



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.22.8

MARCH 27, 2024

EFFECTIVE DATE

(03-27-2024)

PURPOSE

- (1) This transmits a revised IRM 4.22.8 - NRP EITC Components of the Individual Income Reporting Compliance Study

MATERIAL CHANGES

- (1) Updated the title in the Signature section on the first page.
- (2) 4.22.8.1.3 - Updated the title of the primary NRP office from Chief to Supervisory Project Analyst.
- (3) 4.22.8.5.3.4(1)(2) - Added a note after both paragraphs to account for different age requirements for TY21 only.
- (4) 4.22.8.5.3.8(1) - Added a note to account for different age requirements for TY21 only.
- (5) 4.22.8-2 - Added language to the second exhibit that mimics similar updates to IRM's within the examining process and better helps examiner's to identify a valid SSN when substantiating EITC eligibility.
- (6) 4.22.8-4 - Added a note to account for different age requirements for TY21 only.
- (7) Throughout this IRM section, editorial changes were made to add clarity, correct punctuation, and to update or add citations and references.

EFFECT ON OTHER DOCUMENTS

This guidance supersedes the guidance in IRM 4.22.8, NRP EITC Component of the Individual Reporting Compliance Study, dated 11-15-2021..

AUDIENCE

This IRM is to be used by employees involved with the National Research Program having any NRP individual income tax key case with the Earned Income Tax Credit issue either classified or added by the examiner.

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4.22.8

NRP EITC Component of the Individual Reporting Compliance Study

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4.22.8.1
(11-15-2021)
Program Scope and Objectives

- (1) **Purpose:** This IRM section provides guidance for Earned Income Tax Credit (EITC) component of the NRP individual study.
- (2) **Audience:** The following IRS employees who participate in a National Research Program (NRP) individual income tax study are:
 - Campus Examination Managers
 - Team Leads
 - Group Managers
 - Examiners
 - Reviewers
 - NRP Staff
- (3) **Policy Owner:** Director, Knowledge Development and Application under Research, Applied Analytics and Statistics (RAAS) is the policy owner.
- (4) **Program Owner:** NRP is the program office responsible for the oversight of the NRP studies.
- (5) For information about the National Research Program, visit the NRP website at: <https://nrp.web.irs.gov>.

4.22.8.1.1
(11-15-2021)
Background

- (1) This section provides guidelines for the Earned Income Tax Credit (EITC) component of the NRP individual study.
- (2) This section is intended primarily for cases where EITC is claimed. However, these guidelines also should be followed for cases where EITC was not claimed but is established during the examination.
- (3) A case where EITC was not claimed on the original return but was claimed on an amended return will be treated as an EITC component case if the amended return was filed and processed prior to examination notification.
- (4) In this section, the acronyms EITC and EIC are used interchangeably.
- (5) Beginning with TY 2006, NRP introduced a new design for its individual reporting compliance study. This new design consists of smaller annual samples which will be combined into three-year cycles for analysis. Each annual sample includes a special EITC component.
- (6) Special programs conducted by the IRS during the 1990s provided detailed information about EITC compliance. In addition to the standard information about the amount of EITC claimed on a tax return and the amount allowed per exam, these programs were designed to gather comprehensive information on all the EITC eligibility criteria for each return in the program. Analysis of the data collected as part of these programs improved the Service's understanding of EITC compliance. Information and analysis from these studies were used in the development of the IRS's strategy for improving administration of the EITC.
- (7) Current detailed information is needed to assist the IRS with ongoing efforts to administer the credit. The IRS also needs current information to comply with the improper payments reporting requirements of the Payment and Integrity Information Act of 2019 and previous legislation.

- (8) Rather than establishing a separate program to obtain these data, the IRS is taking advantage of efficiencies of a combined program by incorporating the EITC objectives into the existing National Research Program individual reporting compliance study.

4.22.8.1.2
(03-27-2024)

Authority

- (1) By law, the Internal Revenue Service has the authority to conduct examinations under Title 26, Internal Revenue Code, Subtitle F – Procedure and Administration, Chapter 78, Discovery of Liability and Enforcement of Title, Subchapter A, Examination and Inspection, which includes, but is not limited to, the following IRC sections:

- IRC 7602, Examination of books and witnesses
- IRC 7605, Time and place of examination

Note: Additional information related to conducting examinations is contained in 26 CFR 601.105, Statement of Procedural Regulations.

- (2) Under the Reform and Restructuring Act of 1998 (RRA '98), Congress mandated the IRS to deliver service to taxpayers at a new and much higher level of performance in the most cost-effective and least burdensome manner possible. Data from NRP examinations enable the IRS to operate as a more efficient and effective tax administration organization.

4.22.8.1.3
(03-27-2024)

Roles and Responsibilities

- (1) Director, Knowledge Development and Application, Research, Applied Analytics and Statistics (RAAS) is the policy owner.
- (2) Director, Data Management Division (DMD) oversees the Compliance Data Warehouse (CDW).
- (3) Supervisory Project Analyst, National Research Program manages and monitors NRP operations and provides guidance. This is the office with primary responsibility for administering the NRP program.
- (4) Compliance employees under Small Business and Self Employed (SB/SE Division) involved in the examination process of NRP selected returns.

4.22.8.1.4
(11-15-2021)

Program Management

- (1) Effective management of the NRP study is achieved by training the NRP managers and examiners. This ensures that quality examinations are conducted and the IRS gets good data.
- a. Only examiners who complete NRP training will work NRP cases.
 - b. Group Managers with NRP cases in their group are also required to complete the applicable ITM NRP training course.
 - c. NRP examiners and group managers working NRP cases are required to complete the NRP training course every 12 months.
 - d. The number of NRP examiners appointed will be sufficient to handle the NRP workload.
 - e. Qualified examiners at appropriate grade levels will be assigned NRP cases.

