



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

21.6.3

SEPTEMBER 5, 2024

EFFECTIVE DATE

(10-01-2024)

PURPOSE

- (1) This transmits a revised IRM 21.6.3, Individual Tax Returns, Credits.

MATERIAL CHANGES

- (1) IRM 21.6.3.1.6 Added acronyms CII, CVC and FRP to table.
- (2) IRM 21.6.3.3 Added general information to use the IAT REQ54 Tool if unable to use xMend and to research multiple subsections if necessary.
- (3) IRM 21.6.3.4 (IPU 23U1000 issued 10-04-2023) Updated paragraph 11 to list additional credits and advise to contact FRP if the return is complete, processable and does not meet CAT-A criteria. Updated paragraph 12 to link to IRM 21.5.6.4.10(4), -E Freeze.
- (4) IRM 21.6.3.4 (IPU 24U0545 issued 04-22-2024) Added paragraph to set a math error if credit was allowed during original processing and is no longer allowed based on changes to amended return.
- (5) IRM 21.6.3.4 (IPU 24U0887 issued 07-31-2024) Removed link to SERP alert from paragraph 12 since it has been rescinded.
- (6) IRM 21.6.3.4.1 Added link to IRM 21.7.4.4.8, Non-refundable Credits, Income Tax Returns, for more information.
- (7) IRM 21.6.3.4.1.5 (IPU 23U1000 issued 10-04-2023) Updated paragraph 10 to link to IRM 21.5.6.4.10(4), -E Freeze.
- (8) IRM 21.6.3.4.1.5 Updated MAGI phase out amount for Form 8863 for tax year 2024.
- (9) IRM 21.6.3.4.1.5.2 (IPU 23U1103 issued 11-20-2023) Updated CAT-A criteria for AOTC based on IRM 21.5.3-3 and split paragraph 5 box 1 into two boxes to differentiate when to No Consider and when to disallow.
- (10) IRM 21.6.3.4.1.5.2 (IPU 24U0195 issued 02-02-2024) Updated paragraph 5 to say AOTC instead of total education credits because it only applies to AOTC.
- (11) IRM 21.6.3.4.1.6 (IPU 24U0545 issued 04-22-2024) Added when reassigning to International to update category code to MEFI if the case is on MeF.
- (12) IRM 21.6.3.4.1.6 Clarified to only mail international returns if you do not have CII access.
- (13) IRM 21.6.3.4.1.9 (IPU 24U0545 issued 04-22-2024) Added paragraph about the advanced manufacturing investment credit (IRC 48D) and that it is eligible for EPE.
- (14) IRM 21.6.3.4.1.12 (IPU 23U1103 issued 11-20-2023) Added paragraph 4 to provide procedures for claims filed between January 10, 2022, and January 10, 2025.
- (15) IRM 21.6.3.4.1.12 Added after June 18, 2024, taxpayers are only required to provide 3 pieces of information and not 5, and added link to Research credit claims (Section 41) on amended returns frequently asked questions.

- (16) IRM 21.6.3.4.1.15 Updated name of form to Form 8835, Renewable Electricity Production Credit, and added it can still be claimed in 2024.
- (17) IRM 21.6.3.4.1.16 Updated amount of qualified wages for Indian Employment Credit and also added a link to IRM 21.7.4.4.8.3.12, Form 8845, Indian Employment Credit, and Accelerated Depreciation for Business Property on an Indian Reservation.
- (18) IRM 21.6.3.4.1.17 Added link to IRM 21.7.4.4.8.3.13, Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips.
- (19) IRM 21.6.3.4.1.24 Updated amount of refundable CTC for tax year 2024.
- (20) IRM 21.6.3.4.1.24.2.2 (IPU 23U1103 issued 11-20-2023) Added new subsection for Reconciling Advance Child Tax Credit (AdvCTC) Payments for Refund Inquiry employees.
- (21) IRM 21.6.3.4.1.24.4 (IPU 24U0545 issued 04-22-2024) Added IRN 820 must be used for adjustments to CTC for tax periods 2023 and subsequent.
- (22) IRM 21.6.3.4.1.24.4 (IPU 24U0735 issued 06-10-2024) Advised to complete comprehensive research if there is a name TIN mismatch and added paragraph explaining the purpose of IRN 820.
- (23) IRM 21.6.3.4.1.25 Added to update case type to XRET before reassigning.
- (24) IRM 21.6.3.4.1.28 Updated adjusted gross income limitations for Form 8880 for tax year 2024.
- (25) IRM 21.6.3.4.1.29 Updated IRM references for Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation in paragraph 1.
- (26) IRM 21.6.3.4.1.32 Added Sustainable Aviation Credit to the list of credits claimed on Form 8864
- (27) IRM 21.6.3.1.35 Added to the definition of a qualified fuel cell vehicle for Form 8910, Alternative Motor Vehicle Credit, in paragraph 2.
- (28) IRM 21.6.3.4.1.36 Added specifications for the properties for credit amounts for Form 8911, Alternative Fuel Vehicle Refueling Property Credit.
- (29) IRM 21.6.3.4.1.38 (IPU 24U0195 issued 02-02-2024) Added new subsection for Form 8936, Clean Vehicle Credits.
- (30) IRM 21.6.3.4.1.38.1 (IPU 24U0195 issued 02-02-2024) Added new subsection for Form 8936, Clean Vehicle Credits - Qualifications.
- (31) IRM 21.6.3.4.1.38.1 Clarified in paragraph 3 one or both of the critical minerals and battery components requirements for Form 8936, Clean Vehicle Credits.
- (32) IRM 21.6.3.4.1.38.2 (IPU 24U0195 issued 02-02-2024) Added new subsection for Form 8936, Clean Vehicle Credits - Account Information.
- (33) IRM 21.6.3.4.1.38.2 (IPU 24U0545 issued 04-22-2024) Added procedure for responding to clean vehicle credit math error.
- (34) IRM 21.6.3.4.1.38.2 (IPU 24U0887 issued 07-31-2024) Clarified clean vehicle credits being reviewed by SBSE. Removed instruction to direct the taxpayer to contact the dealer for math errors, added that Letter 474C responses should be worked as math error responses and added a reminder **not** to send a 4442/e-4442 if there is a control in M status.
- (35) IRM 21.6.3.4.1.38.3 (IPU 24U0195 issued 02-02-2024) Added new subsection for Form 8936, Clean Vehicle Credits - Adjusting the Account.

- (36) IRM 21.6.3.4.1.38.3 (IPU 24U0545 issued 04-22-2024) Added exception for certain fuel cell vehicles and instructions if an account is awaiting pre-refund review.
- (37) IRM 21.6.3.4.1.38.3 (IPU 24U0887 issued 07-31-2024) Removed the option to type in 6 characters and the wildcard to search for a VIN, clarified the response from the VIN Lookup Tool, removed reference to adjusting CVC with RC 036 and added a note that prior to May 2024, RC 036 was used for CVC adjustments.
- (38) IRM 21.6.3.4.1.38.4 (IPU 24U0195 issued 02-02-2024) Moved original subsection 21.6.3.4.1.38 and renamed it Qualified Plug-in Electric Drive Motor Vehicle Credit (Including Qualified Two-Wheeled Plug-in Electric Vehicles and New Clean Vehicles) (Tax Year 2022 and Prior).
- (39) IRM 21.6.3.4.1.39 Updated amounts of employees annual average wage for 2024.
- (40) IRM 21.6.3.4.1.40 Updated compensation amount for tax year 2024.
- (41) IRM 21.6.3.4.2.2 (IPU 24U0545 issued 04-22-2024) Added additional examples of potentially fraudulent withholding claims.
- (42) IRM 21.6.3.4.2.2 (IPU 24U0735 issued 06-10-2024) Updated to check for TC 971 AC 123 on electronically filed amended returns, check IRM 21.5.1.4.12, Tolerances, for questionable findings on CC IRPTR, and allow withholding with substantiation (written or electronically filed).
- (43) IRM 21.6.3.4.2.2 (IPU 24U0887 issued 07-31-2024) Added TC 971 AC 123 MISC 1040X INVALID IDOC as a criteria for requiring IRP data to substantiate withholding and link to IRM 21.5.3.4.1.1, Tax Increase and Credit Increase Processing, in paragraph 10.
- (44) IRM 21.6.3.4.2.2.1 (IPU 23U1000 issued 10-04-2023) Added link in paragraph 1 to IRM 20.1.3.2.2, Manual Penalty Adjustments, to provide more specific instruction for manually computing the penalty calculation.
- (45) IRM 21.6.3.4.2.3 (IPU 24U0545 issued 04-22-2024) Added paragraph 3 to refer to authentication IRMs.
- (46) IRM 21.6.3.4.2.3.1 (IPU 24U0195 issued 02-02-2024) Added link to IRM 21.5.6.4.48(1c), -X Freeze, in paragraph 4, row 3.
- (47) IRM 21.6.3.4.2.3.1 (IPU 24U0735 issued 06-10-2024) Clarified procedures when a DECD ES CR transcript generates in paragraph 4 row number 1.
- (48) IRM 21.6.3.4.2.4 Updated amount of maximum social security tax withheld for tax year 2024.
- (49) IRM 21.6.3.4.2.6 (IPU 23U1000 issued 10-04-2023) Updated paragraph 8 to link to IRM 21.5.6.4.10(4), -E Freeze.
- (50) IRM 21.6.3.4.2.7.5 Updated maximum investment income amount for EITC for tax year 2024.
- (51) IRM 21.6.3.4.2.7.6 Updated maximum adjusted gross income for EITC for tax year 2024.
- (52) IRM 21.6.3.4.2.7.8 (IPU 23U1000 issued 10-04-2023) Added exception to refer to IRM 21.5.6.4.2, -A freeze, for CP 09 and CP 27 responses received prior to September 11, 2023, with a -A freeze on the account.
- (53) IRM 21.6.3.4.2.7.8 (IPU 23U1050 issued 10-25-2023) Added paragraph 11 how to process Form 1040-X in response to CP 09 / CP 27 notice.
- (54) IRM 21.6.3.4.2.7.8 (IPU 24U0427 issued 03-15-2024) Added link to IRM 21.6.1.7, Command Code DUPED and DDBCK, in paragraph 12.

- (55) IRM 21.6.3.4.2.7.13.3 (IPU 24U0735 issued 06-10-2024) Added link to IRM 21.3.1.6.36, CP 54x Series Notices, Inquiry Regarding Name and Social Security Number (SSN).
- (56) IRM 21.6.3.4.2.7.14 Changed the term Change Dates to CLAIM RCVD DATES in paragraph 7.
- (57) IRM 21.6.3.4.2.8.3 (IPU 23U1000 issued 10-04-2023) Added exception to refer to IRM 21.5.6.4.2, -A freeze, for CP 08 responses received prior to September 11, 2023, with a -A freeze on the account.
- (58) IRM 21.6.3.4.2.8.3 (IPU 23U1050 issued 10-25-2023) Added note to follow IRM 21.5.3.4.2, Tax Decrease or Credit Increase Processing, if Schedule 8812 is not included and added paragraph 11 how to process Form 1040-X in response to CP 08 notice.
- (59) IRM 21.6.3.4.2.8.3 (IPU 24U0195 issued 02-02-2024) Added verbiage for open paragraph for Letter 76C in paragraph 9.
- (60) IRM 21.6.3.4.2.9 (IPU 24U0735 issued 06-10-2024) Added HCTC legislation has not been extended past December 31, 2021 and all information contained is for tax 2021 returns and prior. Added HCTC phone line will be deactivated as of June 17, 2024.
- (61) IRM 21.6.3.4.2.9 Updated that the dedicated HCTC phone line has been deactivated.
- (62) IRM 21.6.3.4.2.11 (IPU 23U1050 issued 10-25-2023) Updated CAT-A criteria for AOTC based on IRM 21.5.3-3.
- (63) IRM 21.6.3.4.2.11 (IPU 24U0195 issued 02-02-2024) Updated paragraph 8 to say AOTC instead of total education credits because it only applies to AOTC.
- (64) IRM 21.6.3.4.2.12 Updated contribution percentages and repayment limitation for advance payments for tax year 2023 and 2024.
- (65) IRM 21.6.3.4.2.12.6 (IPU 24U0195 issued 02-02-2024) Added to note in paragraph 5 to request voided Form 1095-A.
- (66) IRM 21.6.3.4.2.13 (IPU 24U0427 issued 03-15-2024) Added paragraph 1 as a reminder to check procedures in IRM 21.6.3.4.2.13 and IRM 21.6.3.4.2.14 and all their subsections for EIP / RRC related customer contact and paper cases.
- (67) IRM 21.6.3.4.2.13.2 (IPU 24U0195 issued 02-02-2024) Added paragraph 7 to elevate through local P & A to HQ Analyst if taxpayer is advised by Metabank that a payment was returned to the IRS and there is no record of it on the account.
- (68) IRM 21.6.3.4.2.13.2 (IPU 24U0427 issued 03-15-2024) Added paragraph 8 for responding to taxpayers written inquiries.
- (69) IRM 21.6.3.4.2.13.3 Added to note after chart in paragraph 1 to send a letter if necessary for manual EIP adjustments.
- (70) IRM 21.6.3.4.2.14 (IPU 23U1050 issued 10-25-2023) Clarified language in paragraph 4 regarding when to disallow and RRC claim and added note in paragraph 5 that if we receive a returned EIP and the taxpayer has not filed a return.
- (71) IRM 21.6.3.4.2.14 (IPU 23U1103 issued 11-20-2023) Added specific filing deadlines to claim RRC for 2020 and 2021.
- (72) IRM 21.6.3.4.2.14 (IPU 24U0427 issued 03-15-2024) Added reminder when using chart in IRM 21.6.3.4.2.13 for RRC eligibility, make sure to use correct year.

- (73) IRM 21.6.3.4.2.15 (IPU 23U1000 issued 10-04-2023) Added note to paragraph 4 to use data from the “Gen Dep.” heading for electronically filed returns to dummy Form 7202 if the pdf of the form is not attached on EUP and updated paragraph 6 to link to IRM 21.5.6.4.10(4), -E Freeze.
- (74) IRM 21.6.3.4.2.15 (IPU 24U0427 issued 03-15-2024) Added link to IRM 21.5.3.4.1.1, Tax Increase and Credit Increase Processing, to paragraph 4.
- (75) IRM 21.6.3.4.2.15 (IPU 24U0735 issued 06-10-2024) Added clarification of math verification of self-employment income and using prior year SE income.
- (76) IRM 21.6.3.4.2.15 (IPU 24U0887 issued 07-31-2024) Updated to clarify taxpayers can only claim the credit for tax year 2022 on a Schedule H and to clarify the dates listed and number of days must match on Form 7202.
- (77) IRM 21.6.3.4.3 (IPU 24U0195 issued 02-02-2024) Updated IRM to include information and instructions for EPE and sequestration for tax year 2023 / processing year 2024.
- (78) IRM 21.6.3.4.3 (IPU 24U0545 issued 04-22-2024) Added processing instructions and adjustment guidelines for EPE.
- (79) IRM 21.6.3.5.1 (IPU 23U1050 issued 10-25-2023) Added indicator for EIC recertification listed on CC IMFOLE.
- (80) IRM 21.6.3.5.1 (IPU 24U0195 issued 02-02-2024) Added note after paragraph 5 to adjust case and send to Exam as soon as possible after inputting CC DDBCK.
- (81) IRM 21.6.3.5.1 Removed line from Caution in paragraph 5 that states there is a field called “RefCR” since it has been replaced with ACTC and AOTC which are self explanatory.
- (82) IRM 21.6.3.6 (IPU 23U1000 issued 10-04-2023) Added to address open issues on the tax module in paragraph 1 and do not input adjustment in paragraph 10 for further clarity.
- (83) IRM 21.6.3.6 (IPU 23U1050 issued 10-25-2023) Added paragraph 9 to correspond with taxpayer if we receive a payment and there is no tax return on file.
- (84) Various editorial changes throughout the IRM to update and/or correct grammar, spelling, plain language, tax years, money amounts, web sites, references, citations, update organizational title Wage and Investment to Taxpayer Services and other non-substantive changes.

EFFECT ON OTHER DOCUMENTS

IRM 21.6.3, Credits, dated August 23, 2023 (effective Oct. 2, 2023), is superseded. This revision incorporates IRM Procedural Updates (IPU): IPU 23U1000 (effective 10-04-2023), IPU 23U1050 (effective 10-25-2023), IPU 23U1103 (effective 11-20-2023), IPU 24U0195 (effective 02-02-2024), IPU 24U0427 (effective 03-15-2024), IPU 24U0545 (effective 04-22-2024), IPU 24U0735 (effective 06-10-2024), and IPU 24U0887 (effective 07-31-2024).

AUDIENCE

Employees in Customer Assistance, Relationships and Education (CARE), Small Business/Self-Employed (SB/SE), and Taxpayer Services (TS) who respond to taxpayer inquiries and perform account adjustments pertaining to credits.

LuCinda Comegys
Director, Accounts Management
Taxpayer Services Division

21.6.3
Credits

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 - 21.6.3.4.2.10.3 WHBAA Date of Enactment- November 6, 2009
 - 21.6.3.4.2.10.4 WHBAA Military Exceptions Credit Extension
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 - 21.6.3.4.2.12.3.2 Premium Tax Credit (PTC) - Compliance Conditions
 - 21.6.3.4.2.12.3.3 ACA Correspondence Letters
 - 21.6.3.4.2.12.4 Tools for Accessing ACA-Related Taxpayer Data
 - 21.6.3.4.2.12.4.1 ACA - Disclosure of Taxpayer Data
 - 21.6.3.4.2.12.5 Premium Tax Credit (PTC) - Notice / Letter Responses
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 - 21.6.3.4.2.12.6 Premium Tax Credit (PTC) - Amended Returns
 - 21.6.3.4.2.12.6.1 8962 PTC Calculator Response
 - 21.6.3.4.2.12.7 Premium Tax Credit (PTC) - Adjusting the Account
 - 21.6.3.4.2.12.8 Failure to Reconcile Advance Payment of the Premium Tax Credit (PTC)
- 21.6.3.4.2.13 Economic Impact Payments (EIP)
 - 21.6.3.4.2.13.1 Economic Impact Payments (EIP) - Account Information
 - 21.6.3.4.2.13.2 Economic Impact Payments (EIP) - Refund Inquiries
 - 21.6.3.4.2.13.3 Economic Impact Payments (EIP) - Manual Adjustments

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- 21.6.3.4.2.14 Recovery Rebate Credit (RRC)
 - 21.6.3.4.2.14.1 Recovery Rebate Credit (RRC) - Adjusting the Credit
 - 21.6.3.4.2.14.2 RRC Taxpayer Notice Codes (TPNC)
 - 21.6.3.4.2.15 Form 7202, Credits for Sick Leave and Family Leave
 - 21.6.3.4.3 Elective Payment Elections (EPE)
 - 21.6.3.5 Credit Recertification
 - 21.6.3.5.1 Credit Recertification Math Errors
 - 21.6.3.6 REBATEREV (REBV) Transcripts
- Exhibits
- 21.6.3-1 TIN Requirements for Exemptions/Dependents and Credits
 - 21.6.3-2 TC 971 AC 199 MISC Field Descriptions for Economic Impact Payments (EIPs)
 - 21.6.3-3 TC 971 AC 199 MISC Field Descriptions for Advance Child Tax Credit (AdvCTC) Payments

21.6.3.1
(05-24-2017)
Program Scope and Objectives

- (1) **Purpose:** This IRM provides information on both non-refundable and refundable credits.
- (2) **Audience:** The primary users of the IRM are all IRS employees in Business Operating Divisions (BODs) who are in contact with taxpayers by telephone, correspondence, or in person.
- (3) **Policy Owner:** The Director of Accounts Management.
- (4) **Program Owner:** Accounts Management, Policy and Procedures IMF (PPI).
- (5) **Primary Stakeholders:** The primary stakeholders are organizations that Accounts Management collaborates with; Return Integrity Compliance Systems (RICS), Compliance, Field Assistance, Submission Processing, and the Taxpayer Advocate Service.
- (6) **Program Goals:** Program goals for this type of work are included in the *Fiscal Year (FY) 2024 Accounts Management Program Letter And Operating Guidelines* as well as IRM 1.4.16, Accounts Management Guide for Managers.

