a. that is registered or required to be registered for highway use with a state department of motor vehicles (at the time of the use), or
 - b. that, in the case of a highway vehicle owned by the United States, is used on the highway.

The credit is also available for gasoline used in a separate, non-propulsion motor of a highway vehicle to power auxiliary equipment, if certain requirements are met. See IRM 4.19.14.19 (9).

- (3) The fuel tax credit for off-highway business use of gasoline does **not** apply to passenger cars or, generally, to other vehicles that are registered or required to be registered to drive on public highways. It also does **not** include non-business, off-highway use of gasoline, including gasoline that is used by minibikes, snowmobiles, power lawn mowers, chain saws and other yard equipment.

Example: A taxpayer owns a landscaping business and uses power lawn mowers and chain saws in their business. The gasoline the taxpayer uses to power the power lawn mowers and chain saws when performing landscaping services for customers qualifies as fuel used for an off-highway business use. The gasoline the taxpayer uses to power a power lawn mower to mow their own yard does **not** qualify as an off-highway business use.

- (4) FTC returns are filtered and selected by Dependent Database (DDB) rules. Cases are opened pre-refund in Project Code 1505 with assigned tracking codes (TC):
- TC 6560 - FTC cases (previously selected under PC 0000)
 - TC 6561 - Cases with FTC and the American Opportunity Tax Credit
 - TC 6562 - Cases with FTC and no Schedule C, E or F attached
 - TC 6563 - Cases with FTC and specific NAICS codes present on Schedule C
- (5) The corresponding Credit Reference Number (CRN) applicable to the type of fuel tax paid is shown in column (e) of the Form 4136. Review the Form 4136 using Command Code (CC) TRDBV or view the Modernized Electronically Filed (MeF) return through the Employee User Portal (EUP).
- (6) Some of the most common documents the taxpayer can submit to verify their FTC claim are listed on Form 14811, Substantiation for Fuel Tax Credit (FTC), and include:
- A list of vehicles and equipment used, including proof of ownership
 - Copies of invoices or receipts for the fuel purchases that include:
 - the purpose for which the fuel was used;
 - the number of gallons used for each purpose;
 - the dates of purchase; and
 - the name and address of the supplier and amount purchased
- Note:** Additional documentation may be required for certain fuels. If required, Form 14811 can be modified to request this documentation. See available resources below for additional requirements.
- (7) Start cases with Letter 566-S, Initial Contact Letter, and Form 14811. If other issues are selected for examination, additional forms may be used to request needed documentation.
- (8) Generally, cases should be researched and worked following the procedures in IRM 4.19.13, General Case Development and Resolution. There are additional considerations related to the FTC that should be included in the examiner's research. Some are highlighted below.
- Ensure there is a business activity reported on the return.
 - Review the credit to see if it appears to be unallowable or excessive based on the type of business activity reported on the return.
 - Verify whether the taxpayer claimed amounts on Form 4136 that were also claimed on Form 8849, Claim for Refund of Excise Taxes and Form 720, Quarterly Federal Excise Tax Return.

- (9) Other available resources which provide more detail on each type of fuel and the requirements to claim the credit are:

- *Instructions for Form 4136*, Credit for Federal Tax Paid on Fuels
- Pub 510, Excise Taxes
- Pub 225, Farmer's Tax Guide

4.19.14.20
(01-01-2024)

**EITC and Premium Tax
Credit Procedures**

- (1) In FY 2015, a new program was developed to select taxpayers for examination that break both EITC Rules and Premium Tax Credit error codes.
- (2) The scope of the audit will be full scope EITC; EITC, dependent(s), filing status if head of household, and Premium Tax Credit (PTC).
- (3) All statutory adjustments apply based on dependent being allowed/disallowed.

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- (5) The cases selected with EITC and PTC will be opened on AIMS with a PTC project code. See IRM 4.19.14.4, Program Description, paragraph (1), for project code descriptions.
- (6) Follow existing procedures in IRM 4.19.14.5, RPS Casework Procedures, for working full scope EITC. Standard exam letters and EITC suspense times apply.
- (7) See IRM 4.19.14.2.1, the Patient Protection and Affordable Care Act (ACA), and IRM 4.19.14.2.7.6, Premium Tax Credit (PTC), for tax laws and changes related to the Premium Tax Credit.
- (8) Follow existing procedures in IRM 4.19.15.40, Premium Tax Credit - IRC 36B, for working PTC cases.
- (9) Follow existing procedures in IRM 4.19.14.9, Questionable Refund Program (QRP), for working cases opened with QRP project codes.