4.22.8.1.5
(11-15-2021)
Terms and Acronyms

- (1) EITC - Earned Income Tax Credit
- (2) EIC - Earned Income Credit
- (3) ITM - Integrated Talent Management

4.22.8.1.6
(11-15-2021)
Related Resources

- (1) IRM 4.22.1, National Research Program Overview
- (2) IRM 4.22.2, NRP Case Building
- (3) IRM 4.22.3, Classification of NRP Returns
- (4) IRM 4.22.4, Examination of NRP Returns
- (5) IRM 4.22.6, Examination of Individual Returns

4.22.8.2
(11-15-2021)
EITC Component

- (1) EITC will be a mandatory issue for all NRP cases where EITC is claimed.
- (2) The guidelines contained in this section are designed to ensure thoroughness and uniformity in the audit of the EITC issue. Adherence to these guidelines is necessary for achieving the analytical objectives of the NRP.
- (3) Campus examiners will conduct NRP EITC examinations using existing examination guidelines as identified in IRM 4.22.5. Additionally, non-responsive taxpayers seriously undermine the quality of the NRP study. Every effort should be made to contact the taxpayer, including the search for updated or alternative addresses, before the case is closed. This is according to normal non-response procedures outlined in IRM 4.10.2.8.3.
- (4) All Field and Office audits will be face-to-face examinations and ideally will include at least one meeting with the taxpayer. Only as a last resort should the examiner accept documentation and oral testimony without meeting the taxpayer in person. Exceptions from the requirement of a face-to-face examination will be considered in unusual circumstances and must be approved in writing by the Group Manager and documented in the case file.
- (5) Field and Office audit no-show cases seriously undermine the quality of the NRP study. Every effort should be made to contact the taxpayer and encourage the taxpayer to appear for the audit. Subject to manager approval, an examiner should make a reasonable effort to accommodate a taxpayer who may not be able to meet during regular business hours. Only as a last resort should the examiner accept documentation and oral testimony without meeting the taxpayer in person.

4.22.8.3
(11-15-2021)
Data Collection: RGS Lead Sheets

- (1) All NRP cases require the completion of RGS lead sheets and workbook applications that collect examination data for NRP-based analytical studies, including a separate EITC lead sheet to be completed for EITC cases. These data are not currently obtainable through NRP's standard mechanism of using the EOAD conversion program to obtain RGS information and therefore must be captured separately.
- (2) The examiner is expected to be familiar with the content of all lead sheets and workbooks, including the EITC lead sheet, prior to beginning an examination.

- (3) For each EITC case, the examiner will accurately complete the relevant RGS lead sheets and workbooks, including the EITC lead sheet, which is mandatory for NRP EITC cases. These should be completed concurrently with the examination and examination workpapers.

4.22.8.4
(11-15-2021)
**Case Building Material
Pertinent to EITC**

- (1) Certain case building material is especially pertinent to EITC. This material provides information useful to the examiner both for understanding the EITC claim and for substantiating that the taxpayer meets certain EITC eligibility criteria. In auditing the EITC issue, the examiner should make use of all relevant case building material provided with the case file and obtain additional case building material as warranted.
- (2) The following case building material, listed here as command codes, should be included in the case file as part of the NRP case building process:
- a. RTVUE
 - b. DDBOL
 - c. DDBKD
 - d. IMFOLE
- (3) If any of this information is not in the case file, the examiner should follow local procedures to obtain the missing information.
- (4) Prior to conducting the pre-contact analysis, the examiner should follow local procedures to obtain the following additional case building information:
- a. DUPOL for the primary and secondary taxpayers and EITC child(ren).
- (5) The examiner also should obtain Numident (MFTRA-U) information for the primary and secondary taxpayers and EITC child(ren) if warranted.

4.22.8.5
(11-15-2021)
**Pre-contact Analysis,
Examination Guidelines,
and RGS Lead Sheets**

- (1) This section provides guidelines for conducting pre-contact analysis and examinations of NRP EITC cases.

4.22.8.5.1
(11-15-2021)
Pre-contact Analysis

- (1) The objective of the pre-contact analysis is to plan the EITC part of the examination by:
- identifying and understanding any changes made to the return during processing that affected the EITC,
 - identifying and understanding adjustments and amended return filings made subsequent to filing but prior to the examination that affect the EITC,
 - identifying case building information that may be used in lieu of taxpayer provided documentation to corroborate that a taxpayer satisfies an EITC eligibility rule,
 - determining the information and documents to request from the taxpayer, and
 - preparing the EITC-related questions that will be part of the initial interview.
- (2) A thorough pre-contact analysis of EITC-related case building information is essential for cases involving EITC due to the nature of EITC-related math-

ematical and clerical error authority and the existence of various administrative programs involving EITC-many of which are conducted pre-refund. These activities may result in changes to a case between the time the return was originally filed and the time the return is assigned to the examiner.

- (3) Any new examination issue arising from this review should be added to RGS.

4.22.8.5.1.1
(11-15-2021)

Math Error and Related Post-processing Adjustments

- (1) The examiner should be alert for cases with post-processing adjustments related to taxpayer responses to math errors.
- (2) For cases with these types of adjustments, the examiner needs to ensure the correctness of the per return RGS data and make changes as necessary. The examiner should also notify the NRP coordinator of the changes in the per return data.

4.22.8.5.1.2
(11-15-2021)

Amended Returns

- (1) The examiner should be alert for changes to the EITC made on an amended return filed prior to the start of the examination. Look on the tax module transcript for a TC 764 or 765.
- (2) The examiner should follow standard NRP procedures for adjusting RGS per return data, incorporating the amended return into the examination, and providing a copy of the amended return to the NRP Coordinator.
- (3) A case where EITC was not claimed on the original return but was claimed on an amended return will be treated as an EITC component case if the amended return was filed and processed prior to examination notification.

4.22.8.5.1.3
(11-15-2021)

EITC 2/10 Year Ban

- (1) The examiner should always review case-building material to identify taxpayers who are subject to an EITC ban. This prevents ineligible taxpayers from receiving the EITC.
- (2) For cases where there are indications that the taxpayer may be eligible for EITC but did not claim it, one of the first steps toward establishing EITC eligibility should be a check that the taxpayer is not subject to the ban.

4.22.8.5.1.4
(11-15-2021)

Recertification

- (1) The requirement to recertify indicates that a taxpayer previously had EITC disallowed through deficiency procedures. As appropriate, the examiner should include this information in planning the examination, especially if it is relevant to imposing an EITC ban should EITC again be disallowed or reduced.