21.6.3.1.1
(05-24-2017)
Background

- (1) This IRM provides procedures for processing non-refundable and refundable credits. Employees in the Accounts Management (AM) organization respond to taxpayer inquiries and phone calls as well as process claims and other internal adjustment requests.

21.6.3.1.2
(05-24-2017)
Authority

- (1) Refer to IRM 1.2.1, Servicewide Policy Statements, for information.
- (2) Authority granted by the United States Code, Title 26, Internal Revenue Code, Subtitle A, Income Taxes.

21.6.3.1.3
(10-01-2021)
Responsibilities

- (1) The Accounts Management Director oversees the guidance provided to employees.
- (2) A tax analyst in Accounts Management, Policy and Procedures, provides the content of this IRM.
- (3) Managers and leads ensure employees follow the guidance provided in this IRM.
- (4) Employees resolve taxpayers tax issues relating to refundable and non-refundable credits following procedures in this IRM.

21.6.3.1.4
(10-01-2021)
Program Management and Review

- (1) **Program Reports:** The program reports provided in this IRM are for identification purposes for the Accounts Management Contact Representatives (CRs) and Tax Examiners (TEs). For reports concerning quality, inventory, and aged listings, refer to IRM 1.4.16, Accounts Management Guide for Managers. Aged listings can also be viewed by accessing Control Data Analysis, Project PCD, from the Control-D/Web Access server, which has a login program control.
- (2) **Program Effectiveness:** Program effectiveness is measured and controlled through managerial and quality reviews.

21.6.3.1.5
(10-01-2021)

Program Controls

- (1) Goals, measures and operating guidelines are listed in the yearly Program Letter. Quality data and guidelines for measurement is referenced in IRM 21.10.1, Embedded Quality (EQ) Program for Accounts Management, Campus Compliance, Field Assistance, Tax Exempt/Government Entities, Return Integrity and Compliance Services (RICS), and Electronic Products and Services Support.

21.6.3.1.6
(10-01-2024)

Acronyms

- (1) For a comprehensive listing of acronyms, refer to the *Acronym Database*. Below are common acronyms used in this IRM.

Acronym	Definition
ACAX	Affordable Care Act Amended Return
ACM	Alternative Calculation for Marriage
ACTC	Additional Child Tax Credit
AdvCTC	Advance Child Tax Credit
AOTC	American Opportunity Tax Credit
APTC	Advance Premium Tax Credit
ATAA	Alternative Trade Adjustment Assistance
BUWH	Backup Withholding
CII	Correspondence Imaging Inventory
CTC	Child Tax Credit
CTCUP	Child Tax Credit Update Portal
CVC	Clean Vehicle Credit
EICC	Earned Income Credit Correspondence
EICP	Earned Income Credit Phones
EICN	Earned Income Credit Notice
EICX	Earned Income Credit Amended Return
EIP	Economic Impact Payment
ERS	Error Resolution System
FRP	Frivolous Return Program
HAIA	Homebuyer Assistance and Improvement Act
HCTX	Health Coverage Tax Credit Amended Return
HERA	Housing and Economic Recovery Act
HPA	Health Plan Administrator
ODC	Credit for Other Dependents
QAE	Qualified Adoption Expenses

Acronym	Definition
PTC	Premium Tax Credit
REIT	Real Estate Investment Trust
RCTC	Refundable Child Tax Credit (tax year 2021)
RIC	Regulated Investment Company
RIVO	Return Integrity Verification Operations
RRC	Recovery Rebate Credit
RTAA	Reemployment Trade Adjustment Assistance
SSI	Supplemental Security Income
VA	Veterans Administration

21.6.3.1.7
(10-01-2020)
Related Resources

- (1) Listed below are the related resources to be used in conjunction with this IRM (list is not all-inclusive):
- IRM 21, Customer Account Services
 - Document 6209, IRS Processing Codes and Information
 - United States Code, Title 26, Internal Revenue Code, Subtitle A, Income Taxes

21.6.3.2
(01-10-2014)
What Are Credits?

- (1) In general, non-refundable credits reduce tax liability, subject to any applicable limitation based on the amount of tax under IRC 26 or IRC 38(c). However, non-refundable credits do not reduce taxes from Form 1040, *Schedule 2*, Additional Taxes.

Note: In general, unused general business credits are carried back one year and carried forward 20 years.

- (2) A refundable credit is a credit that is not limited by the amount of tax liability. It is treated as a payment and applied to the tax liability. If the total credit(s) and/or payment(s) exceed the tax liability, the excess is refundable. Examples of refundable credits are the Earned Income Tax Credit and the Additional Child Tax Credit. See IRM 21.6.3.4.2, Refundable Credits.

21.6.3.3
(10-01-2024)
Credits Research

- (1) Research credits on Integrated Data Retrieval System (IDRS), using Command Codes (CC) RTVUE, IMFOLT, TRDBV and or TXMODA.
- (2) The tax code permits a wide variety of credits. Follow the procedures in the following subsections for non-refundable and refundable credits. It may be necessary to research multiple subsections for certain credits.
- (3) In order to assist with improving quality and timeliness of the work process, Accounts Management employees who have access are required to use the Integrated Automation Technologies (IAT) tools, such as xMend and REQ54, for any case involving credits. While xMend is generally used for adjusting accounts, if you are unable to use it, use the REQ54 tool. See Exhibit 21.2.2-2, Accounts Management Mandated IAT Tools.

- (4) If a fraudulent claim is identified that does not have existing procedures, such as CAT-A, see Exhibit 21.5.3-4, Fraud Referral Claims.
- (5) Several sections of this IRM advise to review CC IRPTR. Fraudulent IRPTR data may be submitted to the IRS by a fabricated entity or by individuals who use a valid EIN to file false Form 1099 or Form W-2 data. If either of the following warnings appear, **DO NOT** use this data.
 - “WARNING - POTENTIAL FRAUDULENT PAYER TIN”
 - “WARNING - POTENTIAL FRAUDULENT SUBMISSION”

21.6.3.4
(07-31-2024)
Credits Procedures

- (1) This section contains the procedures for non-refundable and refundable tax credits.
- (2) A limited number of credits are reported directly on Form 1040, U.S. Individual Income Tax Return, Form 1040-SR, U.S. Tax Return for Seniors or Form 1040-NR, U.S. Nonresident Alien Income Tax Return. All other credits are reported on Form 1040 / Form 1040-SR, *Schedule 3*, Additional Credits and Payments.
- (3) For paper processing, if a required form or schedule is **missing**, follow procedures in IRM 21.5.1.5.6, Incomplete CII Claims. If the form, schedule, or documentation is **incomplete** and cannot be perfected with available information, follow claim processing in IRM 21.5.3.4, General Claims Procedures.
- (4) If a credit cannot be allowed, unless specifically directed otherwise, follow procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action, or IRM 21.5.3.4.6, No Consideration and Disallowance of Claims and Amended Returns, as appropriate.
- (5) When processing amended or duplicate returns, if the taxpayer was allowed the credit during original processing, but is not entitled to all or a portion of the credit based on changes made:
 - a. If the taxpayer didn't address the change, follow the procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.
 - b. Explain to the taxpayer the adjustment was made and the taxpayer will receive a notice explaining the adjustment and appeal rights.

Example: An amended return increasing income that now subjects the credit to limitation.

Example: TIN not assigned before the due date of the return. See specific requirements for each credit.

- (6) Many credits require the primary taxpayer, secondary taxpayer, and, if applicable, the qualifying dependent(s) to have a valid Taxpayer Identification Number (TIN). See Exhibit 21.6.3-1, TIN Requirements for Exemptions/Dependents and Credits.

Note: An Internal Revenue Service Number (IRSN) is **not** a valid TIN for credit allowance.

- (7) The American Opportunity Tax Credit, Additional Child Tax Credit, Child Tax Credit, Credit for Other Dependents, and the Earned Income Tax Credit require

the taxpayer, spouse, and qualifying child have the TIN assigned on or before the due date, or extended due date, of the return.

- (8) Rev. Rul. 2003-72 provides a uniform method of determining when a child attains a specific age for certain tax purposes. For **all** tax years, taxpayer inquiries or claims about this issue use the following information:
- A child attains a given age on the anniversary of the date that the child was born. For example, a child born on January 1, 2024, attains the age of 1 on January 1, 2025.
 - The revenue ruling applies to age determination for children regarding dependent care benefits, adoption credits, child tax credits, earned income tax credits, dependent care assistance programs, foster care payments, adoption assistance programs, and dependency exemptions.

Certain credits (e.g., Child Tax Credit and Earned Income Tax Credit) contain age criteria that must be met for credit allowance.

- a. Use CC INOLE to research IRS and SSA date of birth (DOB) and date of death (DOD) information. Use the Real Time System (RTS) to verify the DOB when an Individual Taxpayer Identification Number (ITIN) is involved. See IRM 3.21.263, IRS Individual Taxpayer Identification Number (ITIN) Real Time System (RTS).
- b. If a taxpayer contacts the IRS concerning a math error issued as a result of a Social Security Number (SSN) discrepancy, and it cannot be resolved through verification or research, advise the taxpayer to contact their local SSA office to resolve the discrepancy.
- c. To substantiate date of birth for tax purposes, taxpayer must provide documentation, e.g., birth certificate, school records, baptism records, etc., for verification.
- d. When the taxpayer provides the proper documentation, use CC DM1DT to add, change, or delete data to correct the date of birth. See IRM 2.3.25, Command Codes DM1DT and DTVUE, for CC input.

Exception: Do not use CC DM1DT to update ITIN information. Complete a Form 4442, Inquiry Referral, and fax it along with the taxpayer documentation to the Austin Service Center (AUSC) ITIN unit at 855-854-8381.

- (9) If the Child and Dependent Care Credit, Child Tax Credit, Credit for Other Dependents, Earned Income Tax Credit, Adoption Credit and/or Education Credit is being claimed for a TIN for which our records indicate a date of death prior to the tax year, correspond before using math error procedures. In this instance, the IRS should notify taxpayers of the problem and provide them an opportunity to explain. The correspondence should state SSA records show a date of death prior to the tax year listed. State the TIN being used is for a person who was deceased prior to the tax year.
- a. If documentation is received indicating the math error is incorrect, use CC DM1DT to change or delete the DOD. See IRM 2.3.25, Command Codes DM1DT and DTVUE, for more information.
 - b. If proper documentation is not received, disallow the credit(s) and send Letter 105C, Claim Disallowed, using the following (state the specific credits, including exemptions if applicable, in an open paragraph):
“We are disallowing your claim for the credits below because you omitted a correct Social Security Number. The information provided by the Social

Security Administration (SSA) shows the number provided belongs to an individual who was deceased prior to the beginning of the tax year for which it is being used.”

Note: See IRM 21.6.1.6.1, Determining the Exemption/Dependent Deduction, for information on allowing exemptions.

- (10) Take the following action on any CP 36, duplicate or amended return that claims refundable credits as noted below:

If	Then
A review of any duplicate or amended return shows a claim of social security benefits with refundable credits and the refund is equal to the amount of credits	1. Research CC IRPTR to substantiate the income and / or withholding.
Or	2. “No consider” the request if CC IRPTR does not substantiate the request. Follow procedures in IRM 21.5.3.4.6.3, No Consideration Procedures.
A review of any duplicate or amended return	Note: Follow these procedures even though the refundable credit is below the specified tolerance amount.

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- (11) See IRM 20.1.2.2.6.2, Incorrect Tax Shown Recorded, to determine if an Item Reference Number (IRN) 871 must be input to update the “tax shown”.

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- (13) If there is a Transaction Code (TC) 810 Responsibility Code (RC) 4 (-E freeze) on a module and the taxpayer files an amended return to remove a questionable credit (e.g., Form 7202 or Schedule H, Credits for Sick Leave and Family Leave, Form 4136, Credit for Federal Tax Paid on Fuels, Form 8863, Education Credits, Schedule 3, line 13b, credit for repayment of amounts included in income from earlier years (IRC 1341, Claim of Right), etc.), refer to IRM 21.5.6.4.10(4), -E Freeze.

- (14) The Taxpayer Advocate Service is an independent organization within the Internal Revenue Service (IRS), led by the National Taxpayer Advocate, that helps taxpayers and protects taxpayer rights. TAS offers free help to taxpayers when a tax problem is causing a financial difficulty, when they've tried and been unable to resolve their issue with the IRS, or when they believe an IRS system, process, or procedure just isn't working as it should. TAS strives to ensure that every taxpayer is treated fairly and knows and understands their rights under the Taxpayer Bill of Rights. TAS has at least one taxpayer advocate office located in every state, the District of Columbia, and Puerto Rico.
- (15) The 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 more information about the TBOR, see Taxpayer Bill of Rights.
- (16) Refer taxpayers to the Taxpayer Advocate Service (TAS) when the contact meets TAS criteria (see IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria) and you cannot resolve the taxpayer's issue the same day. The definition of the "same-day" is within 24 hours. "Same day" cases include cases you can completely resolve in 24 hours, as well as cases in which you have taken steps within 24 hours to *begin* resolving the taxpayer's issue. Do not refer "same day" cases to TAS unless the taxpayer asks to be transferred to TAS and the case meets TAS criteria. Refer to IRM 13.1.7.5, Same Day Resolution by Operations. When you refer cases to TAS, prepare Form e-911, Request for the Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), via AMS (or Form 911 if AMS is not available) and forward to TAS. For more information about TAS, see IRM 21.1.3.18, Taxpayer Advocate Service (TAS) Guidelines.

21.6.3.4.1
(10-01-2024)
**Non-refundable Credits
Procedures**

- (1) Non-refundable credits are applied in the order that they appear in this section, unless stated otherwise in the specific credit section, form instructions, or publication:
 - Form 1116, Foreign Tax Credit (Individual, Estate or Trust)
 - Form 2441, Child and Dependent Care Expenses
 - Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits)
 - Form 8880, Credit for Qualified Retirement Savings Contributions
 - Form 5695, Residential Energy Credits
 - *Credit for Other Dependents
 - *Child Tax Credit
 - Form 3468, Investment Credit
 - Form 5884, Work Opportunity Credit
 - Form 6478, Biofuel Producer Credit
 - Form 6765, Credit for Increasing Research Activities
 - Form 8586, Low-Income Housing Credit
 - Form 8830, Enhanced Oil Recovery Credit
 - Form 8826, Disabled Access Credit
 - Form 8835, Renewable Electricity, Refined Coal, and Indian Coal Production Credit
 - Form 8844, Empowerment Zone Employment Credit
 - Form 8845, Indian Employment Credit

- Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips
- Form 8820, Orphan Drug Credit
- Form 8874, New Markets Credit
- Form 8881, Credit for Small Employer Pension Plan Startup Costs and Auto-Enrollment
- Form 8882, Credit for Employer-Provided Childcare Facilities and Services
- Form 8900, Qualified Railroad Track Maintenance Credit
- Form 8864, Biodiesel and Renewable Diesel Fuels Credit
- Form 8896, Low Sulfur Diesel Fuel Production Credit
- Form 8904, Credit for Oil and Gas Production from Marginal Wells
- Form 8906, Distilled Spirits Credit
- Form 8907, Nonconventional Source Fuel Credit (carryforward only)
- Form 8908, Energy Efficient Home Credit
- Form 8910, Alternative Motor Vehicle Credit
- Form 8911, Alternative Fuel Vehicle Refueling Property Credit
- Form 8923, Mine Rescue Team Training Credit
- Form 8932, Credit for Employer Differential Wage Payments
- Form 8933, Carbon Oxide Sequestration Credit
- Form 8936, Clean Vehicle Credit
- Form 8834, Qualified Electric Vehicle Credit
- Form 8941, Credit for Small Employer Health Insurance Premiums
- Form 5884-A, Employee Retention Credit for Employers Affected by Qualified Disasters
- Form 8994, Employer Credit for Paid Family and Medical Leave
- Form 8881, Credit for Auto-Enrollment
- Form 8801, Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts
- Form 8839, Qualified Adoption Expenses
- Schedule R, Credit for the Elderly or the Disabled
- Form 8396, Mortgage Interest Credit
- Form 8859, Carryforward of the District of Columbia First-Time Homebuyer Credit
- Form 8912, Credit to Holders of Tax Credit Bonds

Note: * CTC and ODC are applied to tax only after the non-refundable credit that appear before these credits on the tax return or appropriate schedule. This is done to help the taxpayer maximize their amount of credit.

- (2) These non-refundable credits are:
 - a. Subtracted from the tax amount
 - b. Limited to the amount of the tax liability subject to any applicable limitation based on the amount of tax under IRC 26 or IRC 38(c)
 - c. Used before refundable credits
- (3) Credits may be subject to limitation for taxpayers subject to the Alternative Minimum Tax; see Form 6251, Alternative Minimum Tax - Individuals.
- (4) In general, non-refundable credits are allowed to the extent of the full amount of the individual's regular tax, alternative minimum tax (AMT), and excess advance premium tax credit repayment, but are not applied to additional taxes. Certain non-refundable credits are subject to a limitation based on the amount of tax under IRC 26 or IRC 38(c).

- (5) Some credits may be eligible for carryback or carryover; refer to the individual form or schedule (see IRM 21.5.9, Carrybacks). In general, unused general business credits may be carried back one year and carried forward 20 years.
- (6) For additional informations for credits that are also claimed on BMF tax modules, see IRM 21.7.4.4.8, Non-refundable Credits, Income Tax Returns, and it's subsections.

21.6.3.4.1.1
(10-02-2023)
**Non-refundable Credit
Inquiries and
Procedures**

- (1) Use the following procedures for non-refundable credit inquiries.
Note: When non-refundable credits requiring TIN validation are claimed, see IRM 21.6.1.7, Command Code DUPED and DDBCK, for proper use of CC DUPED and CC DDBCK for updating the Duplicate TIN database.
- (2) When a taxpayer asks by telephone:
 - a. Request identifying information from the taxpayer to ensure you have the correct person before disclosing any account information. See IRM 21.1.3.2.3, Required Taxpayer Authentication.
 - b. Accept oral statement for account action after disclosure information is verified. See IRM 21.1.3.20, Oral Statement Authority.
 - c. Consider all related information and/or examine all documents before making adjustments or answering taxpayer inquiries.
 - d. Enter remarks in the REMARKS section of an on-line adjustment. See IRM 21.5.2.4.6, Remarks Field.
 - e. If the adjustment is input on-line and a Form 4442/e-4442, Inquiry Referral, is not required, no source document is sent to files.
 - f. If the adjustment is not input on-line or by close of business, complete a Form 4442/e-4442, Inquiry Referral.
- (3) Follow this table for all taxpayer inquiries about non-refundable credits. Refer to subsections in this section for specific credit information and procedures.

If the taxpayer	And	Then
Claimed the credit on the original return	Provides a copy of the correct form or substantiating information	Follow the specific subsection in this section and adjust the account.
Claimed the credit on the original return	Does not provide missing information	Follow IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.
Did not claim the credit on the original return.	N/A	Advise taxpayer to file an amended return.

- (4) If written documentation is required, advise taxpayer to send it to the site receiving the contact.

Reminder: A fax is acceptable unless taxpayer's original signature is required. See IRM 21.5.3.4.4, Signature Requirements for Claims.

21.6.3.4.1.2
(03-22-2019)

**Adjusting
Non-refundable Credit
Modules**

- (1) Math verify the form or schedule, if one is required.
- (2) If the credit requires a qualifying child, use CC INOLE to verify the name control, TIN, and date of birth of the qualifying child.

Note: If the qualifying child is assigned an ITIN, use the Real Time System (RTS) to verify the name control, TIN, and date of birth. See IRM 3.21.263, IRS Individual Taxpayer Identification Number (ITIN) Real Time System (RTS).
- (3) For information on how adjusting non-refundable credits impact estimated tax penalty, see IRM 20.1.3.2.2, Manual Penalty Adjustments
- (4) To adjust the account based on a credit:
 - a. Use transaction code (TC) 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use reason code (RC) 036 (unless a specific RC applies) and the applicable *source code* and *blocking series*.