4.19.14.21
(01-01-2024)

**Pre and Post Refund
DDB Selections
Duplicate TIN (DUPTIN)
Program**

- (1) IRS Information Technology (IT) will select pre and post refund Earned Income Tax Credit (EITC) and Non-EITC DUPTIN cases where a DDB Business Rule has been broken.
- (2) Selections will be processed and distributed by Automated Correspondence Exam (ACE) to pre-selected campuses.
- (3) Cases selected for each campus will contain taxpayers where there are two or more taxpayers claiming the same qualifying child and/or dependent. The examination is full scope where the issues should include dependent(s), related tax credits, and the Head of Household Filing Status.
- (4) The DUPTIN program consists of three categories based on the number of times a qualifying child (QC) TIN is duplicated:

Program	Duplication of TIN	Tracking Code	Campus Assigned
Duplicate	2 – 3 times	None	WI/SBSE

Program	Duplication of TIN	Tracking Code	Campus Assigned
Multi-Duplicate TIN	4 – 10 times	7669	Kansas City (KCSC)
Ten-plus Duplicate TIN	> 10 times	6450	Andover (ANSC)

Note: Cases with Tracking Code 6450 must be worked and closed by the assigned campus. Do not self-assign these cases.

- (5) EITC DUPTIN post refund cases will open in PC 0652.
- (6) EITC DUPTIN pre-refund cases will open in any pre-refund EITC project code with the Tracking Code 6509.
- (7) Non-EITC cases will open in PC 0097 and PC 0098. See IRM 4.19.15.11, Non-Earned Income Tax Credit Duplicate TIN (Non-EITC DUPTIN), for procedures unique to Non-EITC cases.
- (8) If a case in PC 0652 is still open in exam, and the taxpayer files a subsequent year return claiming EITC with a QC, the subsequent year return will be picked up and opened in PC 0587 and worked pre-refund.
- (9) For all systemically selected post refund EITC cases, the initial contact letter (ICL) is the CP 75A which identifies the exam issues and the documentation needed. CP 75/CP 75A is the ICL for PC 0587. The ICL and the appropriate Forms 886-H are automatically processed and mailed by Centralized Print Support.
- (10) The adjustments per the Examination Report include the disallowance of all dependents claimed on the returns and any other tax credits and benefits claimed attributable to the dependent such as Child Tax Credit, Child and Dependent Care Credit, Education Credit or Filing Status.

4.19.14.21.1
(01-01-2024)
**DUPTIN Related
Taxpayers**

- (1) A related taxpayer is defined as a taxpayer claiming the same QC(s) for an EITC and/or dependent credit as in the original case. Command Code DDBKD identifies the TIN of each related taxpayer and the tax year in which the duplicate claim was made. There can be more than one related taxpayer in Multi-DUPTIN.
- (2) When a determination is made to allow a QC on the original case, review and take the required actions outlined below for the related taxpayer(s) identified during examination.
- (3) Research each related taxpayer's on IDRS for evidence of amended return or adjustment, any ongoing audit, any Freeze Codes and any other factors that may affect the decision to expand the audit to the related taxpayer.
- (4) Review also for the potential tax increase and/or decrease in tax credits if the deductions and/or credits pertaining to the duplicate TINs as claimed on the tax return by the related taxpayer are disallowed.

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- (6) Audit consideration of the related taxpayer **MUST** be documented in the workpapers to:
 - a. Indicate the decision regarding whether to expand examination to the related taxpayer(s),
 - b. Provide an explanation for the decision.
- (7) Once the decision is reached to open a related taxpayer, it is **mandatory** that the process to establish the case on AIMS be started immediately, and the ICL on the related taxpayer’s audit must be issued within 30 business days of allowing the dependent on the original return.

Note: This includes cases closed “No Change” as well as cases containing multiple QCs with a partial allowance where some QCs are allowed but the original audit is not closed due to other dependents continuing to be disallowed.

- (8) Related EITC duplicated cases in Project Code 0058 are manually processed by preparing Letter 566-S and the appropriate Form 886-H. The package is issued to taxpayers and the cases are updated to Status 10 on AIMS. The examination is full scope where the issues should include disallowance of all dependents, related tax credits, and the Head of Household Filing Status. For PC 0058, send the appropriate Form 886-H with the ICL 566-S.
- (9) For related non-EITC whipsaw cases (PC 0059), refer to IRM 4.19.15.11.1(2), Initial Contact.

4.19.14.21.1.1
(01-01-2024)
**Evaluating Related
Taxpayer Replies**

- (1) In addition to evaluating the correspondence received, access CEAS and review the workpapers of the original case for pertinent information that may affect the determination of the related taxpayer’s case.
- (2) Follow procedures in IRM 4.19.13.6, Workpapers for All Cases, when documenting the Form 4700.

Note: If the decision is reached to close the related taxpayer’s case as a no change, reasons for determination must include an explanation to show why the case should be allowed even though the original case was closed no change.

4.19.14.21.2
(01-01-2024)
**Evaluating Replies for
DUPTIN**

- (1) Follow IRM 4.19.13.11, Taxpayer Replies, when evaluating replies from taxpayers.
- (2) Follow procedures in IRM 4.19.13.6, Workpapers for All Cases, when documenting the Form 4700, Examination Workpapers. See IRM 4.19.14.21.1(6), DUPTIN Related Taxpayers, for additional requirements.
- (3) See IRM 4.19.14.21.1.1, Evaluating Related Taxpayer Replies, regarding why it is crucial to notate details on the Form 4700, of the documentation received, reasons for acceptance or non-acceptance of the documentation, and the decision and the reasons of determination based on applicable tax laws.
- (4) Follow IRM 4.19.10.4, Fraud Referrals, if indicators of fraud are identified.