4.22.8.5.1.5
(11-15-2021)

Advance Payment of EITC

- (1) The Advance EITC was eliminated for tax years after TY2010. For tax years 2010 and earlier, examiners should analyze the Forms W-2 data from the information return transcript and the return data to confirm that a taxpayer properly reported any advance payment of the EITC. If information from the Information Returns Master File (IRMF) suggests that advance payment of EITC was reported inaccurately, and if this was not previously classified, the examiner should add it to RGS.

4.22.8.5.2
(03-27-2024)

Examination Guidelines

- (1) The examination of the EITC for the NRP EITC cases will be comprehensive, covering each of the EITC eligibility criteria. For information on EITC eligibility criteria, see IRM 21.6.3.4.2.7, Earned Income Tax Credits (EITC).

- (2) The examiner's analysis and determination with respect to each of the criteria should be clearly and concisely documented in the workpapers. Beginning with TY 2007, the RGS EITC lead sheet and workbook applications will be mandatory for NRP EITC cases.
- (3) For certain taxpayers and eligibility criteria, case-building information alone may be sufficient to conclude that the taxpayer satisfies the eligibility criteria. Where possible, the examiner should use the pre-contact analysis and case-building to substantiate that a taxpayer satisfies a particular EITC eligibility criterion. For these criteria, the examiner need not request additional documentation from the taxpayer unless there are indications that the case-building information is incorrect or incomplete or the relevant material is not available for the taxpayer. Specific guidelines are provided in IRM 4.22.8.6.2.1 below.
- (4) The examiner will follow existing procedures for establishing or removing an EITC recertification indicator, if applicable. Refer to IRM 4.19.14.7 for additional information.
- (5) The examiner should assert penalties and the EITC 2/10 year bans as appropriate. The examiner should refer to IRM 4.19.14.7.1 for guidelines for asserting and imposing the EITC 2/10 year ban.
- (6) EITC eligibility and the amount of the credit are based on AGI, Earned Income, and Investment Income (Disqualified Income). For the NRP EITC component cases, the examiner will follow all existing examination guidelines pertinent to the income items that comprise these EITC income-related concepts. The examiner should pay particular attention to the guidelines related to minimum income probes and the NRP guidelines that emphasize the need for examiners to be especially alert to discovering unreported income. Refer to IRM 4.10.4.3 and IRM 4.22.4.3.1 for additional information.
- (7) The examiner should also be alert to discovering overreported income and misreported income items that may be relevant primarily to EITC, such as prisoner/inmate earnings, taxable scholarship or fellowship grants not reported on a Form W-2, and income related to clergy or church employees.
- (8) The examiner should be alert to issues involving community property income with respect to AGI and earned income for EITC for married taxpayers qualifying for head of household filing status on returns where community property laws are relevant. Examiners should refer to IRM 25.18 for additional information about community property law.
- (9) The eligibility criteria and the amount of the credit depend in part on the presence and number of EITC qualifying children. For each child claimed by the taxpayer as an EITC qualifying child, the examiner will determine whether the child satisfies each of the qualifying child rules. If the examiner determines that any of the children claimed by the taxpayer do not satisfy the rules to be an EITC qualifying child, the examiner will explore the EITC qualifying child eligibility of the taxpayer's other children (if any). If the taxpayer has no other qualifying children, the examiner will determine whether the taxpayer is eligible for EITC without a qualifying child.
- (10) The examiner should be mindful of indications that a taxpayer has under-claimed the EITC either by claiming the EITC without a qualifying child when they are actually eligible for the credit with a qualifying child or by claiming only one qualifying child when eligible to claim two or three.

- (11) Although a qualifying child can be a qualifying child of more than one person, only one person can use the qualifying child to claim EITC. As part of the pre-contact planning process the examiner will obtain a current DUPOL for each qualifying child, and review the material to identify multiple claims using the same child and/or possible improper splitting of tax benefits.
- (12) Filing Status is a mandatory issue for all NRP EITC component cases with head of household filing status. If the taxpayer used the head of household filing status and the issue was not classified, the examiner must add it as an issue.
- (13) If the taxpayer used single, married filing jointly, or qualifying widow(er) filing status, filing status was not classified, but there are indications that the filing status used by the taxpayer is incorrect, the examiner will add filing status as an issue.
- (14) For cases where a married taxpayer used an incorrect filing status and the correct filing status is either married filing jointly or married filing separately, the examiner should inform the taxpayer that it may be to their advantage to file jointly and outline the requirements to do so. Prior to adjusting the taxpayer's filing status to married filing separately, the examiner should allow the taxpayer sufficient opportunity to elect to file jointly with their spouse.
- (15) The examiner should be aware of common law marriage situations. See IRM 25.18.1.3.2 for a discussion of marriage including common law marriage.

4.22.8.5.2.1
(11-15-2021)
**Substantiating EITC
Eligibility for NRP EITC
Component Cases**

- (1) The tables in Exhibits 4.22.8-1 through 4.22.8-4 provide guidance on the use of case-building and document requests to substantiate the taxpayer's eligibility for receiving the EITC.

4.22.8.5.3
(11-15-2021)
**Completing the RGS
Earned Income Tax
Credit Lead Sheet**

- (1) This section describes how to complete the NRP EIC Lead Sheet workbook that is mandatory for NRP EITC cases. The NRP EIC Lead Sheet workbook was created for the NRP and addresses each of the EIC eligibility requirements.
- (2) For TY 2006 cases, see the October 1, 2010 version of the IRM section 4.22.8.5.4 for guidance on the EIC portion of the NRP Supplemental Questionnaire.
- (3) For TY 2007 and TY 2008 cases, see the October 1, 2009 version of the IRM, Section 4.22.8.6.3.
- (4) For TY 2009 and later tax years, see section 4.22.8.6.3 in the version of the IRM from the subsequent calendar year. For example, for TY 2009, see the 2010 version of the IRM.

4.22.8.5.3.1
(11-15-2021)
**Structure and General
Navigation**

- (1) The NRP EIC Lead Sheet is an Excel workbook file that contains 10 worksheets or tabs. These worksheets consist of the Cover, EIC Lead Sheet, QC Summary Worksheet, Valid SSN Worksheet, QC-Relationship Test Worksheet, QC-Age Test Worksheet, QC-Residency Test Worksheet, QC-Tie Breaker Test Worksheet, EIC Earned Income Worksheet (optional), and EIC Disqualified Income Worksheet (optional).