21.6.3.4.1.3
(10-02-2023)

**Child and Dependent
Care Credit (Form 2441)**

- (1) If a taxpayer paid someone to care for their child, spouse, or dependent, so they can work, be a full time student, or look for work, the taxpayer may be able to reduce their tax by claiming the Child and Dependent Care Credit (CDCC) on their federal income tax return, per IRC 21.
- (2) For tax year 2021 **only**, the Child and Dependent Care Credit is refundable if either the taxpayer, or spouse if married filing jointly, lived in the US for more than half the year. See IRM 21.6.3.4.1.3.2, Refundable Child and Dependent Care Credit, for more information. The taxpayer verifies residency by checking a checkbox on Form 2441, Child and Dependent Care Expenses, line B. If the box is not checked, the credit is non-refundable.
- (3) The taxpayer must submit a completed Form 2441, Child and Dependent Care Expenses, when claiming the credit.
- (4) Generally, married taxpayers must file a joint return to claim the credit, unless they meet the requirements listed under "Married Persons Filing Separately" in the *Instructions for Form 2441, Child and Dependent Care Expenses*.
- (5) The taxpayer must furnish one of the following types of valid TINs for every qualifying person.
 - An SSN issued by the Social Security Administration
 - An ITIN issued by the IRS if taxpayer is not eligible for an SSN
 - An Adoption Taxpayer Identification Number (ATIN) issued by the IRS for a child while an adoption is pending
Note: For taxpayers indicating a religious (such as Amish/Mennonite) or conscience-based objection to obtaining a TIN, refer to IRM 21.6.1.6.1, Determining the Exemption/Dependent Deduction.
- (6) A qualifying person is a taxpayer's:
 - a. Qualifying child under the age of 13 who the taxpayer can claim as a dependent.

Note: If the child turned 13 during the tax year, the child is a qualifying person for the part of the year the child was under age 13. CC DDBCK cannot be used in this instance, update CC DUPED if a current processing year claim.

Example: For a child turning 13 on Sept. 16, count only those expenses through Sept. 15.

Note: The taxpayer doesn't need to claim the qualifying child as a dependent for the child to be a qualifying person. In situations where the custodial parent has allowed the non custodial parent to claim the child as a dependent, the child may still be the qualifying person of the custodial parent for purposes of the CDCC. See *Instructions for Form 2441, Child and Dependent Care Expenses*, for more information.

- b. Spouse (of any age), if physically or mentally unable to care for themselves, who lived with the taxpayer for more than half the year.
- c. Disabled person (of any age), if physically or mentally unable to care for themselves, who lived with the taxpayer for more than half the year and is the taxpayer's dependent.
- d. Disabled person (of any age) who lived with the taxpayer for more than half the year and who would have been the taxpayer's dependent except they received gross income of more than \$4,700 for 2023 (\$4,400 for 2022, \$4,300 for 2020 and 2021 or \$4,200 for 2019), filed a joint return or can be claimed as a dependent on another taxpayer's return.

Note: See IRM 21.6.3.4, Credits Procedures, for more information determining a specific age.

- (7) See Publication 17, Your Federal Income Tax For Individuals, and/or Publication 503, Child and Dependent Care Expenses, for detailed information.

21.6.3.4.1.3.1
(10-01-2012)

**Form 2441 - Taxpayer
Inquiry**

- (1) Use the following table for taxpayer inquiries:

If the taxpayer	And	Then
Claimed the credit on the original return	The missing information is provided	<ol style="list-style-type: none"> 1. Validate the TIN if submitted for the qualifying person or care provider. 2. Adjust the account following IRM 21.5.4.5.3, Processing Responses to Math Error Notices.
Claimed the credit on the original return	DOES NOT provide missing information	Follow IRM 21.5.4, General Math Error Procedures.
Claims “ due diligence ” was used to secure the provider’s TIN	The provider’s TIN still cannot be secured	Follow the guidelines in Publication 503, Child and Dependent Care Expenses, for Provider Identification Test. If due diligence is established, allow the credit.
Credit WAS NOT claimed on the original return	N/A	Advise taxpayer to file an amended return and include Form 2441.

21.6.3.4.1.3.2

(11-09-2021)

Refundable Child and Dependent Care Credit

- (1) For tax year 2021 **only**, the Child and Dependent Care Credit is refundable. The maximum credit amount for one qualifying person is \$4,000 (\$8,000 for two or more qualifying people).
- (2) To qualify for the refundable credit, the taxpayer must live in the US for more than half the year. For joint filers, at least one spouse must meet this requirement. Taxpayers who do not meet this requirement are eligible for the non-refundable credit.
- (3) The following taxpayer notice codes are associated with the refundable credit:

Taxpayer Notice Code (TPNC)	Meaning
564	We changed the amount claimed as Refundable Child and Dependent Care Benefits because Form 2441, Child and Dependent Care Expenses, was required but incomplete or not attached to your tax return.
630	We can’t allow your Refundable Child Dependent Care Benefits. According to information on Form 2441, Child and Dependent Care Expenses, you did not maintain a home in the United States for 6 months or more. We have changed your return accordingly.

Taxpayer Notice Code (TPNC)	Meaning
631	<p>We changed the amount claimed as Refundable Child Dependent Care Benefits on your tax return because there was an error on Form 2441, Child and Dependent Care Expenses. The error was in one of the following:</p> <ul style="list-style-type: none"> • Computation of the credit on Form 2441. • Transfer of the amount to your tax return.

21.6.3.4.1.3.3
(06-21-2022)

Form 2441 - Adjusting the Credit

- (1) If Form 2441, Child and Dependent Care Expenses, is attached, the following items must be completed;

- Line 1(a) - Provider's Name must be present
- Line 1(c) - Provider's TIN must be present, unless the provider is an exempt organization, such as a church, school, YMCA, or other nonprofit organization

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Note: Do not correspond for the missing TIN when more than one provider's name is entered on Line 1, and at least one provider's TIN is present.

- (2) The provider's TIN is **not** required when the taxpayer has exercised "due diligence" in their attempt to comply with the requirement. Due diligence applies **only** when:
- the provider has moved and the taxpayer is unable to find the provider to get the TIN, or
 - the provider has refused to give the TIN to the taxpayer

Note: Notations indicating the taxpayer is unable to get the TIN, or the TIN is unavailable, unknown, pending, applied for, or any notation other than those above are not acceptable statements.

- (3) If the taxpayer does not provide the requested information, follow claim processing in IRM 21.5.3.4, General Claims Procedures.
- (4) Math verify the Form 2441, Child and Dependent Care Credit.
- (5) Use CC INOLE to verify the name control and the TIN of the qualifying person(s).

Note: If the qualifying person is assigned an Individual Taxpayer Identification Number (ITIN), use the Real Time System (RTS) to verify the name control, TIN, and date of birth. See IRM 3.21.263, IRS Individual Taxpayer Identification Number (ITIN) Real Time System (RTS).

- (6) To adjust the account based on the non-refundable credit:

- a. Use TC 291 with a dollar amount to allow/increase the credit.
- b. Use TC 290 with a dollar amount to decrease the credit.
- c. Use RC 036 and the applicable *source codes* and *blocking series*.

(7) To adjust the account based on the refundable credit for tax year 2021 **only**:

- a. Input a TC 290 .00, if no other adjustment is required.
- b. Use credit reference number 273 to adjust the credit.
- c. Use RC 061 and the applicable *source code* and *blocking series*.

21.6.3.4.1.4
(10-02-2023)

Schedule R, Credit for the Elderly or the Disabled

- (1) A taxpayer may be able to reduce their tax liability by claiming the Credit for the Elderly or Permanently and Totally Disabled provided under IRC 22. The taxpayer may claim the credit if:
- The taxpayer and/or spouse is age 65 or older at the end of the tax year.
 - The taxpayer and/or spouse is of any age and one or both (a) is retired on permanent and total disability and (b) have taxable disability income.

Note: A taxpayer is considered age 65 on the day before their 65th birthday.

- (2) Schedule R must be submitted. Schedule R is reported on Form 1040 / Form 1040-SR, *Schedule 3, Additional Credits and Payments*, (write-in for 2019 and 2020).
- a. Filing status/age must be checked.
 - b. A physician's statement must certify the disability condition or the box must be checked to say the statement was filed or obtained in a previous year.
 - c. On a joint return, if both spouses are disabled, both must submit a statement.
 - d. The taxpayer may request the IRS to compute the credit.

(3) To adjust the account based on the credit:

- a. Use TC 291 with a dollar amount to allow/increase the credit.
- b. Use TC 290 with a dollar amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

(4) See Publication 17, *Your Federal Income Tax (For Individuals)*, Publication 524, *Credit for the Elderly or the Disabled*, or Publication 554, *Tax Guide for Seniors*, for detailed information.

21.6.3.4.1.5
(10-01-2024)

Form 8863, Education Credits

- (1) Taxpayers may claim an education credit (Lifetime Learning Credit or American Opportunity Tax Credit (AOTC)) for qualified tuition and related expenses paid to an eligible educational institution, including accredited colleges, universities, and vocational schools.
- (2) For any given tax year, a taxpayer can only elect one of the credits for each eligible student.
- (3) If a taxpayer claims / lists an exemption for a dependent who is an eligible student, then only that taxpayer can claim a credit for the student's qualified education expenses.
- (4) Taxpayers **cannot** claim the credit if:

- Student is claimed as a dependent on another person's tax return
- Filing status is married filing separately
- Nonresident alien

Exception: If the student is claimed as a dependent on the return and resides in Mexico or Canada, the taxpayer may be able to claim the AOTC for that student.

- Bona fide residents of Puerto Rico
- Modified adjusted gross income equals or exceeds the following amounts:

Credit	Filing Status	2021 - 2024	2020
AOTC	a. Married Filing Jointly	a. \$180,000	a. \$180,000
	b. All others	b. \$90,000	b. \$90,000
Lifetime Learning Credit	a. Married Filing Jointly	a. \$180,000	a. \$138,000
	b. All others	b. \$90,000	b. \$69,000

- (5) Students under age 24 do not qualify for the refundable portion of the AOTC if all the following apply:

- Under age 18 at the end of the year, **or** age 18 at the end of the year and their earned income was less than one-half of their support, **or** a full-time student over age 18 and under age 24 at the end of the year and their earned income was less than one-half of their support.
- At least one of the student's parents was alive at the end of the year.
- The student is not filing a joint return.

- (6) The credit may be for expenses of the taxpayer, the taxpayer's spouse, or the taxpayer's eligible dependent claimed on the taxpayer's return.
- (7) All students claimed on Form 8863 must have a valid TIN issued on or before the due date of the return, including extensions. A valid TIN includes an SSN, ITIN or ATIN.

Note: For taxpayers indicating a religious (such as Amish/Mennonite) or conscience-based objection to obtaining a TIN, refer to IRM 21.6.1.6.1, Determining the Exemption/Dependent Deduction.

- (8) Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits), must be submitted.
- (9) If the education credit appears frivolous (Social Media Promotion Scheme), see IRM 21.6.3.4 (11), Credits Procedures.
- (10) If there is a Transaction Code (TC) 810 Responsibility Code (RC) 4 (-E freeze) on the module and the taxpayer files an amended return to remove the credit, see IRM 21.5.6.4.10(4), -E Freeze.

References:

- IRC 25A
- Publication 970, Tax Benefits for Education

21.6.3.4.1.5.1
(10-02-2023)
Lifetime Learning Credit

- (1) The Lifetime Learning Credit:
- a. Applies to qualified education expenses, such as tuition and certain related expenses required for enrollment in a course at an eligible educational institution.

b. Is 20% of the first \$10,000 of out-of-pocket expenses for all eligible students in the family.

c. Has no course-load requirement.

d. Is available for all years of post-secondary education (including graduate studies), and may be claimed for an unlimited number of years.
- (2) A taxpayer can elect, for any year, only one of the education credits for each student.

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- (4) In addition to (3), if there are any other circumstances that make the claim questionable, or if the Form 1098-T cannot be verified, no consider the claim.

21.6.3.4.1.5.2
(02-02-2024)
Form 8863 - Education Credits - Adjusting the Credit

- (1) If the form is incomplete and cannot be perfected with available information, follow claim processing in IRM 21.5.3.4, General Claims Procedures.
- (2) Use CC INOLE to verify the name control and Taxpayer Identification Number (TIN) of the student(s).
- Note:** For taxpayers indicating a religious (such as Amish/Mennonite) or conscience-based objection to obtaining a TIN for the student, refer to IRM 21.6.1.6.1, Determining the Exemption/Dependent Deduction.

Note: If the student is assigned an Individual Taxpayer Identification Number (ITIN), use the Real Time System (RTS) to verify the name control, TIN, and date of birth. See IRM 3.21.263, IRS Individual Taxpayer Identification Number (ITIN) Real Time System (RTS).

- (3) If considering the American Opportunity Tax Credit (AOTC), see IRM 21.6.3.4.2.11, American Opportunity Tax Credit, for information about retroactive claims.

Caution: Retroactive claim processing only applies to AOTC, not the Lifetime Learning Credit.

- (4) For information about ITIN renewal math errors, see IRM 21.6.1.6.6.2, ITIN Renewal Math Error Adjustments.

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- (6) To adjust the account based on the credit:

- Use TC 291 with a money amount to allow/increase the credit.
- Use TC 290 with a money amount to decrease the credit.
- Use RC 035 and the applicable *source code* and *blocking series*.

21.6.3.4.1.6
(10-01-2024)

**Form 1116, Foreign Tax
Credit**

- To qualify for the credit, the taxpayer must have paid or accrued income tax in a foreign country or U.S. possession.
- The taxpayer may claim the credit against U.S. income tax or deduct the foreign tax as an itemized deduction.
- If the taxpayer files an amended return in which the amount of the foreign tax credit is reduced (such as due to a refund of foreign taxes paid or accrued),

which results in an increase in the amount of U.S. tax liability, manually compute and assess interest per IRM 20.2, Interest. Contact the taxpayer to determine the refund date, if necessary.

Reminder: If the refund of foreign taxes included no interest, avoid restriction of the account by using TC 298; enter the refund date in the interest computation field of the adjustment.

(4) Form 1116, Foreign Tax Credit, must be submitted unless the following conditions are met:

- All of the taxpayer's foreign source income is passive category income;
- Total creditable foreign taxes are not more than \$300 (\$600 if married filing jointly); and
- All the income and foreign taxes paid on the income were reported on a qualified payee statement such as a Form 1099-DIV, Form 1099-INT, or Schedule K-1, or Schedule K-3

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Caution: See IRM 25.6.1.10.3.4.4, Foreign Tax Credit, for important information about the statute period for these types of claims.

(5) If the total Foreign Tax Credit claimed is above the threshold amounts shown in (4), or requires math verification (see IRM 21.5.3.4.5, Math and Master File Verification of Claims and Amended Returns) and Form 1116 is attached, (both situations require a change to the Foreign Tax Credit), reassign the claim through the Correspondence Imaging Inventory (CII) to IMF International and update the data as follows:

- Work Type - IMF INTL
- Function 710; program 33080 for amended return, program 33040 for correspondence
- Category code: IXRT for scanned in XRET, MEFI for cases on Mef, or ITRQ for correspondence

If you do **not** have CII access, mail to:

2970 Market Street

1 D08.113

Philadelphia, PA 19104

International claims are processed using IRM 21.8.1.4, Foreign Tax Credit (Form 1116).

Reminder: You must input TC 971 AC 016 when routing to International. Use the received date of the claim as the transaction date.

(6) See Form 1116, Publication 17, Your Federal Income Tax (For Individuals), and Publication 514, Foreign Tax Credit for Individuals, for detailed information.

(7) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

21.6.3.4.1.7
(10-02-2023)
**Form 8907,
Nonconventional Source
Fuel Credit**

- (1) The nonconventional source fuel credit is not available for fuel sold after 2013. However, it may be reported as a carryforward on Form 3800, General Business Credits.

21.6.3.4.1.8
(10-01-2019)
**Form 8834, Qualified
Electric Vehicle Credit**

- (1) Form 8834, Qualified Electric Vehicle Credit, is used to claim any qualified electric vehicle passive activity credits from prior years.
- (2) Form 8834, Qualified Electric Vehicle Credit, must be submitted. The credit must be carried to Form 3800, General Business Credit, for purposes of figuring the allowable general business credit.
- (3) Information about clean vehicle credits is found in IRM 21.6.3.4.1.38, Form 8936, Clean Vehicle Credits.
- (4) To adjust the account based on the credit:
 - a. Math verify Form 8834.
 - b. Use TC 291 with a money amount to allow/increase the credit.
 - c. Use TC 290 with a money amount to decrease the credit.
 - d. Use RC 036 and the applicable *source code* and *blocking series*.

21.6.3.4.1.9
(04-22-2024)
**Form 3468, Investment
Credit**

- (1) The investment credit consists of the sum of the following credits:
 - The rehabilitation credit,
 - The energy credit,
 - The qualifying advanced coal project credit,
 - The qualifying gasification project credit,
 - The qualifying advanced energy project credit,
 - The advanced manufacturing investment credit, and
 - The clean electricity investment credit.

Note: The clean electricity investment credit is effective for property placed in service after December 31, 2024.
- (2) The advanced manufacturing investment credit (IRC 48D) is one of the credits eligible for elective payment election. See IRM 21.7.4.4.8.3.1.5, Form 3468, Advanced Manufacturing Investment Credit Under IRC 48D, for specific information about the credit and IRM 21.6.3.4.3, Elective Payment Elections (EPE), for information about EPE.
- (3) Form 3800, General Business Credit, must also be filed.
- (4) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (5) See *Instructions for Form 3468, Investment Credit*, for detailed information. Reference – IRC 46

21.6.3.4.1.10
(10-01-2021)
**Form 5884, Work
Opportunity Credit**

- (1) To qualify for the credit, the taxpayer must have paid or incurred wages for employees who are certified as members of a targeted group. Wages shall not include any amount paid or incurred to an individual who begins work for the employer after Dec. 31, 2025.
- (2) For Examination criteria, see Exhibit 21.5.3-3, Examination Criteria (CAT-A) - Credits.
- (3) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (4) See *Instructions for Form 5884, Work Opportunity Credit* for detailed information.

Reference - IRC 51

21.6.3.4.1.10.1
(10-02-2023)
**Form 5884-A, Employee
Retention Credit for
Employers Affected by
Qualified Disasters**

- (1) The Employee Retention Credit for Employers Affected by Qualified Disasters is for eligible employers affected by disasters shown below. The credit is an amount equal to 40% of the qualified wages with respect to each eligible employee of the employer. The amount of qualified wages which may be considered for each employee shall not exceed \$6,000 (reduced by the amount of qualified wages considered for any prior taxable year).
- (2) An eligible employer is one that conducted an active trade or business in a qualified disaster zone on the following dates:
 - Any Presidentially declared disaster that occurred in 2018 or 2019, but before December 21, 2019
 - Any Presidentially declared disaster that occurred during the period beginning on January 1, 2020, but on or before December 27, 2020

Note: Verify the taxpayer was in a qualified disaster zone as shown in the *Instructions for Form 5884-A, Employee Retention Credit for Employers Affected by Qualified Disasters*.

The eligible employer must have been inoperable on any day on or after the associated dates above.

- (3) An eligible employee is one whose principal place of employment was in the disaster area on the dates above. Qualified wages are those paid or incurred on or after the dates above.

Note: Qualified wages include wages paid without regard to whether the employee performs no services, performs services at a different place of employment, or performs services at the principal place of employment before significant operations have resumed.

- (4) Any wages taken into account in determining the Employee Retention Credit for Employers Affected by Qualified Disasters are not taken into account as wages for purposes of the Credit for Increasing Research Activities, the Indian Employment Credit, the Employer Credit for Paid Family and Medical Leave, the Work Opportunity Tax Credit or the Empowerment Zone Employment Credit. Qualified wages for this credit should not include any wages taken into

account for the separate CARES Act employee retention credit for COVID-19 relief under section 2301 of the CARES Act.

- (5) The credit is computed on Form 5884-A, Employee Retention Credit for Employers Affected by Qualified Disasters, and carried over to Form 3800, General Business Credit. Form 5884-A must be submitted by partnerships, S corporations, cooperatives, estates, and trusts to claim the credit. Individual taxpayers aren't required to complete or file this form if their only source for this credit is a partnership, S corporation, cooperative, estate or trust. They can report this credit directly on Form 3800.
- (6) These claims are centralized in Austin and Philadelphia (International). Reassign the case per the *AM Site Specialization Temporary Holding Numbers*. Use category code KATX and OFP 710-82365 when processing these claims.