4.19.14.21.3
(01-01-2024)
**Processing of Duplicate
TIN when E-filing**

- (1) Processing will allow an E-filed second return duplicating a TIN for EITC to post electronically when one of the following three conditions exists:

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However, such returns are still subject to the DUPTIN examination process as described.

4.19.14.22
(01-01-2024)
**Claim of Right - IRC
1341, Repayment of
Income Previously
Reported, Credit**

- (1) If a taxpayer repays \$3,000 or more, which was included in gross income in a prior tax year, then they may be able to take a refundable credit against their tax for the year the repayment was made. The taxpayer must have had an unrestricted right to the income when it was originally paid.

Caution: IRC 1341 does not apply to deductions from bad debts, deductions from sales to customers (e.g., returns and allowances), or deductions for legal and other expenses from contesting the repayment.

- (2) UA Code 70 was used prior to Processing Year 2024 when a taxpayer claimed a Claim of Right or IRC 1341 credit on Form 1040, Schedule 3, Additional Credits and Payments. These cases opened in Source Code 03 and PC 0000.
- (3) Cases should be researched and worked following the procedures in IRM 4.19.13, General Case Development and Resolution. Form 14823, Supporting Documents to Prove Your Claim of Right Credit Internal Revenue Code (IRC) Section 1341, should be included with the ICL.
- (4) Follow these steps to calculate the Claim of Right Credit:
 1. Figure the tax without deducting the amount repaid.
 2. Refigure the tax for the earlier year of inclusion without including the amount repaid.
 3. Subtract the refigured tax under step (2) from the actual tax for the earlier year. The difference is the credit.
 4. Subtract the credit under step (3) from the tax under step (1).

(5) Some of the most common documents the taxpayer can submit to verify their claim include:

- Copies of bills, notices, or similar documents showing the amount(s) required to be repaid.
- Cancelled checks, money orders, paycheck deductions, or highlighted bank statements showing repayments.
- Documents showing the income amount(s), type of income and year it was included on a prior year tax return(s).

Note: CETs are responsible for verifying that the repayment was made, and the calculation of credit is accurate.

Exhibit 4.19.14-1 (01-01-2024)**Examples of Acceptable Documentation for EITC Claims (not all-inclusive)**

Examiners should review the taxpayer documentation to ensure a correct determination. The taxpayer may need to submit more than one document to demonstrate eligibility (e.g., utility bills in the taxpayer's name showing residence for more than six months, or two lease agreements where one does not show residence for more than six months). The examiner should review documents for the following:

1. The taxpayer name
2. The qualifying dependent name
3. A common physical address
4. Dates occurring in the audit year and for the appropriate length of time

Eligibility Requirement	Acceptable Documentation
Relationship (copies of documents /records or letters on official letter-head)	<ul style="list-style-type: none"> • Authorized adoption agency or authorized placement agency • Birth certificate • Child care provider • Court document • Custody order • Government agency verification of benefits received for the year • Marriage certificate • Medical records • Military records • Parole office files • Paternity DNA test report by an accredited DNA testing laboratory • School records (may require 2 years since school years overlap) • Separation agreement, decree of separate maintenance, divorce degree • Social service records
Residency (copies of documents/records or letters on official letter-head)	<ul style="list-style-type: none"> • Bank statements • Bills/cancelled checks for mortgage payments, rent, utilities, insurance • Driver's license • Earning statement/check stub • Eviction notice • Indian tribal official • Landlord or property manager (may include rental agreement or statement showing the fair rental value of your residence) • Medical provider • Mortgage receipts • Paperwork to obtain a post office box • Parole office files • Place of worship • Placement agency official • School (may require 2 years since school years overlap) • Social service agency • Statement or records from a homeless shelter

Exhibit 4.19.14-1 (Cont. 1) (01-01-2024)**Examples of Acceptable Documentation for EITC Claims (not all-inclusive)**

Eligibility Requirement	Acceptable Documentation
Citizenship (copies of documents/records or letters on official letter-head)	<ul style="list-style-type: none"> • U.S. Birth Certificate • U.S. Passport (unexpired) • DHS, <i>Department of Homeland Security</i> • Driver's license if citizenship is a condition required by state law • Green card (Permanent Resident Card) • Certificate of Citizenship or Naturalization (if available) • Parole office files • School records • Social Security card
Age (age 19 or under age 24)	<ul style="list-style-type: none"> • School records
Permanently and totally disabled (can be any age)	<ul style="list-style-type: none"> • Health care provider • Medical doctor • Social service program agency

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The IRS is granted Math Error Authority for the
RRC by IRC Sections 6428(e) and 6428A(e)....139