- (2) At the top of the worksheet titled EIC Lead Sheet, there is a section for the examiner to input the per exam EIC amount and summary information, regarding the conclusion of the exam. Other information in this section is auto-populated, either when the case is created or once the supporting worksheets are completed.
- (3) For all cases where EIC is claimed or allowed, the examiner must complete this exam summary section and the EIC Eligibility Rules section on the same worksheet. These sections must be completed in their entirety. Even if a response to a question indicates ineligibility for EIC, the remaining questions should still be completed.
- (4) The examiner must also complete additional sections depending on whether or not the taxpayer has at least one qualifying child (QC). If the taxpayer has no qualifying children, the examiner must complete the section titled EIC Eligibility Rules for Taxpayers who have no EIC Qualifying Children. This section is on the main EIC Lead Sheet tab. If the taxpayer does have a qualifying child or children, the examiner must complete the QC Summary Worksheet and all related test worksheets. These additional sections must be completed even if the taxpayer is determined to be ineligible to receive the EIC by the EIC Eligibility Rules section.
- (5) The EIC Earned Income worksheet and the EIC Disqualified Income worksheet are both optional but may be used to compute earned income and disqualified (investment) income manually, if desired.
- (6) The NRP EIC Lead Sheet workbook is color-coded throughout, with the Workbook Color Legend shown on the Cover tab. Green fields are to be completed by the examiner. Other colors designate other meanings: blue fields are auto-populated when the case is created; yellow fields show suggested audit steps to assist in examining the EIC issue; grey fields are not applicable; and pink fields show NRP Interview Questions.

4.22.8.5.3.2
(11-15-2021)

**Completing the Exam
Summary Section of the
EIC Lead Sheet Tab**

- (1) The fields shown in blue will auto-populate when the case is created. These fields include Taxpayer Name, TIN, Tax Period and Per Return amount.
- (2) Fields requiring examiner input are shown in green. These include Examiner, Date, Per Exam, Reference, and Examiner Conclusion. The Per Exam amount and the Reference field should be entered upon completion of the exam. The Adjustment field will calculate automatically once you enter the Per Exam amount.
- (3) The Workbook Conclusion section will be auto-populated based on responses to questions in the rest of the EIC Lead Sheet workbook.
- (4) The Examiner Conclusion field reflects the final determination. Either select “see explanation below” and type in your conclusion in the space below, or select “see related workpaper” and enter the workpaper reference in the space that becomes enabled. If you choose the related workpaper option, ensure that it is completed electronically and attached as referenced.

4.22.8.5.3.3
(03-27-2024)

**Completing the “EIC
Eligibility Rules” Section
of the EIC Lead Sheet
Tab**

- (1) The EIC Eligibility Rules section addresses the basic eligibility requirements for the EIC and must be completed for all taxpayers for whom the EIC is claimed or allowed. These criteria are as follows. The taxpayer must:
 - Have a valid SSN for EIC purposes,
 - Not claim married filing separate (MFS) filing status,
 - Be a US citizen or resident alien for the entire year,
 - Not claim certain benefits under IRC § 911,
 - Not have investment income in excess of a threshold amount,
 - Have earned income and AGI below the threshold amount for their filing status and number of qualifying children (if applicable), and
 - Not be the qualifying child of another person
- (2) Some responses to the questions in this section will indicate that the taxpayer is not eligible for EIC. You must still answer all remaining questions in the section.
- (3) Questions 1 through 4 in this section address the requirement for having a valid SSN. Answer question 1 (and 3, if applicable) regarding whether the taxpayer (and spouse, if applicable) has a social security number. These questions have drop down menus that require a “Yes” or “No”. Question 3 also offers the “N/A” option to indicate there is no secondary taxpayer. If you select “Yes” to question 1 or 3, a follow-up question is enabled regarding the validity of the social security number for EIC. The suggested audit steps in yellow immediately below Questions 1 through 4 offer guidance on answering these questions.
- (4) Question 5 ensures that the taxpayer meets the filing status requirement. The taxpayer does not qualify for the EIC if married filing separately.
- (5) Question 6 addresses the citizenship status of the taxpayer. The taxpayer – and spouse, if a joint return – must be a U.S. citizen or resident alien for the entire year to qualify for the EIC.
- (6) For Question 7, the taxpayer must not have excluded foreign earned income or housing benefits under IRC section 911 on Form 2555 or 2555-EZ to qualify for the EIC.
- (7) Question 8 asks whether the taxpayer meets the requirement of having total investment income for the given tax year at or below a certain threshold. Investment income includes taxable and tax exempt interest, dividends, capital gain net income, net passive activity income and net rental and royalty income that is not from a trade or business. Refer to Publication 596 for detailed information about the composition of these items and special rules that apply for EIC. You may want to complete the EITC Disqualified Income Worksheet before answering this question.
- (8) In order to qualify for the EIC, the taxpayer must have earned income. In addition, the taxpayer cannot exceed AGI and earned income limits based on the number of qualifying children and filing status. For Question 9, answer whether the taxpayer has earned income, and if so, click the drop down menu to select one of the options. You may want to complete the EITC Earned Income Worksheet before answering this question, although completion of this worksheet is optional.

- (9) If the taxpayer, or spouse if a joint return, is the EIC qualifying child of another taxpayer, the EIC cannot be claimed. Answer questions 10 and 11 appropriately. If the tax return was not a joint return, select N/A for question 11.
- (10) Question 12 asks whether the taxpayer has a qualifying child Per Exam and will be answered automatically based on information on the QC Summary Worksheet.
- (11) Following question 12 on the EIC Lead Sheet tab is a section in yellow that contains links to other worksheets or sections of the EIC Lead Sheet workbook. If your taxpayer has a Schedule E, you may want to click the 'EIC Disqualified Income WS' link to compute the taxpayer's net investment income. Although RGS will try to compute investment income, the examiner should verify that RGS puts the correct amount in the net investment income field on the RGS Return Setup, Schedule EIC tab. This step is only required if your taxpayer has a Schedule E.
- (12) If your taxpayer does not have qualifying children per exam, click the link 'EIC No Qualifying Children' to address the additional eligibility requirements for taxpayers without qualifying children. This section is further down on the EIC Lead Sheet tab.
- (13) If your taxpayer does have qualifying children per return or per exam, you must complete all required entries in the workbook for all the qualifying children eligibility requirements. Use the "QC Summary Worksheet" link to begin this process.