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- (8) To adjust the account based on the credit:
 - a. Input a TC 291 to allow/increase the credit.
 - b. Input a TC 290 to decrease the credit.
 - c. Input RC 036 and the applicable *source code* and *blocking series*.

21.6.3.4.1.11
(10-02-2023)
**Form 6478, Biofuel
Producer Credit**

- (1) Form 6478, Biofuel Producer Credit, is used to claim the Second-Generation Biofuel Credit (previously called the Cellulosic Biofuel Credit) for second-generation biofuel used, or sold for use, as fuel in a trade or business. See IRM 21.7.4.4.8.3.4, Form 6478, Biofuel Producer Credit, for more information.
- (2) The credits are effective for fuels sold or used before January 1, 2025. For prior year credits, see previous versions of the Form 6478 and instructions. Effective Jan. 2, 2013, biofuels produced from algae, cyanobacteria, or lemna feedstocks may also be eligible for the credit.
- (3) Taxpayers may be required to submit Form 6478, see the form and *Instructions for Form 6478, Biofuel Producer Credit*, for detailed information.
- (4) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
 - d. Input Item Reference Number (IRN) 884 to record the credit.

Reference - IRC 40(b)(6)(J)

21.6.3.4.1.12
(10-01-2024)
**Form 6765, Credit for
Increasing Research
Activities**

- (1) Generally, to qualify for the credit, taxpayer must have qualified research expenses paid or incurred in carrying on an active trade or business.
- (2) The credit can be claimed as a general business credit on Form 3800, General Business Credit, or Form 6765, Credit for Increasing Research Activities.
- (3) Taxpayers must attach one of the forms listed in paragraph 2 to claim the credit.

Exception: If the research credit comes from an amended Schedule K-1, neither form needs to be attached.

- (4) Route all amended returns for research credits to CAT-A for consideration before processing the adjustment. This includes amended return with changes to the research credit from an amended Schedule K-1. See Exhibit 21.5.3-2 (box 26), Examination Criteria (CAT-A) General, for more information.
- (5) For claims filed between January 10, 2022, and January 10, 2025, if the claim is not complete, CAT-A will return to AM to send the taxpayer Letter 6426C, Additional Information Needed to Process Your Section 41 Claim.
 - Use your individual or department fax number for the letter.
 - Allow the taxpayer 45 days to respond.
 - Suspend your case for 60 days.
 - If the taxpayer responds, return the information to CAT-A so they can determine if the taxpayer meets the 5 criteria to be considered a valid claim. Effective for claims postmarked as of June 18, 2024, taxpayer are required to provide 3 criteria instead of 5. See *Research credit claims (Section 41) on amended returns frequently asked questions*, question 21.
 - If the taxpayer does not respond after 60 days, send the taxpayer Letter 6424C, Claim for Credit for Increasing Research Activities Incomplete; No Consideration.
- (6) For more information about Form 6765, see IRM 21.7.4.4.8.3.5, Form 6765, Credit for Increasing Research Activities.
- (7) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (8) See *Instructions for Form 6765, Credit for Increasing Research Activities (or for claiming the orphan drug credit)* for detailed information.

21.6.3.4.1.13

(10-01-2020)

Form 8586, Low-Income Housing Credit

- (1) Among other requirements, to qualify for the credit, taxpayers must own residential rental buildings providing low-income housing.
- (2) The credit must be claimed as a general business credit on Form 3800, General Business Credit. Taxpayers whose only source of credit is from pass-through entities, are not required to file Form 8586. Instead, they can report the credit directly on Form 3800. See Form 8586 for details.
- (3) Form 8609, Low-Income Housing Credit Allocation and Certification, is issued by the state or local housing credit agency authorized to make credit allocations to the building receiving the credit. The taxpayer must make a one-time submission of this form to the Low-income Housing Credit Unit at the Philadelphia Campus to the address specified in the instructions of the form.
- (4) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (5) See Form 8586, Low-Income Housing Credit, and *Instructions for Form 8609, Low-Income Housing Credit Allocation and Certification*, for detailed information.

21.6.3.4.1.14
(10-02-2023)
**Form 8826, Disabled
Access Credit**

- (1) To qualify for the credit, the taxpayer must have an eligible small business which has eligible access expenditures.
- (2) If Form 8826, Disabled Access Credit, is filed with an amended return, one of the following must be present on the original or amended return in order to allow the credit:
 - Schedule C
 - Schedule E
 - Schedule F
 - "Other Income" reported on Form 1040, *Schedule 1*, Additional Income and Adjustments to Income.

Note: If the taxpayer does not file one of the schedules listed above, the taxpayer has no business ownership or participation.

Note: If Form 8826, or Form 3800, General Business Credit, claiming the credit is filed with an amended return and the criteria above are met, follow Category A procedures in Exhibit 21.5.3-3, Exami-

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- (3) If these schedules or items are not present, disallow the credit and use the following language when explaining the disallowance:
"We have not allowed your claim for the Disabled Access Credit. The Disabled Access Credit is a business credit. There is no indication of business ownership or activity based on your tax return information for this tax year."
- (4) The credit must be claimed as a general business credit on Form 3800, General Business Credit.
- (5) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (6) See Form 8826 for detailed information.

21.6.3.4.1.15
(10-01-2024)
**Form 8835, Renewable
Electricity Production
Credit**

- (1) To qualify for the credit, a taxpayer must sell electricity produced in the U.S. or U.S. possessions from qualified energy resources at a qualified facility to an unrelated person, per IRC 45.
- (2) For Tax Year 2006 through 2024, the credit, which is figured on Form 8835, can be claimed as a general business credit on Form 3800, General Business Credit. For wind facilities, a phaseout of the credit applies to the construction of which began after December 31, 2016.

Note: The credit for Refined and Indian coal production is not available for tax years beginning after December 31, 2021

- (3) See IRM 21.7.4.4.8.3.9, Form 8835, Renewable Electricity, Refined Coal, and Indian Coal Production Credit, and *Instructions for Form 8835, Renewable Electricity Production Credit*, for detailed information.
- (4) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

21.6.3.4.1.16
(10-01-2024)

**Form 8845, Indian
Employment Credit**

- (1) The Indian Employment Credit is a general business credit based on the amount of qualified wages and health insurance costs paid to each qualified employee (up to \$50,000). A qualified employee is an enrolled member of an Indian tribe who performs services within an Indian reservation for the employer and whose residence is on or near that reservation.
- (2) For Tax Year 2006 through 2021, the credit can be claimed as a general business credit on Form 3800, General Business Credit.
- (3) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (4) See IRM 21.7.4.4.8.3.12, Form 8845, Indian Employment Credit, and Accelerated Depreciation for Business Property on an Indian Reservation, or *Instructions for Form 8845*, Indian Employment Credit, for detailed information.

Reference - IRC 45A

21.6.3.4.1.17
(10-01-2024)

**Form 8846, Credit for
Employer Social
Security and Medicare
Taxes Paid on Certain
Employee Tips**

- (1) To qualify for the credit, the taxpayer must be an employer and have:
 - Paid or incurred employer social security and Medicare taxes on tips during the tax year.
 - Employees who received tips from customers for providing, delivering, or serving food or beverages for consumption where tipping is customary.
- (2) The credit is calculated on Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips, and claimed as a general business credit on Form 3800, General Business Credit.
- (3) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (4) See IRM 21.7.4.4.8.3.13, Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips, and Form 8846 for detailed information.

21.6.3.4.1.18
(10-01-2018)

**Form 8820, Orphan Drug
Credit**

- (1) The Orphan Drug Credit is, for tax years 2018 and later, 25% of the qualified clinical testing expenses paid or incurred by the taxpayer during the tax year.
- (2) The credit must be claimed as a general business credit on Form 3800, General Business Credit.
- (3) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.

- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

(4) See Form 8820, Orphan Drug Credit, for detailed information.

Reference - IRC 45C

21.6.3.4.1.19
(10-02-2023)

**Form 8847, Credit for
Contributions to
Selected Community
Development
Corporations**

(1) The credit is no longer available and can only be claimed as a carryforward on Form 3800, General Business Credit.

21.6.3.4.1.20
(10-01-2021)

**Trans-Alaska Pipeline
Liability Fund Credit**

(1) To qualify for the credit, the taxpayer must have made payments into the Trans-Alaska Pipeline Liability Fund.

Note: The Trans-Alaska Pipeline Liability Fund has expired so the ability to claim this credit is limited.

(2) There is no supporting schedule or form for this credit. The taxpayer must claim the credit on Form 3800, General Business Credit.

(3) See IRM 21.7.4.4.8.3.17, Trans-Alaska Pipeline Liability Fund Credit, for more details.

(4) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

21.6.3.4.1.21
(10-01-2021)

**Form 8844,
Empowerment Zone
Employment Credit**

(1) To qualify for the credit, the taxpayer must have paid or incurred qualified wages, which can include certain training or educational expenses, to a qualified empowerment zone employee who lives and works in an empowerment zone. For more information, see IRM 21.7.4.4.8.1.3, Form 8844, Empowerment Zone Employment Credit.

(2) The Empowerment Zone Employment Credit is available for tax years 2025 and prior.

(3) Form 8844, Empowerment Zone Employment Credit, must be submitted. The data on Form 8844 (for IMF) is carried to Form 3800.

(4) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

(5) See Form 8844 for detailed information.

Reference - IRC 1391, IRC 1396 and IRC 1397

21.6.3.4.1.22
(10-01-2018)

**Form 3800, General
Business Credit**

- (1) Form 3800, General Business Credit, must be filed to claim any of the general business credits, and if applicable, the proper credit form must be attached.

Note: See the specific credit form for filing requirements.

- (2) If attached, Form 8582–CR, Passive Activity Credit Limitations, must be math verified.

Note: See Form 8582–CR and *Instructions for Form 8582-CR, Passive Activity Credit Limitations*, for detailed information.

- (3) Credits may generally be carried back one year and then carried forward twenty years. See IRM 21.5.9, Carrybacks, for more information.

- (4) Form 3800, General Business Credit, must be math verified.

- (5) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

Note: Some credits captured on Form 3800 require specific item reference numbers. See the applicable IRM section before adjusting the module.

- (6) See Form 3800 and *Instructions for Form 3800, General Business Credit* for detailed information.

21.6.3.4.1.23
(10-01-2018)

**Form 8801, Credit for
Prior Year Minimum Tax
- Individuals, Estates,
and Trusts**

- (1) To qualify for the credit, the taxpayer must have:

- a. An alternative minimum tax liability and adjustments or preferences (other than exclusion items) in the prior tax year, or
- b. A minimum tax credit carryforward from the prior year to the current tax year, or
- c. A qualified electric vehicle credit disallowed for the prior tax year because use of the credit was limited by taxpayer's tentative minimum tax

- (2) Form 8801, Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts, may be attached but is not required in most cases.

- (3) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

- (4) See *Instructions for Form 8801, Credit for Prior Year Minimum Tax - Individuals, Estates, and Trusts*, detailed information.

21.6.3.4.1.24
(10-01-2024)

Child Tax Credit (CTC)

- (1) The Child Tax Credit (CTC) is a non-refundable credit which is used to reduce the taxpayer's tax liability. The credit has different rules depending on the tax year.

For tax year 2022 - 2024:

- Credit is \$2,000 per child, with up to the following amounts refundable based on year; up to \$1,500 for 2022, up to \$1,600 for 2023, and up to \$1,700 for 2024.
- The qualifying child **must have an SSN issued on or before the due date of the return** (including extensions).
- The taxpayer and spouse, if filing jointly, must have a valid TIN issued on or before the due date of the return (including extensions).
- The total of CTC and Credit for Other Dependents (ODC) is phased out by \$50 for each \$1,000 (or fraction thereof) the AGI exceeds \$400,000 in the case of a joint return, \$200,000 for all other filing statuses.
- *Schedule 8812* is required for those taxpayers claiming the Additional Child Tax Credit (ACTC).

For tax year 2021

- Credit is \$3,000 for children ages 6 to 17 and \$3,600 for children ages 5 and under by December 31, 2021.
- The entire credit is refundable if the taxpayer (or the spouse if the taxpayer files a joint return) lived in the United States for more than half of the year or is a bona fide resident of Puerto Rico for the year.
- No income is required.
- The qualifying child **must have an SSN issued on or before the due date of the return** (including extensions).
- The taxpayer and spouse, if filing jointly, must have a valid SSN or ITIN issued by the due date of the return (including extensions).
- The total of the CTC is phased out by \$50 for each \$1,000 (or fraction thereof) the AGI exceeds \$150,000 in the case of a joint return/qualifying widow(er), \$112,500 if HOH, \$75,000 for all other filing statuses.
- When the 2021 increased CTC amount is reduced below what would have otherwise been applicable based on prior legislation, then the rules for tax years 2018-2020 and 2022-2025 apply (as shown below).

Example: A married filing jointly filer, 3 children ages 1, 3, and 7, with a MAGI of \$250,000. Tentative CTC is \$10,200.

$\$250,000 - \$150,000 \text{ income threshold} = \$100,000$

$\$100,000 \times 5\% \text{ phaseout } (\$50 \text{ for each } \$1,000) = \$5,000$

$\$10,200 \text{ (tentative credit)} - \$5,000 = \$5,200$

The increased credit amount is less than the credit allowed following prior year rules (\$2,000 per child), therefore, total allowable CTC is \$6,000.

- The credit was paid in advance, up to 50% of the CTC the taxpayer would have been eligible for 2021 based on the dependents claimed on the tax year 2020 return (2019 if a 2020 return was not filed).
- The advance payments must be reconciled on *Schedule 8812*, Credits for Qualifying Children and Other Dependents.
- *Schedule 8812* is required to claim CTC.

For tax years 2018 - 2020:

- Credit is \$2,000 per child, up to \$1,400 is refundable.
- The qualifying child **must have an SSN issued on or before the due date of the return** (including extensions).
- The taxpayer and spouse, if filing jointly, must have a valid TIN issued on or before the due date of the return (including extensions).

- The total of CTC and ODC is phased out by \$50 for each \$1,000 (or fraction thereof) the AGI exceeds \$400,000 in the case of a joint return, \$200,000 for all other filing statuses.
- *Schedule 8812* is required for those taxpayers claiming the ACTC.

Note: For taxpayers indicating a religious (e.g., Amish/Mennonite) or conscience-based objection to obtaining a TIN, refer to IRM 21.6.1.6.1, Determining the Exemption/Dependent Deduction.

- (2) See IRM 21.6.3.4.2.8, Additional Child Tax Credit (ACTC), for more information on the refundable portion of the credit. For tax year 2021, ACTC is referred to as Refundable Child Tax Credit (RCTC) for taxpayers whose principal abode was in the United States for more than half of the year or was a bona fide resident of Puerto Rico for the year.

Reference - IRC 24

21.6.3.4.1.24.1
(10-02-2023)

**Child Tax Credit (CTC) -
Qualifications**

- (1) To qualify for the credit, the child must:
- Be claimed as a dependent on the return
 - Be the taxpayer's son, daughter, stepchild, eligible foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them
 - Under age 17 (18 for tax year 2021 only) at the end of the calendar year. Command Code (CC) INOLE, or in the case of an ITIN, the Real Time System (RTS) can be used to verify date of birth. See IRM 3.21.263, IRS Individual Taxpayer Identification Number (ITIN) Real Time System (RTS)
 - Did not provide over half of their own support for the tax year
 - Generally, live with the taxpayer for more than half of the tax year
 - A U.S. citizen, U.S. national, or a resident of the United States
- (2) The taxpayer must furnish one of the following types of valid TINs for each qualifying child.
- An SSN issued by the Social Security Administration
 - An ITIN issued by the IRS if the individual is not eligible for an SSN
 - An ATIN issued by the IRS for a child while an adoption is pending

Reminder: For tax years 2018 - 2025, qualifying children for CTC must have an **SSN** on or before the due date of the return, including extensions. For tax years 2018-2025, if the child does not qualify for CTC (e.g., does not have an SSN or meet the age requirement), they may qualify for the Credit for Other Dependents (ODC), see IRM 21.6.3.4.1.24.3, Credit for Other Dependents (ODC). For more information, see *Publication 972, Child Tax Credit and Credit for Other Dependents*, (tax years 2020 and prior) or *Instructions for Schedule 8812, Credits for Qualifying Children and Other Dependents*, (tax year 2021 and later). If the taxpayer claims CTC for a child age 19, the child does not qualify for CTC but would qualify for ODC. Partially disallow the claim and allow ODC instead of CTC.

Exception: If a qualifying child was born and died in the same year and an SSN was not issued for the child, the taxpayer should enter "Died" in the field where the SSN would be listed in the Dependents section. The

taxpayer must include a copy of the child's birth certificate, death certificate, or hospital records showing the child was born alive.

Note: See IRM 3.13.5.83, Individual Taxpayer Identification Numbers (ITINs), and IRM 3.13.5.84, Adoption Taxpayer Identification Numbers (ATINs), for information about ITIN/ATIN issues. Also see IRM 21.6.3.4, Credits Procedures, for information about valid/correct TIN information.

- (3) All taxpayers, the primary, secondary (if applicable), and all qualifying children must have their TIN assigned on or before the due date, or extended due date, of the return.

21.6.3.4.1.24.2
(11-23-2022)

Advance Child Tax Credit (AdvCTC)

- (1) Advance Child Tax Credit (AdvCTC) was an advance payment of the Child Tax Credit (CTC) for tax year 2021.
- Eligibility for the payment was based on the CTC shown on the tax year 2020 return (2019, if a 2020 return was not posted).
 - Advance payments were not subject to reduction or offset.
 - Individuals who did not file a 2020 or 2019 return, and did not have a filing requirement, could use the "Non-Filer Sign Up Tool" on IRS.gov to enter their information.
 - The deadline to sign up for monthly Advance CTC payments was November 15, 2021.
 - Individuals were able to use the Child Tax Credit Update Portal (CTCUP) on IRS.gov to verify their eligibility for the payments, unenroll, switch from paper check to direct deposit, change direct deposit account information, update their mailing address and stop monthly payments.
- (2) Advance payments for eligible taxpayers were made monthly from July through December of 2021.
- Payments were issued via direct deposit or as a paper check.
 - The total of AdvCTC payments were one half the estimated amount of the full CTC for tax year 2021. Any changes made by the taxpayer in the CTCUP could result in future payments being recalculated.
 - If the advance payment of the CTC was based on a 2019 return, once the 2020 return posted, the subsequent payments were recomputed for the remaining months.
 - If the taxpayer made an election to unenroll, it is identified by a TC 971 AC 856 with a MISC field "UNENROLL" in the entity.
- (3) Payments are identified by a TC 290 .00 with CRN 272 on the tax year 2021 module. Reason codes (RC) and positions identify the following:
- RC position 1 - number of qualifying children
 - RC position 2 - month of the advance payment (007 = July, 008 = August, etc.)
 - RC position 3 - The table below identifies the reason codes associated with payments

Reason Code (RC)	Meaning
200	No advance CTC due to Modified Adjusted Gross Income (MAGI) phase-out
202	Invalid primary or secondary SSN (includes invalid due to assignment date and SSN not valid for work)
205	Catch-all (all CTC children deceased, advance payment under \$1, etc.)
206	Advance CTC reduced due to MAGI phase-out
207 (4th position)	Taxpayer is deceased
209	Advance CTC not reduced by MAGI

Each payment's Document Locator Number (DLN) contains a unique serial number to identify the month for which the payment was issued.

DLN Serial Numbers:

- a. 31 = July
- b. 32 = August
- c. 33 = September
- d. 34 = October
- e. 35 = November
- f. 36 = December

Example: XXXXX-XXX-XXX31-1

- (4) The entity (CC ENMOD or CC IMFOLE) of the taxpayer, and spouse if applicable, contains a TC 971 AC 199. The miscellaneous field is displayed in a \$\$\$\$cckkkkCTCyymm format.
 - \$\$\$\$cc - dollar amount including cents
 - kkkk - number of qualifying children. For joint returns that can be split.
 - CTC - Advance Child Tax Credit
 - yy - tax year the payment was based on
 - mm - month of the payment
- (5) For a list of TC 971 AC 199 MISC Codes used for AdvCTC payments, refer to Exhibit 21.6.3-3, TC 971 AC 199 MISC Field Descriptions for Advance Child Tax Credit Payments.
- (6) Payment files were sent to Bureau of the Fiscal Service (BFS) the first Thursday of each month. Any information updated in CTCUP or returns posted prior to Monday 11:59 PM EST were considered in that month's payment. Refunds were generally dated the 15th of each month.