4.22.8.5.3.4
(03-27-2024)

Completing the "EIC Eligibility Rules for Taxpayers Who Have No EIC Qualifying Children" Section on the EIC Lead Sheet Tab

- (1) This section addresses the additional eligibility requirement for taxpayers who have no EIC qualifying children per exam. To be eligible for EIC without a qualifying child, the taxpayer, and spouse if filing jointly, must meet three additional criteria:
 - Age – Must be at least age 25 but less than age 65 at the end of the year,

Note: For TY21 only - You do not need to be younger than age 65 to claim the EIC. The minimum age to claim the EIC is generally age 19; however, if you are a specified student (other than a qualified former foster youth or a qualified homeless youth), you need to be at least age 24. If you are a qualified former foster youth or a qualified homeless youth, you need to be at least age 18.
 - Dependency – cannot be the dependent of another person, and
 - Residency – must have lived in the United States for more than half the year
- (2) Answer questions 1 and 2 for the age test. Either the taxpayer or spouse (if filing jointly) must be at least age 25 and less than age 65 on December 31 of the given tax year to qualify for EIC. Select "N/A" for question 2 if there is no secondary taxpayer. The lead sheet will indicate if the taxpayer does not meet the age test. If one of the spouses meets the test, an exception prompt appears and the appropriate conclusion is entered at the top of the lead sheet.

Note: For TY21 only - You do not need to be younger than age 65 to claim the EIC. The minimum age to claim the EIC is generally age 19; however, if you are a specified student (other than a qualified former foster youth or a

qualified homeless youth), you need to be at least age 24. If you are a qualified former foster youth or a qualified homeless youth, you need to be at least age 18.

- (3) To qualify for EIC, neither the primary nor secondary taxpayer can be the dependent of another person. Select “N/A” for question 4 if there is no secondary taxpayer.
- (4) If the main home for the taxpayer is outside the United States for more than half of the tax year, the taxpayer does not meet the residency test for EIC. If married filing jointly, question 5 applies to both spouses.
- (5) The Summary of No Qualifying Children rules section indicates whether the taxpayer has met the questions related solely to the No Qualifying Children portion of the lead sheet. Remember to review the top of the lead sheet to determine if the taxpayer met the overall EIC eligibility rules. If your taxpayer does not have qualifying children, you have completed all required portions of the EIC Lead Sheet.

4.22.8.5.3.5 (03-27-2024) **Completing the QC Summary Worksheet**

- (1) In order to claim EIC for a qualifying child, the child must meet each of the following tests: Valid SSN, Relationship, Age, Residency, Joint Return, and if applicable, the Tie-breaker. The EIC Lead Sheet workbook was designed to determine when these tests are met. If the relationship, age, residency and joint return tests are met, the individual has a qualifying child for EIC purposes. However, they must meet the additional two tests, valid SSN and tie-breaker, to claim EIC.
- (2) Use the QC Summary worksheet to determine the EIC eligibility of children claimed on the return or added during the exam. The blue fields are auto-populated from the taxpayer’s return. If the information displayed in these fields is incorrect, modify it to reflect the correct name and SSN. Enter the SSN without dashes.
- (3) If the taxpayer did not claim qualifying children or if one or more of the qualifying children claimed do not meet all of the eligibility requirements, additional fields are available to enter information for children allowed per the examination. If more than one child needs to be added, you may have to download an additional workbook, using the link provided.
- (4) There are separate worksheets that must be completed to determine whether the children meet the eligibility tests. As you complete the eligibility worksheets for each qualifying child, the results flow through to the QC Summary worksheet which displays an “X” if the test was met. The last column reflects whether each child qualifies to be claimed by the taxpayer for EIC.
- (5) To access the additional worksheets, click on the links in the QC Summary Worksheet. Once you complete a worksheet, click the “Back to Summary Worksheet” link to return to the QC Summary Worksheet. Use the same process to access and complete the remaining worksheets.
- (6) Within each of these separate worksheets, audit steps in yellow provide information to assist you in determining whether the children meet the requirements

for each test. You may be advised to review the case building information provided or to request additional documentation from the taxpayer if it is needed to make a determination.

- (7) Each separate worksheet has a conclusion section that reflects whether the children meet the requirements for that worksheet's test. The determinations are a result of answers given on the worksheet, and the conclusion information flows to the QC Summary Worksheet.
- (8) The Workpaper Reference section indicates which worksheets have been completed and which need completion. If the indicated worksheet needs completion, the Workpaper Reference will read "no child entered." When the Valid SSN Worksheet is completed, the QC Summary Worksheet displays a Workpaper Reference of 410-3. The Workpaper References for the remaining worksheets are 410-4, 410-5, 410-6, and 410-7 for the QC-Relationship and Joint Return Tests, QC-Age Test, QC-Residency Test, and QC-Tie Breaker Test, respectively.
- (9) The summary grid at the top of the QC Summary worksheet lists the children to whom the eligibility tests were applied. The Allowed (Per Exam) column reflects whether the child listed can be claimed as a qualifying child for EIC purposes.

4.22.8.5.3.6
(11-15-2021)

Completing the Valid SSN Worksheet

- (1) Use the Valid SSN worksheet to determine if the children meet the SSN requirements for EIC purposes. Qualifying children must have a Social Security Number (SSN) issued by the Social Security Administration. The child's SSN must also be valid for EIC purposes in order to meet this test. However, children who were born in the given tax year but died the same year are not required to have Social Security numbers.
- (2) The first question identifies whether the child was born and died in the same year and populates based on the entries made on the QC Age Test Worksheet. Complete the green fields for the next two Y/N questions to determine whether the child meets the Valid SSN test.
- (3) If you respond to a question in a manner that is not consistent with previous entries, a warning message appears. For example, you will receive a warning if you enter a SSN that is either an ITIN or ATIN, since these are not valid SSNs for EITC. Once you correct your response, the warning message disappears.

4.22.8.5.3.7
(03-27-2024)

Completing the QC Relationship and Joint Return Tests Worksheet

- (1) To satisfy the relationship test, the child must be the taxpayer's:
 - Son, daughter, stepchild,
 - Legally adopted son or daughter or a child lawfully placed with the taxpayer for legal adoption,
 - Brother, sister, stepbrother, stepsister, half-brother, half-sister,
 - Eligible foster child, or
 - Descendent of any of the above (e.g. grandchild, niece, or nephew)
- (2) A qualifying child for EIC does not have to be the taxpayer's dependent, as defined in IRC §152, unless they are married.
- (3) Click in the field that describes the taxpayer's relationship to the child and select "X" from the drop down list. Make one selection per child. If "Other

Valid Relationship” is selected, enter a description of the child’s relationship to the taxpayer in the field provided. Make sure it meets one of the relationships identified above. If the taxpayer’s relationship to the child does not meet one of the relationships above, check “Invalid Relationship for EITC” and enter a description of the relationship in the field below. If the taxpayer does not know the child and/or did not realize that the child was claimed on the return, enter an “X” in the appropriate box.

- (4) Question 2 asks if the child was married at the end of the given tax year. Typically, married children are not qualifying children for EIC purposes unless the taxpayer claims an exemption for the child on their tax return for the same year or could have claimed an exemption but gave that right to the other parent via Form 8332, a similar written statement, decree of divorce, etc. If either of these situations applies, select “Yes” for question 3.
- (5) To satisfy the joint return test, the child must not have filed a joint return unless the return was filed only to claim a refund. Answer Questions 4 and 5, if applicable, to determine if the child meets the joint return test.
- (6) For question 6, select the type of information used to make your determination as to whether the child met the relationship and joint return tests.

4.22.8.5.3.8

(03-27-2024)

Completing the QC Age Test Worksheet

- (1) In order to meet the age test, the child must be:
 - Under age 19 at the end of the year and younger than the TP or the TP’s spouse,
 - Under age 24 at the end of the year and a full-time student and younger than the TP or the TP’s spouse, or
 - Any age and permanently and totally disabled

Note: For TY21 only - You do not need to be younger than age 65 to claim the EIC. The minimum age to claim the EIC is generally age 19; however, if you are a specified student (other than a qualified former foster youth or a qualified homeless youth), you need to be at least age 24. If you are a qualified former foster youth or a qualified homeless youth, you need to be at least age 18.

- (2) The child’s date of birth and date of death fields for qualifying children Claimed Per Return are auto-populated from the tax return. If the data displayed are incorrect, make the necessary modifications.
- (3) Enter birth and death information for qualifying children added during the examination. This information can be obtained from the case building materials or from the initial interview. Help boxes are highlighted and provide help based on the information entered in the date of birth and date of death fields.
- (4) Questions 3 and 4 are shaded pink, indicating that this information (if applicable) should be obtained during the initial interview. If the qualifying child is under age 19, select “N/A.”
- (5) For question 5, select the type of information used to determine whether the qualifying child met the age test.

4.22.8.5.3.9
(11-15-2021)
**Completing the QC
Residency Test
Worksheet**

- (1) To meet the residency test, the child must live with the taxpayer in the United States for more than one-half of the year. Use the Residency Test worksheet to gather information on the child's residency during the year under examination.
- (2) Question 1 applies ONLY to children claimed on the tax return. Enter the number of months the taxpayer said the child lived with them in the United States during the tax year. Determine this number from your interview. If it is different than what was reported on the Schedule EIC, use the number from the interview.
- (3) For question 2, enter the substantiated number of months the child lived with the taxpayer in the United States during the tax year. This substantiation can be relevant written documentation—either IRS case-building information or taxpayer provided materials—or acceptable oral testimony. Use whole months and round up. If less than 7 months but more than half the year, enter 7 months because 6 months is considered less than half the year.
- (4) Questions 3 and 4 address the two exceptions to the requirement that the qualifying child must live with the taxpayer in the United States for more than one-half of the tax year. A child who was born or died during the tax year and lived with the taxpayer the entire time the child was alive can be a qualifying child for EIC. There are also special rules for kidnapped children. If the child met the special residency rules for a kidnapped child, they also meet this requirement. If these situations do not apply to your taxpayer, select N/A from the drop down list.
- (5) For question 5, select the type of substantiation used to determine whether the child met the residency test from the drop down list.

4.22.8.5.3.10
(11-15-2021)
**Completing the QC
Tie-Breaker Test
Worksheet**

- (1) It is possible for a person to be the qualifying child of multiple taxpayers; however, only one person may claim EIC using the child. In general, the tax benefits related to a qualifying child can not be split, although there are exceptions for children of divorced or separated parents. If more than one taxpayer claims the qualifying child for EIC, the "tie-breaker" rule is applied to determine who is entitled to the related tax benefits. The tie-breaker rule must also be considered if a non-parent claims the child and the child is the qualifying child of more than one person, even if no other taxpayer actually claims the child. This is due to a change in the tax law for TY 2009, which requires that a non-parent can only treat a child as a qualifying child for EIC and other tax benefits if the non-parent has a higher AGI than all other individuals who could claim the child as a qualifying child.
- (2) The tie-breaker is the final test to determine if the child can be claimed as a qualifying child for EIC purposes. This worksheet helps determine (a) if the tie-breaker test needs to be applied for each child and (b) if so, who wins the tie-breaker test – whether it is the NRP taxpayer or another individual. These determinations are made separately for each qualifying child, listed by column.
- (3) The first question asks if the NRP taxpayer is the qualifying child's parent. The answer to this should be auto-populated from the QC-Relationship & Joint Return Tests Worksheet. Beginning with the TY2019 NRP EIC lead sheet, the Tiebreaker tab was reorganized. Depending on whether the NRP TP was the

parent of the QC, examiners are directed to either Part A or Part B. For any TY19 or later key cases, go to 4.22.8.5.3.10(7) for additional information about completing the Tiebreaker tab.