Note: When a taxpayer provided bank account information through Get My Payment, the account was marked with a TC 971 AC 199 with "EF" in the last two positions of the MISC field which is seen on IDRS CC IMFOLE.

- (7) The following conditions on the tax module or entity may have delayed payments:

Tax module conditions:

- a. duplicate / amended return freeze (-A freeze)
- b. TC 971 AC 199 with a miscellaneous field of AMWEX60033 unless a subsequent TC 846 or a TC 972 AC 199 MISC AMWEX60033 has posted
- c. TC 570 with DLN NN27788888888Y and a -R freeze
- d. refund freeze (-L) due to an unreversed TC 420 or TC 424
- e. unreversed TC 971 AC 129 unless a subsequent TC 846 posted
- g. posted tax return with a returned tax refund (TC 841) with blocking series 77711 / 77712 / 77713 / 77714 unless a subsequent TC 846 posted
- h. TC 740 with blocking series 99999 or 66666 unless a subsequent TC 846 or refund offset posted.
- i. duplicated TIN (unreversed TC 971 AC 151) followed by an adjustment backing out the return
- j. reversed ACTC transaction (CRN 336)
- k. posted TC 29X that completely reversed the posted TC 150 and no subsequent TC 29X (excluding TC 290 for zero with no associated CRN's)
- l. unreversed TC 971 AC 134 with MISC field "BKLD COMINGLED" without a subsequent TC 846
- m. refund repayment (TC 720) without a subsequent TC 846
- n. refund freeze due to AQC (-R freeze) with an unreversed TC 971 AC 122/140 unless a subsequent TC 846 posted

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Entity conditions:

- a. TC 971 AC 123 with MISC IDTVACASE that has not been reversed with TC 971 AC 123 MISC IDTVACLS
- b. account merge in progress
- c. 2/10 year ban recertification indicator is present and the eligible tax period is not zero
- e. the address is a territory address
- f. TC 971 AC 199 with MISC "UVW 20211231 REVIEW" indicating qualifying child(ren) is 18 years old or older by the end of the year or is claimed on more than one return in the same tax year.
- g. TC 971 AC 199 with MISC "UVM YYYYMMDD" indicates a prisoner account and contains the release date of the prisoner. (If the release date is on or after 12/31/2021, the MISC field reads "UVM 20211231".

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Note: Systemic payments were issued if the condition was resolved. The subsequent payments were recomputed for the remaining months.

- (8) If a monthly payment was returned, rejected, or undeliverable, the payment was not reissued until the account reflected the reversal of the returned payment (TC 767 CRN 272). The system recomputed the returned amount and included it in the remaining months distribution.

Exception: Returned direct deposits (blocking series 77777) were reissued as a paper check.

If an advance payment was issued but not received, see the appropriate section of IRM 21.4, Refund Inquiries.

Note: Returned, rejected or undeliverable payments (TC 841, TC 740) posted after the return has posted that have been systemically reversed (TC 767 CRN 272), must be reconciled on Schedule 8812, and reissued to the taxpayer as Refundable Child Tax Credit (RCTC) or Child Tax Credit (CTC) when allowable.

(9) Repayment of an advance payment should post with a TC 670 designated payment code 63, which triggered a systemic reversal of the CRN 272. The posting of the payment with DPC 63 stopped future payments from going out. If the returned payment is not posted with DPC 63, follow procedures in IRM 21.6.2.4.8.2 (2-4), AdvCTC - Manual Adjustments - General Information, to reverse AdvCTC payments. Once the payments have been reversed, reconcile the AdvCTC, CTC, RCTC following normal procedures.

(10) The following letters are associated with the advance payment:

- *Letter 6416, Advance Child Tax Credit Outreach* - initial potentially eligible letter, directs taxpayers to www.irs.gov/childtaxcredit2021 for more information.
- *Letter 6417, Advance Child Tax Credit Payment* - provides estimated advance CTC payment.
- *Letter 6419, 2021 Total Advance Child Tax Credit (AdvCTC) Payments* - provides a summary of the advance payments made which is used in the reconciliation process for the 2021 return. Taxpayers can also obtain their payment amount via the on-line portal.

21.6.3.4.1.24.2.1
(10-02-2023)

Reconciling Advance Child Tax Credit (AdvCTC) Payments

(1) Taxpayers who received Advance Child Tax Credit (AdvCTC) payments must complete *Schedule 8812*, Credit for Qualifying Children and Other Dependents, to reconcile the advance payments with the amount of Child Tax Credit (CTC) they are eligible to claim on their 2021 return.

(2) Beginning in December 2021, the IRS mailed *Letter 6419, 2021 Total Advance Child Tax Credit (AdvCTC) Payments*, to each taxpayer who received AdvCTC payments. Reference the letter when completing *Schedule 8812*.

Note: If taxpayers filed as married filing jointly on their prior return, both spouses received a Letter 6419, indicating the amount each taxpayer received. Both letters are necessary to complete the *Schedule 8812*.

(3) After reconciling the advance payments to the eligible credit, the taxpayer may:

- Be eligible for additional CTC. This amount is listed on line 28 of Form 1040;
- Have received all of the credit they are eligible for in advance payments; or
- Owe additional tax because they received more advance payments than the amount of CTC they are eligible for on their 2021 return. This amount is entered on line 19 of Schedule 2 of Form 1040.

(4) Taxpayers who owe additional tax may be eligible for full or partial repayment protection when the number of qualifying children used for AdvCTC is more than the number of qualifying children allowed on the 2021 tax return.

The repayment protection is \$2,000 multiplied by the difference in the number of children (excess qualifying children). The repayment protection decreases as the taxpayer's modified adjusted gross income (MAGI) increases. Full repayment protection is available to taxpayers at or below the following MAGI thresholds:

- \$60,000 if married filing jointly or qualifying widow(er)
- \$50,000 if head of household
- \$40,000 if single or married filing separately

The amount of repayment protection is reduced or phased out based on the taxpayers MAGI and is not available at or above the amounts listed below:

- \$120,000 if married filing jointly or qualifying widow(er)
- \$100,000 if head of household
- \$80,000 if single or married filing separately

Example: A taxpayer filed a 2020 return claiming one qualifying child (QC) age 10. The taxpayer receives Letter 6419 which lists payments totaling \$1,500 based on one QC. The taxpayer is not claiming any children on the 2021 return and therefore has one excess qualifying child. The taxpayer files as single and has a MAGI of \$37,500; therefore, the taxpayer is eligible for full repayment protection and does not owe any additional tax.

Example: The same taxpayer in the example above has a MAGI of \$75,000. The taxpayer is eligible for partial repayment protection and owes \$1,250 of additional tax.

- (5) If taxpayers filed as married filing jointly on their prior tax return, each spouse is treated as having received half the AdvCTC payment that was issued unless one spouse unenrolled. This is identified by a TC 971 AC 856 with a MISC field of "UNENROLL" in the Entity. Each spouse is treated as having taken the same number of children into account for AdvCTC. They add together the AdvCTC amounts on the Letter 6419 each spouse received. If they owe additional tax because they received more advance payments than the amount of CTC they are eligible for on their 2021 return, they add together the number of QC reported on the Letter 6419 each spouse received. Spouses who file a joint 2021 return with the same spouse from their 2020 must divide the total QC used for their AdvCTC by 2.

Example: Roger filed as single for 2020 with two QC. In 2021, Roger received AdvCTC of \$3,000 based on two QC. Tiffany filed as head of household for 2020 with one QC. In 2021, Tiffany received AdvCTC of \$1,500 based on one QC. Roger and Tiffany were married in 2021 and file as married filing jointly on their 2021 tax return. Roger and Tiffany add the amounts from the Letter 6419 that each received and enter \$4,500 (\$3,000 + \$1,500) for their AdvCTC amounts on Schedule 8812, line 14f or 15e as applicable. If \$4,500 is more than the amount of CTC they are eligible for on their 2021 return, they figure their repayment protection based on three (two + one) qualifying children and enter three on Schedule 8812, line 30.

- (6) Taxpayers who incorrectly calculate Schedule 8812, or who fail to reconcile advance payments, when filing their original return are issued a math error

during original processing. ERS assigns the following TPNC's for AdvCTC reconciliation errors identified during processing:

Taxpayer Notice Code (TPNC)	Meaning
276	<p>We changed the amount claimed as Additional Tax from <i>Schedule 8812</i> on your tax return because there was an error on Schedule 8812, Credits for Qualifying Children and Other Dependents. The error was in one of the following:</p> <ul style="list-style-type: none"> • Advance Child Tax Credit was not reconciled. • Advance Child Tax Credit was reconciled incorrectly. • The amount was not transferred correctly to your return.
591	<p>We didn't allow the amount claimed as Refundable Child Tax Credit on your tax return because Schedule 8812, Credits for Qualifying Children and Other Dependents, was required but incomplete or not attached to your tax return.</p>
621	<p>We changed the amount claimed as Refundable Child Tax Credit on your tax return because there was an error on Schedule 8812, Credits for Qualifying Children and Other Dependents. The error was in one of the following:</p> <ul style="list-style-type: none"> • Computation of the credit on Schedule 8812. • Transfer of the amount to your tax return. • Advanced Child Tax Credit was not reconciled. • Advanced Child Tax Credit was reconciled incorrectly. <p>Note: This code may also be used if the Individual Taxpayer Identification Number (ITIN) for the taxpayer or spouse has expired. Refer to IRM 21.6.1.6.6.2, ITIN Renewal Math Error Adjustments, for more information.</p>

Taxpayer Notice Code (TPNC)	Meaning
623	We can't allow your Refundable Child Tax Credit. According to information on Schedule 8812, Credits for Qualifying Children and Other Dependents, you did not maintain a home in the United States for 6 months or more or were not a bona fide resident of Puerto Rico. We have changed your return accordingly.
624	We didn't allow all or part of the Refundable Child Tax Credit claimed on your return. One or more of the dependents listed on your return exceeds the age limit to be a qualifying child, or the child's Social Security number (SSN) was missing. If you claimed the Additional Child Tax Credit, it may also be affected. The age and SSN requirements don't apply when claiming the credit for other dependents. We changed the credit amount to include this credit.

- (7) **Non-receipt of AdvCTC** must be addressed prior to reconciliation of math errors. Follow procedures in IRM 21.4.2.4, Refund Trace Actions, to locate and trace a lost, stolen, or misplaced payment.

Note: If the taxpayer meets Oral Statement Authority (OSA), you can initiate the trace during customer contact. Refer to IRM 21.1.3.20, Oral Statement Authority.

- (8) Prior to making any adjustments on the account based on AdvCTC, **verify the information on Schedule 8812 is correct.**

In addition to verifying the total amount of payments listed on CC TXMOD or CC IMFOLT, you can find the information sent to the taxpayer on Letter 6419 on the entity (CC IMFOLE or CC ENMOD) as follows:

- TC 971 AC 804 MISC field: L6419 DDDDDCC QC
- DDDDDCC – 5 digits for dollars (\$) and 2 digits for cents

Example: Taxpayer received a total of \$3,300 in AdvCTC in 2021 for two QC.

TC 971 AC 804 MISC: L6419 0330000 02

Example: Joint filers received a total of \$3,300 in joint AdvCTC in 2021 for two QC.

Spouse 1: TC 971 AC 804 MISC: L6419 0165000 02

Spouse 2: TC 971 AC 804 MISC: L6419 0165000 02

Note: Make sure to verify IDRS for any changes to the account (e.g., undeliverable payments) since the Letter 6419 was issued.

- (9) The following Item Reference Numbers (IRN) reflect AdvCTC information from the original return or subsequent adjustment:

- IRN 817 - Excess AdvCTC - *Schedule 8812* line 29
- IRN 818 - AdvCTC Repayment - *Schedule 8812* line 40
- IRN 819 - AdvCTC Limitation amount (write-off/forgiveness due to repayment protection) (IRN 817 - IRN 818)

Example: A taxpayer filed a 2020 return claiming one QC age 10. The taxpayer receives Letter 6419 which lists one QC and payments totaling \$1,500. The taxpayer is not claiming the child on the 2021 return. The taxpayer has a MAGI of \$75,000. The taxpayer is eligible for partial repayment protection and owes \$1,250 of additional tax. (IRN 817 \$1,500, IRN 818 \$1,250, IRN 819 \$250).

Due to space limitation in the Posted Return Information section, reconciliation data is displayed in CC TXMOD and CC IMFOLT as TC 970 AC 003 including the following literals:

- EXC ADVCTC COMPUTER:
- EXC-ADVCTC-REPAID:
- EXC ADVCTC LIMITATION:

- (10) To adjust the account based on AdvCTC:

- Input TC 290.
- Use correct IRN from list above.
- Use RC 221 (with IRN 818), RC 061 (for RCTC) or RC 099 when no change to the credit is necessary, and applicable *source code* and *blocking series*.

- (11) When processing amended returns, if there is an error in the reconciliation of AdvCTC, follow procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.

21.6.3.4.1.24.2.2
(11-20-2023)

**Reconciling Advance
Child Tax Credit
(AdvCTC) Payments -
REFUND INQUIRY
EMPLOYEES ONLY**

- (1) Taxpayers who received Advance Child Tax Credit (AdvCTC) payments were required to complete *Schedule 8812*, Credit for Qualifying Children and Other Dependents, to reconcile the advance payments with the amount of Child Tax Credit (CTC) / Refundable Child Tax Credit (RCTC) they were eligible to claim on their 2021 return.
- (2) You cannot issue a replacement check for an AdvCTC payment if it was issued but not received, you must:
- determine if the payment has been systemically reversed on the tax module
 - verify the taxpayer has filed a tax return for tax year 2021 including *Schedule 8812*
 - determine if the taxpayer is still eligible for all or any of the payment

- (3) If the taxpayer has not filed their 2021 tax return or has not included a Schedule 8812 with their original return, send a closing letter for your refund inquiry case. You may use the suggested verbiage below in 2 open paragraphs:
- **No tax return on file:** We are no longer authorized to reissue your Advance Child Tax Credit payment. To receive any amount of the payment you may be entitled to, you must file a 2021 tax return including Schedule 8812, Credit for Qualifying Children and Other Dependents, to reconcile any payments you received with the total amount of Child Tax Credit you are entitled to based on your 2021 tax return. Please have Letter 6419, 2021 Total Advance Child Tax Credit (AdvCTC) Payments, for both you and your spouse (if applicable), available when completing Schedule 8812.
 - **No Schedule 8812 filed with original tax return:** We are no longer authorized to reissue your Advance Child Tax Credit payment. To receive any amount of the payment you may be entitled to, you must complete Schedule 8812, Credit for Qualifying Children and Other Dependents, to reconcile any payments you received with the total amount of Child Tax Credit you are entitled to based on your 2021 tax return. Please have Letter 6419, 2021 Total Advance Child Tax Credit (AdvCTC) Payments, for both you and your spouse (if applicable), available when completing Schedule 8812.
- (4) If there is a 2021 tax return on file with a Schedule 8812 included, complete the Schedule 8812 worksheet on AMS to verify if the taxpayer is eligible for the returned payment. Refer to IRM 21.6.3.4.1.24, Child Tax Credit (CTC), for eligibility. If the taxpayer is eligible for the payment, adjust the account to allow RCTC (CRN 336 and reason code 061) or CTC (reason code 036).

Note: When you complete the Schedule 8812 on the AMS worksheet, make sure you only include payments the taxpayer received.

Note: If, after completing the Schedule 8812, there is an input on Line 29 (Excess AdvCTC) or line 40 (AdvCTC Repayment), refer to IRM 21.6.3.4.1.24.2.1, Reconciling Advance Child Tax Credit (AdvCTC) Payments.

If the taxpayer is no longer eligible for the payment and there are no entries on line 29 or line 40 of the Schedule 8812, follow paragraph 5 below and correspond with the taxpayer to advise they are no longer eligible. You may use the suggested verbiage "Our records indicate you are no longer eligible for the advance child tax payment based on your 2021 return information. If you disagree, please send us a completed Schedule 8812, Credit for Qualifying Children and Other Dependents."

- (5) If the payment(s) have not posted back to the account and the credit(s) have not been systemically reversed on the tax module, follow procedures in IRM 21.6.2.4.8.2, AdvCTC - Manual Adjustments - General Information, paragraphs 2 through 4, to reverse the credit(s).
- (6) Whether the taxpayer has or has not filed a 2021 tax return, if the financial institution will not return the misdirected funds, follow IRM 21.4.5.11.1, IRS Error Direct Deposit, paragraph 4, so the balance created by the AdvCTC reversal does not negatively impact the taxpayer.

21.6.3.4.1.24.3
(10-03-2022)

Credit for Other Dependents (ODC)

- (1) IRC 24 provides a \$500 non-refundable credit, Credit for Other Dependents (ODC), for each dependent who is not a qualifying child for the Child Tax Credit (CTC), or who, although a qualifying child, did not have an SSN issued on or before the due date of the return. The credit is for tax years 2018 - 2025. Taxpayers indicate eligibility for the credit by checking the "credit for other dependents" box on page 1 of Form 1040 / Form 1040-SR.
- (2) A person qualifies for ODC if the following conditions are met:
 - The person is claimed as a dependent on the return.
 - The person cannot be used to claim CTC or ACTC.
 - The dependent must be a U.S. citizen, U.S. national, or a U.S. resident.
 - The dependent must have a valid ITIN, SSN, or ATIN issued on or before the due date of the return (including extensions).

Additionally, the taxpayer and spouse, if filing jointly, must have a valid TIN issued on or before the due date of the return (including extensions).

- (3) ODC is calculated with CTC in the *Instructions for Form 1040 (and Form 1040-SR)*, Pub. 972, Child Tax Credit and Credit for Other Dependents (tax year 2020 or prior), *Instructions for Schedule 8812 (Form 1040)*, *Credits for Qualifying Children and Other Dependents*, (tax year 2021 and later) or using the Child Tax Credit and Credit for Other Dependents Worksheet located on Account Management Services (AMS). The total of Child Tax Credit and ODC is phased out by \$50 for each \$1,000 the AGI exceeds \$400,000 in the case of a joint return, \$200,000 for all other filers.
- (4) If CTC and/or ACTC were denied in a previous year due to deficiency procedures, taxpayers must recertify for ODC; follow procedures in IRM 21.6.3.5, Credit Recertification.
- (5) ODC cannot be input into CC DDBCK.
- (6) For taxpayers claiming a religious or conscience-based objection to obtaining a TIN, ODC can be allowed if certain information is provided. For these cases only, allow ODC if proof of U.S. citizenship or U.S. residency (such as a U.S. birth certificate) for the qualifying dependent is provided.

21.6.3.4.1.24.4
(06-10-2024)

Adjusting Child Tax Credit (CTC) and/or Credit for Other Dependents (ODC)

- (1) When claiming the CTC and/or ODC, the name(s) and TIN(s) of the qualifying person(s) must be shown on the original or amended return. If a name or TIN is omitted, recompute the tax liability and deny the credit following math error procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.
- (2) Verify each qualifying person's TIN is valid and the age requirement is met, if applicable, then compute the credit(s) using the worksheet located on Account Management Services (AMS) or in the *Instructions for Form 1040 (and Form 1040-SR)*.

Reminder: For tax years 2018 - 2025, CTC requires qualifying children to have an SSN assigned on or before the due date of the return, including extensions.

Note: Pub. 972, Child Tax Credit and Credit for Other Dependents (tax years 2020 and prior), or *Instructions for Schedule 8812 (Form 1040)*, *Credits for Qualifying Children and Other Dependents*, (tax year 2021 and later), must be used to figure the credit(s) if any of the following are present:

- Form 8839, Qualified Adoption Expenses
- Form 8396, Mortgage Interest Credit
- Form 5695, Residential Energy Credits, Part I
- Form 8859, Carryforward of the District of Columbia First-Time Home-buyer Credit
- Taxpayer is excluding income from Puerto Rico
- Form 2555, Foreign Earned Income
- Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa

- (3) When adding a new credit, or a new qualifying person, you must verify all TINs associated with the credit (the primary taxpayer, secondary taxpayer, and all qualifying individuals) (current SSNs and previous ITINs) were assigned on or before the due date of the return. This applies to amended returns, math error responses, duplicate returns, etc. Complete comprehensive research if there is an indication a name mismatch may be due to multiple last names. To determine the validity of the request, see the following table for the action required.