- (4) In tax years 2018 and earlier, for Question 2, select “Yes” if at least one other taxpayer filed a return for the same tax period claiming the child for certain tax benefits; these include the dependency exemption, the Child Tax Credit (including the Additional Child Tax Credit), Head of Household filing status, the Credit for Child or Dependent Care Expenses, and the income exclusion for dependent care benefits.
 - (5) In tax years 2018 and earlier, Question 3 captures summary information from applying the tie-breaker test when the NRP taxpayer is the parent of the qualifying child in question. Information can be captured for tie-breaker tests applied to up to 4 other taxpayers for each child. When the NRP taxpayer is the parent, tie-breakers must only be applied when the child is actually claimed by other taxpayers for EIC or other related tax benefits. Use the hyperlinks to complete the tie-breaker test for each of the other taxpayers who claimed the child in each column. For the first two links (Taxpayer #1 and Taxpayer #2), the hyperlink will take you to “Page 2”, which is farther down on the worksheet on the same tab. For the second two links (Taxpayer #3 and Taxpayer #4), the hyperlink will take you to “Page 4”, which again is farther down on the same worksheet.
 - (6) In tax years 2018 and earlier, Question 4 captures summary information from applying the tie-breaker test when the NRP taxpayer is NOT the parent of the qualifying child in question. Again, information can be captured for tie-breaker tests applied to up to 4 other taxpayers for each child. When the NRP taxpayer is not the parent, tie-breaker tests must be applied, not only for other taxpayers who did claim the child, but also all other individuals who could have claimed the child. Use the hyperlinks to complete the tie-breaker test for each of the other taxpayers who did claim or could have claimed the child in each column. For the first two links (Taxpayer #1 and Taxpayer #2), the hyperlink will take you to “Page 3”, which is farther down on the worksheet on the same tab. For the second two links (Taxpayer #3 and Taxpayer #4), the hyperlink will take you to “Page 5”, which again is farther down on the same worksheet.
 - (7) Beginning with tax year 2019 key cases, when the NRP taxpayer **IS** the parent of the QC, Part A captures information about whether the NRP taxpayer, or another parent of the QC, can claim the child for EITC.
 - (8) Beginning with tax year 2019 key cases, when the NRP taxpayer **IS NOT** the parent of the QC, Part B captures information about whether the NRP taxpayer, the parent of the QC, or another individual can claim the child for EITC.
- 4.22.8.5.3.11
(11-15-2021)
**The EITC Earned Income
Worksheet**
- (1) For EIC purposes, earned income generally includes taxable employee pay and net earnings from self-employment. The EIC Earned Income worksheet is optional and may be used to compute the taxpayer’s earned income. It is an Excel version of the worksheets contained in the Form 1040 instructions for the EIC line item.

4.22.8.5.3.12
(11-15-2021)

**The EITC Disqualified
Income Worksheet**

- (1) To receive the EITC, the taxpayer's investment income must be below a certain threshold. The EITC Disqualified Income Worksheet can be used to determine the amount of investment income to be used for this comparison. It is an Excel version of Publication 596, Worksheet 1.
- (2) Upon completion of the EIC Disqualified Income worksheet, compare the total amount of disqualified (investment) income from this worksheet with the net investment income field on the RGS Return Setup, Sch EIC tab. Although RGS will attempt to compute the amount of investment income, the examiner must verify the amount to ensure that EITC is calculated properly.

Exhibit 4.22.8-1 (11-15-2021)

Substantiating EITC Eligibility for NRP EITC Component Cases: Qualifying Child Rules

| To Establish Relationship | | |
|--|--|--|
| Condition | Use of Case Building Information | Document Request |
| Child must meet relationship test. If the child is claimed as a: | | |
| Son, Daughter (including adopted children) | The examiner should attempt to corroborate this claim using relevant case building information as part of pre-contact planning activities. | If relevant case building information is not available, contains conflicting information, or appears to be otherwise incorrect, request the child's birth certificate. |
| Child whose adoption is pending | None → | Request a letter from an authorized adoption agency. |
| Foster child | None → | Request a letter from an authorized placement agency or applicable court document. |
| All other relationships | None → | Request all birth certificates and marriage certificates that show this relationship. |
| To Establish Age | | |
| Condition | Use of Case-Building Information | Document Request |
| If the child's reported age was: | | |
| Under age 19 | The examiner should corroborate the age using relevant case building information as part of pre-contact planning activities. | If relevant case building information is not available, contains conflicting information, or appears to be otherwise incorrect, request the child's birth certificate. |
| Age 19 through 23 | The examiner should corroborate the age of the child using relevant case-building information as part of the precontact planning activities. | If relevant case-building information is not available, contains conflicting information, or appears to be otherwise incorrect, request the child's birth certificate. |
| AND | | |
| The child is claimed as a student | None → | Request official school records that show the child was a full time student for at least 5 months during the appropriate tax year at an institution considered a school for EITC purposes. |

Exhibit 4.22.8-1 (Cont. 1) (11-15-2021)

Substantiating EITC Eligibility for NRP EITC Component Cases: Qualifying Child Rules

| To Establish Relationship | | |
|--|--|--|
| Condition | Use of Case Building Information | Document Request |
| Age 19 or over | The examiner should corroborate the age of the child using relevant case-building information as part of the precontact planning activities. | If relevant case-building information is not available, contains conflicting information, or appears to be otherwise incorrect, request the child's birth certificate. |
| AND | | |
| The child is claimed as permanently and totally disabled | None → | Request a letter from the child's doctor, other health care provider, or any social service program or agency verifying the child is permanently and totally disabled. |
| To Establish Residency | | |
| Condition | Use of Case-Building Information | Document Request |
| For all cases with qualifying children, the child(ren) must live with taxpayer in the US for more than half of the tax year. | None → | Request, for all NRP EITC component cases involving qualifying children, documentation of the joint residency of the taxpayer and child in the US for more than half of the appropriate tax year. The request should emphasize that the taxpayer can provide any combination of documents that show, when taken altogether, that the taxpayer and child lived together for more than half the year. The documents need to show a name, address, and date and the combination of documents provided need to show that the child and the taxpayer lived at the same location(s) for the relevant time periods. |

Exhibit 4.22.8-2 (03-27-2024)