Caution: If the account **needs to be merged** with another TIN, take the merge actions first to ensure all actions below are taken under the new TIN. See IRM 21.6.2.4.1, Resequencing Accounts. If an **ITIN is showing as inactive**, see IRM 21.6.1.6.6.2, ITIN Renewal Math Error Adjustments. Inactive ITINs qualify for the credit but must be activated before the credit can be allowed.

Reminder: Those taxpayers who had an ITIN and were subsequently assigned an SSN, if the ITIN was assigned prior to the due date of the return, they qualify for the credit.

Exception: If a child otherwise qualifies for CTC, but they did not have an SSN issued by the due date of the return, they qualify for ODC.

If	Then
The "TIN ASGNMT" field on CC INOLE contains a date on or before the due date of the return Note: ITINs assigned within 7 days of the return due date are considered timely.	Allow the credit if all other criteria are met
The "TIN ASGNMT" field is all zeros	Allow the credit if all other criteria are met

If	Then
<p>The “TIN ASGNMT” field contains a date after the due date of the return</p> <p>Note: For a Form W-7 received after Jan. 1, 2017, the TIN assignment date field reflects the actual received date of the Form W-7.</p>	<ul style="list-style-type: none"> Disallow the credit. See IRM 21.5.3.4, General Claims Procedures. Use the retroactive claim paragraph in the Letter 105C or Letter 106C. For tax year 2017 and prior, input a TC 971 AC 112 using CC REQ77 or the REQ77 IAT tool. The TC 971 enables the IRS to track these claims and report the dollars saved. Input the credit amount in the “Freeze-Release-AMT” field. No transaction date is needed. <p>Note: If ACTC, EITC, and/or AOTC are also being claimed, combine the amounts.</p>

- (4) When disallowing or partially disallowing a claim, see IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. For a no consideration, see IRM 21.5.3.4.6.3, No Consideration Procedures.
- (5) When processing amended/duplicate returns, if the taxpayer was allowed the credit during original processing, but is not entitled to all or a portion of the credit based on changes made:
 - a. If the taxpayer didn’t address the change, follow the procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.
 - b. Explain to the taxpayer the adjustment was made and the taxpayer will receive a notice explaining the adjustment and appeal rights.

Example: An amended return increasing income that now subjects the credit to limitation.

- (6) Taxpayers who are denied Child Tax Credit/Additional Child Tax Credit/Credit for Other Dependents as a result of deficiency procedures, are denied the credit as a math error. The following taxpayer notice codes are used to identify these errors:
 - 819 - We disallowed the amount claimed as Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents on your tax return. Our records indicate that we’ve banned you from claiming Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents for this tax year.
 - 820 - We disallowed the amount claimed as Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents on your tax return. Our records indicate that we’ve banned you from claiming Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents for two tax years.
 - 821 - We disallowed the amount claimed as Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents on your tax return.

Our records indicate that we've banned you from claiming Child Tax Credit, Additional Child Tax Credit, and/or Credit for Other Dependents for ten tax years.

Taxpayers who are denied the credit due to deficiency procedures must recertify for the credit, follow procedures in IRM 21.6.3.5, Credit Recertification.

- (7) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 (CTC) and/or RC 173 (ODC) and the applicable *source code* and *blocking series*.
 - d. For CTC, tax years 2023 and subsequent, input item reference number (IRN) 820 with the amount of increase or decrease to the non-refundable CTC.
- (8) Beginning in tax year 2023, the IRS added item reference number (IRN) 820 to track the non-refundable portion of CTC. It can be input as a positive or negative but cannot be zero. The IRN is input in addition to any tax increases or decreases.

21.6.3.4.1.25
(10-01-2024)

**Form 8839, Qualified
Adoption Expenses**

- (1) IRC 23 provides that a taxpayer who paid qualified adoption expenses (QAE) to adopt an eligible child in the tax year the adoption became final may be able to reduce their tax liability by claiming the Adoption Credit on Form 8839, Qualified Adoption Expenses.

Note: See Form 8839 and *Instructions for Form 8839, Qualified Adoption Expenses*, for detailed qualification information.

Note: The Adoption Credit is entered on Form 1040 / Form 1040-SR, *Schedule 3*, Additional Credits and Payments, as a write-in for tax years 2019 and subsequent.

- (2) All adoption credit claims processed in AM are worked at the Andover Campus. Update category to SPC1 and case type to XRET (you cannot reassign a MEFA/S/P). Reassign through CII to IDRS number 0830141335.
- (3) The eligible child must be:
 - a. Any child under age 18. If the child turned 18 during the year, the child is eligible for the part of the year the child was under age 18.
 - b. Any age, if physically or mentally incapable of caring for themselves.
- (4) Many provisions of the adoption credit (for example, the definition of QAE, the dollar limitation and the modified adjusted gross income limitation) apply to any type of adoption. For more information, see the rules and examples contained in the *Instructions for Form 8839, Qualified Adoption Expenses*. However, each category of adoption (domestic, foreign, or special-needs) also has rules that apply only to that category.
- (5) A **domestic adoption** (including an in-process or a never-completed adoption attempt) is one in which the child was a citizen or resident of the U.S. when the adoption process began.
The timing of the adoption credit depends on when (if ever) the adoption

becomes final. Generally, a taxpayer paying QAE in a domestic adoption claims the credit in the year after the payment is made.

- If the QAE is paid in the year the domestic adoption becomes final, the credit is claimed in the year of payment.
- If the QAE is paid in a year after a domestic adoption becomes final (post-finality QAE), the credit is claimed in the year of payment.

For example, if the taxpayer pays QAE in Year 1, Year 2, and Year 3, and the adoption becomes final in Year 3. In year 4, the taxpayer pays post-finality QAE.

- The taxpayer may not claim an adoption credit for Year 1.
- In Year 2, the taxpayer may claim the credit for the QAE paid in Year 1.
- In Year 3 (the year of finality), the taxpayer may claim the adoption credit for the QAE paid in Year 2 and Year 3.
- In Year 4, the taxpayer may claim the adoption credit for the post-finality QAE paid in that year.

- (6) A **foreign adoption** is one in which the child was not a citizen or resident of the U.S. when the adoption process began. An adoption is classified as a foreign adoption even if the child is re-adopted in the U.S. (although the re-adoption expenses are QAE). The adoption credit for QAE paid before or during the year of finality may be claimed only in the year of finality. If QAE is paid after the year of finality (for example, in connection with post-placement visits by a social worker), the adoption credit may be claimed in the year of payment. The Instructions to Form 8839 contain information on determining the year of finality of a foreign adoption.
- (7) In the case of a **child with special-needs**, the adoption credit may be claimed in the year the adoption is final, even if the taxpayers never pay any QAE.
- (8) The adoption of a special-needs child is an adoption in which all the following statements are true.
- The child was a citizen or resident of the United States or its possessions at the time the adoption effort began (U.S. child).
 - A state (including the District of Columbia) has determined that the child can't or shouldn't be returned to their parents' home.
 - The state has determined that the child won't be adopted unless help is provided to the adoptive parents.
- (9) Sometimes, particularly in the case of an in-process or never-finalized domestic adoption, the taxpayer is unable to provide complete information in Part I of Form 8839. In those circumstances, the taxpayer should complete the entries they can. Leave all other entries blank.
- (10) IRC 137 allows employees to exclude employer-provided adoption assistance from their gross income. The exclusion is taken in the year of payment.

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- (13) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

Caution: If the taxpayer's claim for tax year 2020 or prior references CTC, *Pub. 972*, Child Tax Credit and Credit for Other Dependents, must be used to figure the credit. For tax year 2021 and later, *Instructions for Schedule 8812, Credits for Qualifying Children and Other Dependents*, must be used to figure the credit.

- (14) Taxpayers may file amended returns for earlier periods to release carryforward of the adoption credit.

Note: If the IRS has the necessary information to establish a taxpayer was entitled to the credit in a prior year, an amended return is not required for the earlier period.

- a. Unused credits may only be carried forward five years.
- b. Prior year claims, including carryforwards, do not require adoption documentation.
- c. Do not reject prior year claims with carryforwards because the adoption documentation is missing.

Note: Although married taxpayers generally have to file a joint return in order to qualify for the credit, a carryforward may be claimed with on a married filing separately return.

- (15) When working an Adoption Credit carryforward case, ensure all tax periods are controlled to the earliest tax period first and are being worked by one employee. Work the case as follows:

- a. Review the earliest tax period claim first.
- b. Verify the amount of the carryforward for the earliest tax period. If the claim is not a statute period, apply the adoption credit amount listed on Form 8839 to the taxpayer's tax liability. Statute year periods are addressed in paragraphs 16 and 17 below.
- c. The Adoption Credit may change the priority order of other non-refundable credits, such as the Child Tax Credit. See IRM 21.6.3.4.1, Non-refundable Credits Procedures.
- d. Take any remaining balance of the carryforward to the next period and repeat the steps above.

Example:

In tax year 2017, a taxpayer has \$10,650 in QAE but no tax liability. The taxpayer is entitled to carry forward the \$10,650 credit to 2018 (the first carryforward year).

The taxpayer files a 2018 Form 1040-X to claim the carryforward of \$10,650 in QAE.

Their 2018 original return had a tax liability (before credits) of \$8,850 and a child tax credit of \$2,000. The 2018 module shows a TC 150 of \$6,850.

After using the worksheets shown in *Pub. 972*, you determine the taxpayer is entitled to a Child Tax Credit of \$600, an Adoption Credit of \$8,250, and a refundable Additional Child Tax Credit of \$1,400. This leaves \$2,400 available to be carried forward to the next year (\$10,650

carryforward from 2017 - \$8,250 tax liability after CTC = \$2,400 carryforward to next year).

Process the 2018 Form 1040-X with a TC 291 for \$6,850, and a Credit Reference Number 336 for \$1,400.

Send a Letter 288C informing the taxpayer you have recorded the carryforward amount of \$2,400.

The same taxpayer also has a Form 1040-X for 2019 claiming \$3,800 in adoption expenses carryforward.

However, you have math verified the correct carryforward amount remaining is \$2,400.

The taxpayer is expecting a credit of \$3,800.

Since the refund amount is \$2,400, follow IRM 21.5.4.5.1, Setting the Initial Math Error Action.

Block the adjustment in 77 / 78 and send a Letter 474C explaining the error to the taxpayer and that they will only receive \$1,800.

- (16) If a statute period claim comes in showing no change in tax liability and only a carryforward:
 - a. Input a TC 290 .00 with a BS 05 and RC 36.
 - b. Send a Letter 288C with the following fill-in language:
Thank you for your Form 8839. We have recorded your carryforward amount of (provide the amount).
- (17) If a statute period claim comes in requesting a change in tax liability, follow procedures in IRM 25.6.1, Statute of Limitations Processes and Procedures.
- (18) If the statute period claims are returned to Accounts Management, process as follows:
 - a. Input a TC 290 .00 with a BS 98 / 99 to disallow the change in tax liability due to the expired refund statute.
 - b. Send a Letter 106C to explain the disallowance of the tax refund and explain you have recorded the carryforward amount and provide the amount.

21.6.3.4.1.26
(10-01-2013)
**Form 8396, Mortgage
Interest Credit**

- (1) To qualify for the credit, a taxpayer must have a mortgage credit certificate (MCC) issued under a qualified MCC program in connection with the taxpayer's principal residence.
- (2) Form 8396 must be submitted and math verified.
- (4) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (5) See Form 8396, Mortgage Interest Credit, Publication 17, Your Federal Income Tax (For Individuals), or Publication 530, Tax Information for Homeowners, for detailed information.

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21.6.3.4.1.27
(05-02-2023)
**Form 5695, Residential
Energy Credits**

- (1) Form 5695, Residential Energy Credits, is used by qualified taxpayers who made qualified residential clean energy or energy efficient home improvement purchases. It is divided into two parts.
- (2) **Part 1 - Residential Energy Efficient Property Credit (2021 and prior) Residential Clean Energy Credit (2022 and subsequent) (IRC 25D)** Provides taxpayers a credit for qualified expenditures to their residence located in the United States. A taxpayer may receive a credit on the amounts spent for adding one or more of the following to their home:
- Solar electric
 - Solar water heating
 - Small wind energy
 - Geothermal heat pump
 - Fuel cell
 - Biomass fuel (tax years 2020, 2021 and 2022)
 - Battery storage technology with a capacity of at least 3 kilowatt hours (tax years 2023 and later)

Generally, credits are limited to the percentage of the qualified expenditures shown below, however, fuel cell property is limited to the lesser of 30% of the qualified expenditures or \$500 for each half kilowatt of capacity of the qualified fuel cell property.

- property placed in service after December 31, 2016, and before January 1, 2020, 30%
- property placed in service after December 31, 2019, and before January 1, 2022, 26%
- property placed in service after December 31, 2021, and before January 1, 2033, 30%
- property placed in service after December 31, 2032, and before January 1, 2034, 26%
- property placed in service after December 31, 2033, and before January 1, 2035, 22%

See *Instructions for Form 5695, Residential Energy Credits* for detailed information.

- (3) **Part 2 - Non-business Energy Property Credit (2021 and prior) Energy Efficient Home Improvement Credit (2022 and subsequent) (IRC 25C)** Provides taxpayers a credit for improving the energy efficiency of an existing home. The credit is available for costs related to items such as high efficiency heating and cooling systems, water heaters, windows, doors and insulation. For 2023 and later, the allowable credit is 30% of the amount paid for qualified energy efficiency improvements, generally limited to \$1,200. There is a separate annual limit of \$2,000 for qualified expenditures for heat pumps, heat pump water heaters, and biomass stoves and boilers. Therefore, the total annual credit is limited to \$3,200. There is no lifetime limit. Specifically, the credit is limited as follows:
- Energy property - any item of qualified energy property is limited to \$600
 - Windows - total of all exterior windows and skylights is limited to \$600
 - Doors - any exterior door is limited to \$250, total of all exterior doors is limited to \$500

- Heat pump and heat pump water heaters; biomass stoves and boilers - total is limited to \$2,000
- Home energy audits - limited to \$150

(4) If the Residential Clean Energy Credit is claimed in addition to the:

- Child Tax Credit or Credit for Other Dependents
- Mortgage Interest Credit, or
- Adoption Credit

then the taxpayer must compute these credits before completing the carryforward section of Form 5695.

(5) The credit is claimed on Form 1040, *Schedule 3*, Additional Credits and Payments.

(6) To adjust the account based on the credit:

- Use TC 291 with a money amount to allow/increase the credit.
- Use TC 290 with a money amount to decrease the credit.
- Use RC 036 and the applicable *source code* and *blocking series*.

(7) See Form 5695 and *Instructions for Form 5695 Residential Energy Credits* for detailed information.

For more information on residential clean energy property credits, see *Frequently asked questions about energy efficient home improvements and residential clean energy property credits*.

21.6.3.4.1.28
(10-01-2024)

**Form 8880, Credit for
Qualified Retirement
Savings Contributions
(Saver's Credit)**

(1) A taxpayer may be able to take a credit of up to \$1,000 (\$2,000 if married filing jointly) for making eligible contributions to one of the items below. Taxpayers claim this credit on Form 8880, Credit for Qualified Retirement Savings Contributions.

- Contributions (other than rollover contributions) to a traditional or Roth IRA
- Elective deferrals to a 401(k), 403(b), governmental 457, SEP, or SIMPLE plan
- Voluntary employee contributions to a qualified retirement plan as defined in IRC 4974(c) (including the federal Thrift Savings Plan)
- Contributions to a 501(c)(18)(D) plan (tax-exempt organization)
- For tax years 2018 - 2025, contributions to an Achieving a Better Life Experience (ABLE) account made by the designated beneficiary

(2) An eligible individual must:

- Be 18 or older at the end of the tax year
- Not be claimed as a dependent on someone else's tax return
- Not be a full-time student

Note: For this purpose, you are a student if during any part of 5 calendar months during the tax year you were enrolled as a full-time student or took a full-time on-farm training course given by a school or a state, county or local government agency.

- Have adjusted gross income equal or less than:

Filing Status	2024	2023	2022	2021
Single, Married filing separately, or Qualifying widow(er)	\$38,250	\$36,500	\$34,000	\$33,000
Head of household	\$57,375	\$54,750	\$51,000	\$49,500
Married filing jointly	\$76,500	\$73,000	\$68,000	\$66,000

- (3) Form 8880 must be submitted.
- (4) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (5) See Form 8880, Pub. 590-A, Contributions to Individual Retirement Arrangements (IRAs), Pub. 907, Tax Highlights for Persons With Disabilities, or Publication 17, Your Federal Income Tax (For Individuals), for detailed information.

21.6.3.4.1.29
(10-01-2024)

Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation

- (1) For information concerning the Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment and Military Spouse Participation, see IRM 21.7.4.4.8.3.20, Form 8881, Credit for Small Employer Pension Plan Startup Costs, IRM 21.7.4.4.8.3.20.1, Form 8881, Credit for Small Employer Pension Plan Startup Costs, IRM 21.7.4.4.8.3.20.2, Form 8881, Small Employer Auto-Enrollment Credit, and IRM 21.7.4.4.8.3.20.3, Form 8881, Military Spouse Participation Credit.
- (2) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.

21.6.3.4.1.30
(10-03-2022)

Form 8882, Credit for Employer Provided Childcare Facilities and Services

- (1) Form 8882 is used by employers to claim a credit for qualified childcare and resource and referral expenses.

Note: Taxpayers, other than partnerships, S corporations, estates, or trusts, whose only source of this credit is from those pass-through entities, are not required to complete or file this form. Instead, they can report this credit directly on line 1k in Part III of Form 3800.
- (2) The credit must be claimed as a general business credit on Form 3800, General Business Credit.
- (3) For information concerning the Credit for Employer-Provided Childcare Facilities and Services, see IRM 21.7.4.4.8.3.19, Form 8882, Credit for Employer-Provided Childcare Facilities and Services.
- (4) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

Reference – IRC 45F

21.6.3.4.1.31
(10-01-2018)

Form 8874, New Markets Credit

- (1) For information concerning the New Markets Credit, see IRM 21.7.4.4.8.3.21, Form 8874, New Markets Tax Credit.
- (2) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.

Reference - IRC 45D

21.6.3.4.1.32
(10-01-2024)

Form 8864, Biodiesel, Renewable Diesel, or Sustainable Aviation Fuels Credit

- (1) Form 8864, Biodiesel, Renewable Diesel, or Sustainable Aviation Fuels Credit, is used to claim a credit for the tax year in which the sale or use occurs. The credit consists of:
 - Biodiesel Credit
 - Renewable Diesel Credit
 - Biodiesel Mixture Credit
 - Renewable Diesel Mixture Credit, and
 - Small Agri-Biodiesel Producer Credit
 - Sustainable Aviation Fuels Credit
- (2) For tax years 2006 through 2024, the credit can be claimed as a general business credit on Form 3800, General Business Credit. Taxpayers must attach Form 8864 to their return. See Form 8864 and *Instructions for Form 8864, Biodiesel, Renewable Diesel, or Sustainable Aviation Fuels Credit* for detailed information.
- (3) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.

Reference - IRC 40A

21.6.3.4.1.33
(10-01-2013)

Form 8896, Low Sulfur Diesel Fuel Production Credit

- (1) The Low Sulfur Diesel Fuel Production Credit generally is 5 cents for every gallon of low sulfur diesel fuel produced at a particular facility by a qualified small business refiner during the tax year.
Note: Although the qualified costs cannot be incurred after Dec. 31, 2009, the credit can be claimed until the total credits equal the qualified costs.
- (2) For Tax Year 2006 and subsequent, the credit can be claimed as a general business credit on Form 3800, General Business Credit. Taxpayers attach Form 8896 to their return. See Form 8896, Low Sulfur Diesel Fuel Production Credit, and its instructions, for detailed information.
- (3) To adjust the account based on the credit:

- a. Use TC 291 with a money amount to allow/increase the credit.
- b. Use TC 290 with a money amount to decrease the credit.
- c. Use RC 036 and the applicable *source code* and *blocking series*.

Reference - IRC 45H

21.6.3.4.1.34
(10-01-2021)
**Form 8900, Qualified
Railroad Track
Maintenance Credit**

- (1) Form 8900, Qualified Railroad Track Maintenance Credit, is generally used to claim a credit for qualified railroad track maintenance expenditures. Generally, the credit is an amount equal to 50% of the qualified railroad track maintenance expenditures paid or incurred by an eligible taxpayer during the tax year. For tax years beginning on or after January 1, 2023, the credit is reduced to 40%.

Note: Taxpayers are not required to complete or file this form if their only source for this credit is a partnership or S corporation. Instead, they can report this credit directly on line 4g in Part III of Form 3800, General Business Credit.

- (2) The credit must be claimed as a general business credit on Form 3800, General Business Credit.
- (3) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (4) See Form 8900 for detailed information.

Reference - IRC 45G

21.6.3.4.1.35
(10-01-2024)
**Form 8910, Alternative
Motor Vehicle Credit**

- (1) Form 8910, Alternative Motor Vehicle Credit, is used to claim a credit for the purchase of new qualified fuel cell motor vehicles. The credit is available for purchases through December 31, 2021, per IRC 30B.
- (2) A qualifying fuel cell vehicle is a motor vehicle that is propelled by power derived from one or more cells which convert chemical energy directly into electricity by combining oxygen with hydrogen fuel which is stored on board the vehicle in any form and may or may not require reformation prior to use.
- (3) The credit can be claimed as a general business credit on Form 3800, General Business Credit, if the vehicle is property that is subject to an allowance for depreciation.
- (4) See IRM 21.7.4.4.8.3.28, Form 8910, Alternative Motor Vehicle Credit, for more information.
- (5) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (6) See Form 8910 and the *Instructions for Form 8910, Alternative Motor Vehicle Credit*, for detailed information.

21.6.3.4.1.36
(10-01-2024)

**Form 8911, Alternative
Fuel Vehicle Refueling
Property Credit**

- (1) Form 8911, Alternative Fuel Vehicle Refueling Property Credit, is used to claim a tax credit for a portion of the cost of qualified alternative fuel vehicle refueling property placed in service after December 31, 2005, and before January 1, 2033, per IRC 30C. The refueling property may be used in the taxpayer's trade or business or installed at the taxpayer's principal residence. Taxpayers are allowed a credit of up to 30% of the cost of the installation of the qualified alternative fuel vehicle refueling property not to exceed:
 - \$30,000 for all property at a single location that is subject to depreciation and placed in service prior to January 1, 2023
 - \$100,000 per item of property subject to depreciation, placed in service after December 31, 2022
 - \$1,000 per location, for all other items at a single location, placed in service prior to January 1, 2023
 - \$1,000 per item, for all other items of property placed in service prior after December 31, 2022
- (2) The personal part of the credit is claimed on Form 1040, *Schedule 3*, Additional Credits and Payments. The business/investment part of the credit is claimed as a general business credit on Form 3800, General Business Credit, if the property is subject to an allowance for depreciation.
- (3) See IRM 21.7.4.4.8.3.29, Form 8911, Alternative Fuel Vehicle Refueling Property Credit, for more information.
- (4) To adjust the account based on the credit:
 - a. Use TC 291 with a money amount to allow/increase the credit.
 - b. Use TC 290 with a money amount to decrease the credit.
 - c. Use RC 036 and the applicable *source code* and *blocking series*.
- (5) See Form 8911 and *Instructions for Alternative Fuel Vehicle Refueling Property Credit*, for detailed information.

21.6.3.4.1.37
(10-02-2023)

**Form 8912, Credit to
Holders of Tax Credit
Bonds**

- (1) Form 8912, Credit to Holders of Tax Credit Bonds, is not available for bonds issued after December 31, 2017.
- (2) See *Instructions for Form 8912, Credit to Holders of Tax Credit Bonds*, for detailed information.

21.6.3.4.1.38
(02-02-2024)

**Form 8936, Clean
Vehicle Credits**

- (1) The Inflation Reduction Act (IRA) of 2022 made several changes to the Qualified Plug-In Electric Drive Motor Vehicle Credit (Including Qualified Two-Wheeled Plug-in Electric Vehicles and New Clean Vehicles), adding fuel cell vehicles (FCV) (IRC 30D) and a new credit for previously-owned clean vehicles (IRC 25E). The credits are generally available for vehicles placed in service beginning January 1, 2023, through December 31, 2032. For vehicles placed in service prior to 2023, see IRM 21.6.3.4.1.38.4, Qualified Plug-in Electric Drive Motor Vehicle Credit (Including Qualified Two-Wheeled Plug-in Electric Vehicles and New Clean Vehicles) (Tax Year 2022 and Prior).
- (2) Taxpayers attach Form 8936, Clean Vehicle Credits, to their return to claim either of the credits. They **must** attach a *Form 8936, Schedule A*, Clean Vehicle Credit Amount, including the vehicle identification number (VIN) for each vehicle they are claiming the credit.

- (3) **New Clean Vehicle Credit (IRC 30D)** – Taxpayers can receive up to a \$7,500 non-refundable credit (per qualifying vehicle) for the purchase of new clean vehicles providing the taxpayer and vehicle meet certain requirements. See IRM 21.6.3.4.1.38.1 (1-3), Form 8936, Clean Vehicle Credits - Qualifications.
- (4) **Previously-Owned Clean Vehicles Credit (IRC 25E)** - Taxpayers can receive up to a \$4,000 non-refundable credit for the purchase of an eligible previously-owned clean vehicle providing the taxpayer and vehicle meet certain requirements. The credit amount is the lesser of \$4,000 or 30% of the sales price of the previously-owned clean vehicle. See IRM 21.6.3.4.1.38.1 (4 and 5), Form 8936, Clean Vehicle Credits - Qualifications.
- (5) For more information on the Clean Vehicle Credit, see *Frequently Asked Questions About the New, Previously-Owned and Qualified Commercial Clean Vehicles Credit*.

21.6.3.4.1.38.1
(10-01-2024)
**Form 8936, Clean
Vehicle Credits -
Qualifications**

(1) **New Clean Vehicle Credit (IRC 30D)**

The credit amount depends on when the vehicle was placed in service. For vehicles placed in service from January 1, 2023 to April 17, 2023:

- \$2,500 base amount
- Plus \$417 for a vehicle with at least 7 kilowatt hours (kWh) of battery capacity
- Plus \$417 for each kWh of battery capacity beyond 5 kWh

Note: In general, the minimum credit is \$3,751 (\$2,500 + 3 times \$417), the credit amount for a vehicle with the minimum 7 kWh of battery capacity.

Example: For a vehicle with 11 kWh of battery capacity, the credit is \$5,419 (\$2,500 base amount, plus \$417 for a vehicle with at least 7 kWh of battery capacity, plus \$2,502 for the 6 kWh beyond 5 kWh).

For vehicles placed in service April 18, 2023 and after:

- \$3,750 if the vehicle meets the critical minerals requirement only
- \$3,750 if the vehicle meets the battery components requirement only
- \$7,500 if the vehicle meets both

(2) To be eligible for this credit, the taxpayer must:

- Purchase or lease the vehicle for personal use and not for resale
- Use the vehicle primarily in the United States
- Be the first owner of the vehicle
- Have a modified adjusted gross income (MAGI) that does not exceed: -

\$300,000 for married filing jointly, qualifying surviving spouse or qualifying widow(er)

- \$225,000 for head of household

- \$150,000 for all other filing statuses

Note: Taxpayers can use the MAGI from either the current or preceding tax year to meet the MAGI requirement.

(3) Qualified new clean vehicles must meet the following requirements:

- Manufactured primarily for use on public streets, roads, and highways (not including a vehicle operated exclusively on a rail or rails) and has at least 4 wheels
- Battery capacity of at least 7 kWh and capable of being recharged from an external source of electricity
- Gross vehicle weight rating (GVWR) of less than 14,000 pounds
- Manufactured by a qualified manufacturer that reports the vehicle identification numbers (VINs) and required information for each vehicle they manufacture to the IRS
- Final assembly completed in North America
- Meets one or both of the critical minerals and battery components requirements (as of April 18, 2023)
- Treated as a motor vehicle for purposes of title II of the Clean Air Act.
- The vehicle's manufacturer suggested retail price (MSRP) cannot exceed:
 - \$80,000 for vans, sport utility vehicles and pickup trucks
 - \$55,000 for other vehicles

Note: The MSRP is on the vehicle information label attached to each vehicle on a dealer's premises. It does not include destination charges, optional items added by the dealer, or taxes and fees. It may differ from the actual purchase price.

The registered dealer or seller of the vehicle must provide the buyer with a seller's report including the make, model, vehicle identification number (VIN) of the vehicle, the name and tax identification number of the taxpayer, the vehicle's battery capacity, verification that the vehicle's original use commences with the taxpayer, the maximum credit the taxpayer is permitted with respect to the vehicle, and, if elected by the taxpayer, any amount paid by the dealer to the taxpayer in exchange for the transfer of the credit to the dealer. See IRM 21.6.3.4.1.38.2 (4&5) for information about transferring the credit to the dealer. Dealers and sellers are not required to submit this to the IRS until tax year 2024 / processing year 2025.

(4) Previously-Owned Clean Vehicles Credit (IRC 25E)

To be eligible for this credit, the taxpayer must:

- Purchase the vehicle for personal use and not for resale
- Not be claimed as a dependent on another taxpayer's return
- Have not been allowed another previously-owned clean vehicle credit in the three-year period prior to the date the previously-owned clean vehicle is purchased
- Not be the original owner of the vehicle
- Use the vehicle primarily in the United States
- Have a modified adjusted gross income (MAGI) that does not exceed: -
 - \$150,000 for married filing jointly, qualifying surviving spouse or qualifying widow(er)
 - \$112,500 for head of household
 - \$75,000 for all other filing statuses

Note: Taxpayers can use the MAGI from either the current or preceding tax year to meet the MAGI requirement.

(5) Qualified previously-owned clean vehicles must meet the following requirements:

- Sale price of \$25,000 or less
- Model year at least two years earlier than the calendar year in which a taxpayer acquires the vehicle (e.g., a vehicle purchased in 2023 would need to be a model year 2021 or older)
- First time transferred to a qualified buyer after August 16, 2022
- GVWR of less than 14,000 pounds
- An eligible fuel cell vehicle (FCV) or plug-in electric vehicle (EV) with a battery capacity of least 7 kilowatt hours
- Manufactured by a qualified manufacturer that reports the VINs and required information for each vehicle they manufacture to the IRS
- Treated as a motor vehicle for purposes of title II of the Clean Air Act

Note: The registered dealer or seller of the vehicle must provide the buyer with a seller's report including the make, model, vehicle identification number (VIN) of the vehicle, the name and tax identification number of the taxpayer, the vehicle's battery capacity, the maximum credit the taxpayer is permitted with respect to the vehicle, and, if elected by the taxpayer, any amount paid by the dealer to the taxpayer in exchange for the transfer of the credit to the dealer. See IRM 21.6.3.4.1.38.2 (4&5) for information about transferring the credit to the dealer. Dealers and sellers are not required to submit this to the IRS until tax year 2024 / processing year 2025.

21.6.3.4.1.38.2
(07-31-2024)

**Form 8936, Clean
Vehicle Credits -
Account Information**

(1) Taxpayers who incorrectly calculate or do not include a *Form 8936, Schedule A*, Clean Vehicle Credit Amount, when filing their original return may be issued a math error during original processing. Due to limitations with VIN validation, if there is a VIN mismatch or duplicate VIN, **and** it is a paper return or there are more than two VINs on a Mef return, the account will be reviewed by SBSE. If after review, SBSE determines the VIN is invalid, they remove the credit and issue a Letter 474C. The account will have a math error but not a Taxpayer Notice Codes (TPNC). See paragraph (2) below for account notations. ERS assigns the following TPNCs for errors related to clean vehicle credits (CVC) identified during processing:

TPNC	Description
832	We didn't allow all or part of the amount claimed as Clean Vehicle Credits, Form 8936, on your return because the credit is limited to the total amount of your tentative tax liability.
833	We didn't allow all or part of the credit claimed as Clean Vehicle Credit on your return because one or more of the Vehicle Identification Number(s) (VIN) reported on <i>Form 8936, Schedule A</i> , Clean Vehicle Credit Amount, did not match our records.

TPNC	Description
835	We didn't allow the amount claimed as Clean Vehicle Credits amount on your tax return because <i>Form 8936, Schedule A</i> , was incomplete or not attached to your tax return.
836	We changed the amount claimed as Clean Vehicle Credit, <i>Form 8936</i> , on your tax return. The error was in the computation of the credit or in the transferring of the amount to your tax return.
837	We changed the amount claimed as Clean Vehicle Credit Amount <i>Form 8936, Schedule A</i> , on your tax return. The error in part II, Credit Amount for Business/Investment Use Part of New Clean Vehicle, was in the computation of the credit or in the transferring of the amount.
838	We changed the amount claimed as Clean Vehicle Credit Amount <i>Form 8936, Schedule A</i> , on your tax return. The error in Part III, Credit amount for Personal Use Part of New Clean Vehicle, was in the computation of the credit or in the transferring of the amount.
839	We changed the amount claimed as Clean Vehicle Credit Amount from <i>Form 8936, Schedule A</i> , on your tax return. The error in Part IV, Credit Amount for Previously Owned Clean Vehicle, was in the computation of the credit or the transferring of the amount.
841	We changed the amount claimed as Clean Vehicle Credit Amount <i>Form 8936, Schedule A</i> , on your return. The Placed in Service Date is not during the tax year of the return.
842	We changed the amount claimed as Clean Vehicle Credit Amount <i>Form 8936, Schedule A</i> , on your tax return. The error on <i>Form 8936, Schedule A</i> , is due to the computation of the credit exceeding the maximum vehicle credit amount allowed.
843	We changed the amount claimed as Clean Vehicle Credit. You figured or transferred your <i>Form 8936</i> , Clean Vehicle Credits, amount incorrectly to <i>Form 3800</i> .

- (2) Original tax returns claiming CVC are screened prior to posting to Master File. If the return meets the criteria for review, a TC 971 AC 831 with MISC: CVC posts to the tax module. A TC 570 generates and a -R freeze holds the entire overpayment. See IRM 21.5.6.4.35, -R Freeze, for more information.

Reminder: If the tax module contains a control in Monitor (M) status, do **not** send a 4442/e-4442 to the open control. Advise the taxpayer the return is still being reviewed and they will receive their refund or a letter once the review has been completed.

- (3) If the taxpayer contacts the IRS regarding a CVC math error (either a TPNC or Letter 474C response issued by SBSE), follow procedures in IRM 21.5.4.5, Math Error Procedures Processing. If the math error is specifically related to the vehicle's VIN, verify the VIN provided via the VIN Lookup Tool. See IRM 21.6.3.4.1.38.3(2), Form 8936, Clean Vehicle Credits - Adjusting the Account.

If	Then
VIN is valid	Adjust the account following IRM 21.5.4.5.4, Math Error Substantiated Protest Processing.
VIN is invalid - phone call	Explain the reason for the math error and provide the taxpayer with the VIN qualifications from IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications. If the taxpayer still requests an abatement, follow procedures in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.
VIN is invalid - correspondence	Follow procedures in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.

- (4) Beginning January 1, 2024, taxpayers may elect to transfer the entirety of their allowable new or previously-owned clean vehicle credit to a registered dealer to reduce the cost of a new or previously-owned clean vehicle. The election will be reflected on the taxpayers' 2024 tax module and reconciled on their tax year 2024 return filed in processing year 2025.
- A taxpayer may make no more than two transfer elections per taxable year (two transfers of the new clean vehicle (30D) credit or one 30D credit and one previously-owned clean vehicle (25E) credit). These limitations do not apply to the number of CVCs claimed on their return.
 - For previously-owned clean vehicles (25E), each individual may only claim (by credit transfer or on their return) one 25E CVC during any three-year period.
- (5) For 2024 tax modules, a TC 971 AC 830 is used to indicate the taxpayer has elected to transfer their CVC. The MISC field contains the VIN of the vehicle, the memo amount is the advance credit amount and the TC date is the date of purchase. If the taxpayer returns the vehicle to the dealer within a certain timeframe, the account will have a TC 972 AC 830.

21.6.3.4.1.38.3
(07-31-2024)
**Form 8936, Clean
Vehicle Credits -
Adjusting the Account**

- (1) To claim a Clean Vehicle Credit (CVC), the taxpayer attaches Form 8936, Clean Vehicle Credits, to their amended return. They **must** attach a *Form 8936, Schedule A*, Clean Vehicle Credit Amount, including the vehicle identification number (VIN) for each vehicle for which they are claiming the credit. If *Form 8936, Schedule A* is missing or incomplete, follow procedures in IRM 21.5.1.5.6, Incomplete CII Claims.
- (2) A separate Form 8936, Schedule A must be filed for each VIN used to claim CVC.
Use the VIN Lookup Tool on AMS to validate the VIN prior to determining the action to take on the account.

From AMS, select **Tools -> CLEAN ENERGY -> VIN Lookup**
Input the full VIN of 17 characters (letters and numbers) to search for the VIN.
The tool will respond as follows::

- If the VIN is valid, it will list the VIN under Results.
- If the VIN is not valid, it will say “VIN is invalid” in red right under the search bar. There will be nothing shown under Results.

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(3) If the claim is complete, refer to the chart below for processing:

Row Number	If	And	Then
1	VIN(s) were not claimed on original return		
2	VIN(s) are valid and were not claimed on original return	The vehicle and taxpayer meet all qualifications for the credit. See IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications.	Allow credit
3	VIN(s) were claimed on original return but not allowed	The vehicle and taxpayer now meet all qualifications for the credit. See IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications.	Allow credit

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Row Number	If	And	Then
4	VIN(s) are missing on Form 8936 Schedule A	Taxpayer claims CVC.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.
5	VIN(s) are not valid	Taxpayer claims CVC.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.
6	VIN(s) are valid and match original return VIN(s)	CVC allowed for same VIN(s) on original return.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.

Row Number	If	And	Then
7	VIN(s) are valid and were not claimed on original return	Prior year and current year modified adjusted gross income (MAGI) are greater than the maximum allowable. See IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications.	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in Letter 105C, "We cannot allow your claim for the (new/ previously-owned) clean vehicle credit because your Modified Adjusted Gross Income (MAGI) exceeds the maximum amount allowable based on your filing status."
8	VIN (s) are valid and were not claimed on original return	Placed in Service Date before 01/01/2023	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in Letter 105C, "We cannot allow your claim for the clean vehicle credit because the vehicle's placed in service date is prior to January 1, 2023."

Row Number	If	And	Then
9	VIN (s) are valid and were not claimed on original return	The CVC claim exceeds \$7,500 (New vehicle) or \$4,000 or 30% of the purchase price (Previously-owned vehicle) per vehicle	Issue a partial disallowance for the amount of credit in excess of what the taxpayer is entitled to. Follow IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in Letter 106C, "We can only allow "XX" of your claim for the (new/ previously-owned) clean vehicle credit because your claim exceeds the maximum allowable credit."
10	VIN (s) are valid and were not claimed on original return	Vehicle for Business Use (Part II) is claimed and there is no Schedule C or Schedule F attached to the return.	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in Letter 105C, "We cannot allow your claim for the Credit for Business/ Investment Use Part of the New Clean Vehicles on Form 8936, Clean Vehicle Credits, because your return does not include any business income."

Row Number	If	And	Then
11	There is a control base present (category code CVCR) or if the account contains an unreversed TC 971 AC 831 with MISC CVC (indicating the original return is still pending prepayment compliance review).	Taxpayer claims CVC	

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(4) To allow the credit:

- a. Math verify Form 8936
- b. Use TC 291 with a money amount to allow/increase the credit.
- c. Use TC 290 with a money amount to decrease the credit.
- d. Use RC 233 and the applicable *source code* and *blocking series*.

Note: Prior to May 2024, RC 036 was used for CVC adjustments.21.6.3.4.1.38.4
(02-02-2024)

Qualified Plug-in Electric Drive Motor Vehicle Credit (Including Qualified Two-Wheeled Plug-in Electric Vehicles) (Tax Year 2022 and Prior)

(1) **For tax years 2022 and prior** - Form 8936, Qualified Plug-In Electric Drive Motor Vehicle Credit (Including Qualified Two-Wheeled Plug-in Electric Vehicles), is used to claim a credit for qualified vehicles. The credit is capped at \$2,500 for two-wheeled plug-in electric vehicles and \$7,500 for other qualified plug-in electric drive motor vehicles, per IRC 30D.