Substantiating EITC Eligibility for NRP EITC Component Cases: SSNs Valid for EITC

| To Establish Validity of Qualifying Child SSN | | |
|--|---|--|
| Condition | Use of Case-Building Information | Document Request |
| SSN must be issued by the Social Security Administration on or before the due date of the return. | The examiner should use case-building material to corroborate that the child has an SSN issued by the Social Security Administration. | If relevant case-building information is not available, contains conflicting information, or appears to be otherwise incorrect, request the child's Social Security Card. |
| AND | | |
| SSN not issued for the sole purpose of obtaining a federally funded benefit: "Valid for Employment SSN." | When applicable, use the case-building citizenship indicator code to determine if the SSN is valid for EITC. Citizenship codes of A, B, and E are valid for EITC (A=US Citizen B=Legal Alien-Authorized to Work E=Alien Student- Restricted Work Authorized). | If there is an indication that the SSN does not belong to the particular child, request the Social Security Card of the child as part of the Document Request. |
| | For all other citizenship codes → | Request that the taxpayer bring the child's Social Security Card to the examination. If the card contains the legend "Not Valid for Employment" and the child's immigration status has changed entitling the child to a card without the legend by the due date of the return, the child's SSN is valid for the EITC even if the taxpayer does not provide an updated Social Security Card without the legend. Advise the taxpayer to obtain a new card from the Social Security Administration. If the child's immigration status has not changed, the taxpayer should provide documentation that the SSN was issued for a purpose other than obtaining a federally funded benefit. |

Exhibit 4.22.8-2 (Cont. 1) (03-27-2024)

Substantiating EITC Eligibility for NRP EITC Component Cases: SSNs Valid for EITC

| To Establish Validity of Taxpayer SSN (and spouse if applicable) | | |
|--|--|--|
| Condition | Use of Case-Building Information | Document Request |
| SSN must be issued by the Social Security Administration on or before the due date of the return. | The examiner should use case-building material to corroborate that the taxpayer, and spouse if applicable, has an SSN issued by the Social Security Administration. | If relevant case-building information is not available, contains conflicting information, or appears to be otherwise incorrect, request the taxpayer's and/or the spouse's Social Security Card. |
| AND | | |
| SSN not issued for the sole purpose of obtaining a federally funded benefit: "Valid for Employment SSN." | When applicable, use the case-building citizenship indicator code to determine if the SSN is valid for EITC. Citizenship codes of A, B, and E are valid for EITC (A=US Citizen B=Legal Alien– Authorized to Work E=Alien Student– Restricted Work Authorized). | If there is an indication that the SSN does not belong to the particular taxpayer and/or spouse, request the Social Security Card(s) as part of the Document Request. |
| | For all other citizenship codes → | Request that the taxpayer bring their Social Security Card to the examination. If the card contains the legend "Not Valid for Employment" and the taxpayer's immigration status has changed entitling them to a card without the legend by the due date of the return, the taxpayer's SSN is valid for the EITC even if the taxpayer does not provide an updated Social Security Card without the legend. Advise the taxpayer to obtain a new card from the Social Security Administration. If the taxpayer's immigration status has not changed, the taxpayer should provide documentation that the SSN was issued for a purpose other than obtaining a federally funded benefit. |

Exhibit 4.22.8-3 (11-15-2021)

Substantiating EITC Eligibility for NRP EITC Component Cases: Citizenship or Alien Status

| To Establish that Taxpayer is US Citizen or Resident Alien for the Full Year | | |
|---|---|--|
| Condition | Use of Case-Building Information | Document Request |
| Taxpayer must be US citizen or resident alien for the full year. | When applicable, use the citizenship code to determine that the taxpayer is a US citizen. If the case-building citizenship indicator is A = US Citizen then taxpayer is a US citizen. | None |
| | For all other citizenship codes → | Request documentation about residency to establish that the taxpayer and spouse were resident aliens for the year (accounting for the special rules for electing to treat a nonresident alien spouse as a resident alien). |

Exhibit 4.22.8-4 (03-27-2024)**Substantiating EITC Eligibility for NRP EITC Component Cases: Additional Criteria For EITC Without A Qualifying Child**

Note: This section applies to (1) each case where EITC without a qualifying child was claimed and (2) each case where EITC with a qualifying child was claimed, the examiner determined that the taxpayer did not have any EITC qualifying children, and the examiner is analyzing whether the taxpayer is eligible for EITC without a qualifying child.

| Condition | Use of Case-Building Information | Document Request |
|--|---|--|
| <p>Taxpayer must be at least 25 years but less than 65 years at the end of the tax year Taxpayer cannot be the dependent of another person Taxpayer must have lived in the US for more than half the year.</p> <p>Note: For TY21 only - You do not need to be younger than age 65 to claim the EIC. The minimum age to claim the EIC is generally age 19; however, if you are a specified student (other than a qualified former foster youth or a qualified homeless youth), you need to be at least age 24. If you are a qualified former foster youth or a qualified homeless youth, you need to be at least age 18.</p> | <p>Use case-building information to verify the taxpayer's age.</p> | <p>If the case-building data on age is missing or appears to be incorrect, request the taxpayer's birth certificate.</p> |
| <p>Taxpayer cannot be the dependent of another person.</p> | <p>Use case-building material to determine whether the taxpayer was claimed as a dependent on another return.</p> | <p>Request sufficient information, either in the Document Request, initial interview, or other appropriate time to make a determination regarding whether the taxpayer is a dependent of another taxpayer.</p> |
| <p>Taxpayer must have lived in the US for more than half the year.</p> | | |

Exhibit 4.22.8-4 (Cont. 1) (03-27-2024)

Substantiating EITC Eligibility for NRP EITC Component Cases: Additional Criteria For EITC Without A Qualifying Child

| | | |
|--|---------------|--|
| <p>For cases where EITC without a qualifying child was claimed.</p> | <p>None →</p> | <p>Request documentation of the residency of the taxpayer in the US for more than half of the tax year. The request should note that the documentation must have a name, address, and date and that more than one document may be necessary to cover the required time period.</p> |
| <p>For cases where EITC with a qualifying child was claimed but is being disallowed and the examiner is analyzing whether the taxpayer is entitled to EITC without a qualifying child.</p> | <p>None →</p> | <p>Use documents previously provided by the taxpayer in support of the residency of the child and taxpayer or support for being a resident alien all year as appropriate, with additional documentation requested as needed.</p> |