(2) Eligible vehicles must be placed in service as follows:

- Qualified two-wheeled plug-in electric vehicles - acquired before but placed in service in 2022
- Qualified plug-in electric drive motor vehicles - placed in service before 2023

(3) The personal part of the credit is claimed on Form 1040, *Schedule 3*, Additional Credits and Payments. The business/investment part of the credit is claimed as a general business credit on Form 3800, General Business Credit, if the vehicle is property subject to an allowance for depreciation.

(4) See IRM 21.7.4.4.8.3.38, Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit, for more information.

(5) To adjust the account based on the credit:

- a. Math verify Form 8936.
- b. Use TC 291 with a money amount to allow / increase the credit.
- c. Use TC 290 with a money amount to decrease the credit.
- d. Use RC 036 and the applicable *source code* and *blocking series*.

(6) See Form 8936 for detailed information.

21.6.3.4.1.39
(10-01-2024)

**Form 8941, Credit for
Small Employer Health
Insurance Premiums**

- (1) Generally, IRC 45R offers a non-refundable tax credit to certain eligible small employers that provide health insurance coverage to their employees.
- (2) The credit is designed to encourage small employers to offer health insurance coverage to their employees for the first time or to maintain existing coverage. The credit is effective for taxable years beginning in 2010. The credit is calculated on Form 8941, Credit for Small Employer Health Insurance Premiums, and is claimed on Form 1040. Impacted IMF taxpayers could be Schedule C or F sole proprietors with employees, Schedule H household employers, or Schedule E filers.
- (3) In order to qualify for the credit, the small employer must have met the following conditions:
 - a. Have fewer than 25 full-time equivalent (FTE) employees for the tax year, and
 - b. Employees must have an average annual wage of less than \$64,800 for 2024, \$61,400 for 2023, \$57,400 for 2022 or \$56,000 for 2020 and 2021 per FTE, and
 - c. Paid a uniform percentage (not less than 50%) of the premiums for each employee enrolled in single (employee-only) coverage and no less than an equivalent amount for each employee enrolled in family coverage, and
 - d. Participated in the Small Business Health Options Program (SHOP), unless they qualify for transition relief as indicated on Form 8941.

Note: More information about the SHOP can be found at *HealthCare.gov*.

- (4) For tax year 2014 and subsequent, the maximum health insurance credit is generally equal to 50% of the lesser of the premiums paid by the employer, subject to a cap determined by the small group market in the rating area in which the employee enrolls for coverage.
- (5) The credit phases out gradually for the eligible small employers if the number of FTEs exceeds 10 or if the average annual wages exceed \$32,400 for 2024, \$30,700 for 2023, \$28,700 for 2022, or \$27,800 for 2021. For an employer with both more than 10 FTEs and average annual wages exceeding those amounts, the total reduction is the sum of the two reductions. This may reduce the credit to zero for some employers in this instance. See *Notice 2010-44* for specific information on computing the phase out credit.
- (6) For tax years 2014 and subsequent, the credit is limited to 2 consecutive taxable years. Command Codes (CC) ENMOD and IMFOLE displays a 45R year indicator (in a 45R YR1 > YYYY / 45R YR2 > YYYY format).

Exception: Schedule E filers are not subject to the limitation (identified by Form 8941 with only lines 15 and/or 16 completed). The indicator is not set.

- (7) The small business credit for the qualifying Schedule C or F small proprietor and Schedule H household employer is claimed on Form 8941, carried onto Form 3800 and then onto Form 1040. Schedule E filers, whose only source of this credit is from a pass-through entity, are not required to complete Form 8941. Instead, they can report this credit directly on Form 3800.
- (8) This credit is a non-refundable general business credit for taxable employers. For certain tax-exempt employers, the credit is refundable.

- (9) Verify the taxpayer has filed a Schedule C, E, F or H. If neither schedule was filed, follow no consideration procedures.
- (10) Action required:

IF	THEN
Tax year 2014 or subsequent amended returns	<ul style="list-style-type: none"> Verify the SHOP checkbox on Form 8941 was checked "yes." If checked "no," disallow the claim. If checked yes and no or blank, reject as an incomplete claim. Verify the 45R year indicator on CC ENMOD. Update the 45R year indicator using CC ENREQ / INCHG. Ensure the 1st and 2nd year indicators accurately display the year(s) the credit was claimed. If the taxpayer is trying to claim the credit for a 3rd year, disallow the claim. <p>Caution: Updates to the 45R year cannot be done in the same input as an address change or name change.</p> <p>Note: On joint returns, the 45R year indicator is displayed on the entity of the SSN reported on the Form 8941. In cases where both spouses file a Form 8941, the indicator is present on both spouse's entity</p> <p>Note: To remove the indicator, input 9999 in the 45R YR field.</p>
Any year	<ul style="list-style-type: none"> Math verify the Form 8941. Input a TC 291 to increase the credit. Input a TC 290 to decrease the credit. Input item reference number 870 to increase or decrease the credit. For example, when increasing the credit for \$500, input an item reference number 870 \$500 along with your TC 291 \$500-. <p>Note: Item reference number 870 is effective for tax year 2011 and subsequent.</p>

- (11) Control amended returns claiming the 45R credit using category code ACAX (program 40320) and correspondence using category code ACA7 (program 40310).
- (12) See *Instructions for Form 8941, Credit for Small Employer Health Insurance Premiums*, for more specific information. Additional information can be found on *Small Business Health Care Tax Credit and the SHOP Marketplace | Internal Revenue Service*.

21.6.3.4.1.40
(10-01-2024)
Form 8994, Employer Credit for Paid Family and Medical Leave

- (1) IRC 45S established a non-refundable tax credit for eligible employers that provide paid family and medical leave. The credit is equal to a percentage of wages (ranging from 12.5% to 25%) paid to qualifying employees while on family and medical leave. For more information, see *Notice 2018-71*.
- (2) The credit applies to wages paid in taxable years beginning after December 31, 2017, and before January 1, 2026. The credit is claimed on Form 8994, Employer Credit for Paid Family and Medical Leave, and carried to Form 3800, General Business Credit. Impacted taxpayers could be Schedule C or Schedule F sole proprietors with employees, Schedule H household employers, or Schedule E filers.

- (3) To be eligible for the credit, an employer must have a written policy in place that satisfies certain requirements:
- The policy must cover all qualifying employees; that is, all employees who have been employed for a year or more and total preceding year compensation did not exceed more than a certain amount; \$90,000 for tax year 2024, (\$81,000 for 2023 or \$78,000 for 2022 and 2021). This amount could change yearly for cost-of-living increases. See IRC 45S(d)(2) and IRC 414(q)(1)(B)(i) for additional information.
 - The policy must provide at least two weeks of annual paid family and medical leave for each full-time qualifying employee and at least a corresponding amount of leave for each part-time employee.
 - The policy must provide for payment of at least 50% of the qualifying employee's wages while the employee is on leave.
 - If an employer employs qualifying employees who are not covered by title I of the FMLA, the employer's written policy must include language providing "non-interference" protections, as described in IRC 45S(c)(2)(A).

Any leave paid by a state or local government or required by State or local law is not considered for any purpose in determining the amount of paid family and medical leave provided by the employer.

- (4) The credit is limited to the employee's normal hourly wage rate for each hour (or fraction) of actual services performed for the employer and the number of hours (or fraction of) for which family and medical leave is taken. Non-hourly wages earners are prorated to an hourly rate.
- (5) Control amended returns reporting Form 8994 using category code "TRFX", correspondence about the form using "TRFC".
- (6) See Exhibit 21.5.3-3, Examination Criteria (CAT-A) - Credits, for applicable criteria.
- (7) To adjust the account based on the credit:
- a. Verify Form 8994 is complete, attached to the return, and reported on Form 3800.
 - b. Input TC 291 with a money amount to allow / increase the credit.
 - c. Input TC 290 with a money amount to decrease the credit.
 - d. Input RC 172 and the applicable *source code* and *blocking series*.

21.6.3.4.2
(10-02-2023)

Refundable Credits

- (1) Refundable credits addressed in this section are:
- Withholding (W/H)
 - Estimated tax (ES) payments
 - Excess Social Security and Railroad Retirement Tax Act (RRTA) Tax Credits
 - Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains
 - Form 4136, Credit for Federal Tax Paid on Fuels
 - Earned Income Tax Credit (EITC)
 - Additional Child Tax Credit
 - Form 8885, Health Coverage Tax Credit
 - Form 5405, First-Time Homebuyer Credit

- Form 8863, Education Credits (Refundable American Opportunity Credit)
- Form 8962, Premium Tax Credit
- Economic Impact Payments
- Recovery Rebate Credit
- Credit for Sick Leave and Family Leave

Note: For tax year 2021 only, the Child and Dependent Care Credit is refundable, but procedures are addressed in the non-refundable credit section. See IRM 21.6.3.4.1.3.2, Refundable Child and Dependent Care Credit.

- (2) In lieu of a refund, taxpayer may request all or a portion of the overpayment to be credited to the subsequent tax year as an estimated payment.
- (3) If the credit requires a qualifying child, use CC INOLE to verify the name control, TIN, and date of birth of the qualifying child.
- (4) When refundable credits requiring TIN validation are claimed, see IRM 21.6.1.7, Command Code DUPED and DDBCK, for proper use of CC DUPED and CC DDBCK for updating the Duplicate TIN database.

21.6.3.4.2.1
(10-03-2022)

**Outstanding Balance
Considerations Prior to
Refund or Credit-Elect**

- (1) An overpayment is refunded or applied as credit-elect only after all other outstanding obligations are satisfied (spousal obligations, non-tax debts, etc.).

Reminder: If a manual refund is planned, be sure to check Non-Master File accounts for any outstanding balance.

Row Number	If	And	Then
1	A tax return for a period more than one year prior to the current processing year	The "TO" module (module to be credited) is exactly one year later (not a short period), and/or does not contain TC 150	A credit-elect is generated, for the first attempt only.
2	The credit-elect posted is less than the original return requested. The UNAPPLD-CR-ELECT field on CC TXMOD displays the amount of unapplied credit elect from the return.	The date is prior to the end of the processing year in which the credit-elect originated	The computer continues to auto-offset as more credit becomes available until the full credit elect amount is satisfied. Example: A credit elect from 2022 to 2023 is systemically applied thru Dec. 31, 2023. The adjustment must be posted by the end of the year.
3	The credit-elect posted is less than the original return requested. The UNAPPLD-CR-ELECT field on CC TXMOD displays the amount of unapplied credit elect from the return.	The date is after the end of the processing year in which the credit-elect originated	Credit-elect is transferred with TC 830 / TC 710 (use hold code on adjustment).
4	An additional credit-elect amount should be applied	<ul style="list-style-type: none"> The date is after the end of the processing year The credit is greater than the "UNAPPLD-CR-ELECT" amount The "UNAPPLD-CR-ELECT" field is not displayed 	Credit-elect is transferred with TC 830 / TC 710 (use hold code on adjustment).
5	A TC 832 was previously input	A math/clerical error indicator is present	The computer won't generate a secondary TC 836.
6	Taxpayer's claim requests application of an overpayment as credit-elect to the next year	The computer-generated credit-elect auto-offset capability has ended	Credit-elect is transferred with TC 830/710 (use hold code on adjustment).

Note: Computer-generated credit-elects greater than \$24.99 are compared against a non-tax debtor file provided by Bureau of the Fiscal Service (BFS). If a debt is found, a refund is issued up to the amount of the debt for offset by BFS. Remaining credit, if any, is applied to the subsequent tax period.

21.6.3.4.2.2
(07-31-2024)

**Withholding (W/H) Tax
Credit**

- (1) Employers are required to withhold income tax on wages paid to employees. A Form W-2, Wage and Tax Statement, is issued to the employee by February 1 following the end of the tax year. This form shows the wages and the total withholding (W/H) deducted for the year. The amount withheld is allowed as a credit to the employee on the employee's individual tax return.
- (2) For information on Backup Withholding (BUWH), see IRM 21.7.4.4.10, Federal Income Tax Withheld (FITW)/Backup Withholding (BUWH) on Income Tax Returns.
- (3) Federal income tax is deducted (withheld) from various other types of income which the taxpayer receives. Verify the W/H amount is picked up from the correct box.
- (4) Taxpayer must furnish:
 - Form W-2, Wage and Tax Statement, or
 - Form W-2G, Certain Gambling Winnings, or
 - Form 1099-R, Distribution from Pensions, Annuities, Retirement, or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. or
 - Form 4852, Substitute for Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRA, Insurance Contracts, etc., or
 - Form 8959, Additional Medicare Tax (see IRM 21.6.4.4.18, Additional Medicare Tax, or
 - Schedule K-1, or
 - Similar documentation.
- (5) Examine all documents and related information before making adjustments or answering taxpayer inquiries.
- (6) Do not return an original Form W-2, Copy C, to the taxpayer. If no adjustment is necessary, re-file with the original return. If filed electronically, destroy as classified waste. Treat photocopies as classified waste.
- (7) If a taxpayer receives a notice showing math error code 283 or 582, refer to IRM 21.5.4, General Math Error Procedures.

Exception: Unsubstantiated math error processing cannot be used for withholding errors, continue with the procedures below.

- (8) Consider the following before deciding to allow the W/H:

Row Number	If	Then
1	income amount on Form W-2 or other income document and cannot be verified per CC IRPTR.	No consider the claim. Note: If an ITIN, see (12) below.
2	The W/H amount is equal/similar to the FICA (Social Security and Medicare taxes) on the same amount of income.	The taxpayer has mistaken FICA for W/H. Allow W/H amount from the Form W-2.
3	no entries are in the "payment" section of the return.	Do not adjust the taxpayer's figures. (Code and Edit allowed the amount as "W/H" during processing.)
4	If CC RTVUE shows W/H was reported/ transcribed as refundable credit (i.e., EITC, ES payment).	Adjust the withholding.
5	Form 1099-R or Schedule K-1 shows the credit as back-up withholding.	Allow taxpayer's figures.

The following examples indicate fraudulent income and or withholding is being reported. Refer to IRM 21.5.3.4.16.7, Identifying Frivolous Returns/ Correspondence and Responding to Frivolous Arguments, for more information on referring the claim to Ogden.

request, if **ALL** the following criteria are met:

- a. The W/H credit amount was incorrectly reported, incorrectly processed, or not reported at all.

- b. The W/H relates to income already included on the original, a previously processed amended return or the amended return currently being processed.
 - c. A previous adjustment has not been made to the W/H tax credit for this module.
 - d. Paragraph (10) does not apply.
- (10) If the withholding exceeds the threshold in (9) **AND** documentation (paper or electronic copy of income documents (W-2, 1099, etc), is not available, **OR** the withholding associated with social security (SSA) benefits or other types of income is questionable (regardless of the tolerance in (9)), use CC IRPTR, or the Transcript Delivery System (TDS), to access a summary of the Information Returns Master File data extracted from Forms W-2/W-2G and Forms 1099.

Exception: RICS identifies potential withholding mismatches on electronically filed amended return with a TC 971 AC 123 MISC 1040X INC MISMATCH. In this case, IRP data is the only acceptable substantiation for withholding increases. Only allow up to the amount of withholding shown on CC IRPTR.

- If the withholding is substantiated and all the income is reported, allow the withholding, up to the amount requested on the amended return. When allowing withholding based on CC IRPTR, see IRM 21.5.1.4.12, Tolerances, paragraph 1 (NOTE), for questionable responses.
 - If the withholding is not substantiated or the income is not reported, “no consider” the claim following procedures in IRM 21.5.3.4.6.3, No Consideration Procedures.
 - If the withholding is only partially substantiated, see IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.
 - If the taxpayer reports income resulting in a tax increase and additional withholding is not verifiable, follow procedures in IRM 21.5.3.4.1.1, Tax Increase and Credit Increase Processing. For electronically filed amended returns with a TC 971 AC 123 MISC 1040X INC MISMATCH on the account, if the taxpayer responds with a paper copy of the income document (W-2, 1099, etc.), it can be used as substantiation.
- (11) If the taxpayer is amending the income and or withholding and the tax module contains a TC 971 AC 123 MISC 1040X INVALID IDOC, see IRM 21.5.3.4.18.4, Electronically Filed Amended Returns with Potential Bogus EIN/ False Income TC 971 AC 123.
- (12) Federal Income Tax Withholding (FITW) reported, or should be reported, on a Form 1041, U.S. Income Tax Return for Estates and Trusts, in the Trust’s or Estate’s name and Employer Identification Number (EIN) **CANNOT** be transferred from the Trust or Estate to an individual taxpayer’s (beneficiary’s) Form 1040, U.S. Individual Income Tax Return, account. There are no provisions of law that allow us to distribute FITW to beneficiaries. Backup withholding distributed to the beneficiary is reported on Schedule K-1.

Exception: Withholding on a grantor trust can be reported on an individual return. For information about a grantor trust, see IRM 21.7.4.4.1.1.3, Types of Trusts.

- (13) A taxpayer not eligible for an SSN must use an ITIN when filing their return. The taxpayer provides an SSN to the employer to obtain employment. Thus,

the employer withholds income tax on the taxpayer's wages under the SSN the taxpayer provided, and any Form W-2 or Form 1099 filed with the IRS contains the SSN.

Note: For inquiries about Form 1042-S, see IRM 21.8.1.12.14, 180-Day Interest Free Period for Chapter 3 and Chapter 4 Withholding or Withholding on section 1446.

- a. When the taxpayer files their return and claims the credit for income tax withheld, the taxpayer must demonstrate they truly earned wages for which the withholding credit is being claimed before the IRS can allow the credit. The taxpayer can provide documentation such as Form W-2, Form 1099, a pay stub, earnings statement, or a statement from their employer to verify the amount of federal income tax withheld.
- b. When an ITIN taxpayer files an amended or supplemental return and the additional income and/or withholding is reported under an SSN, or when the name on the return doesn't match the name on the W-2, if you are able to verify the wages and withholding have been reported using CC IRPTR (under the ITIN or SSN), allow the income and withholding. If the wages and withholding cannot be verified on current year returns prior to IRPTR being fully loaded, document the CII case information on an e-4442, Inquiry Referral (by selecting the AMS category "RICS IVO ITIN Only Wage/WH Verification") and route to Return Integrity Verification Operations (RIVO). Suspend the CII case. Within 30 days, RIVO verifies the income and withholding, adds history to AMS stating "income verified good" or "unable to verify income", and updates the IDRS control base activity to alert the employee RIVO's process is complete. Allow or disallow the claim based on RIVO's response, or based on IRPTR for prior years, see IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.

Note: Do not request verification of income and/or withholding allowed during original processing.

21.6.3.4.2.2.1
(10-04-2023)
**Withholding
Adjustments**

- (1) Check for possible estimated tax (ES) penalty changes. (Refer to IRM 20.1.3, Estimated Tax Penalties)

If	And	Then
TC 176/177 is on the module	N/A	the ES penalty is systemically recomputed Reminder: Priority Code 8 is not required.
TC 170/171 is on the module	Document Locator Number (DLN) doc code is 17, 18, 24, 47, 51, 52 or 54	<ul style="list-style-type: none"> Manually recompute and adjust the ES penalty as necessary. Refer to IRM 20.1.3.2.2, Manual Penalty Adjustments. Priority Code 8 is not required if a TC 170 or TC 171 is input. Priority Code 8 is required if the ES penalty is not being adjusted.
TC 170 is on the module	Has the same DLN as the TC 150 (DLN doc code is not 17, 18, 24, 47, 51, 52, or 54)	The ES penalty systemically recomputed Reminder: Use of Priority Code 8 is not required.

#

(2) Input an adjustment to allow the W/H credit using:

- a. TC 290 .00, if no tax change is required.
- b. CRN 806 to increase the posted credit, or CRN 807 with a minus (-) to decrease the posted credit.

Note: If decreasing the withholding because the taxpayer overstated their federal income tax withholding credit on a previously filed return or claim for refund, see IRM 21.4.5.5.3, Category B Erroneous Refunds, to ensure using a TC 807 is correct.

- c. RC 051 with the applicable *source code* and *blocking series*.

21.6.3.4.2.3
(04-22-2024)

Estimated Tax (ES)

(1) Estimated tax (ES) is the method used to pay:

- Tax on income not subject to withholding
- Tax when the amount withheld is not enough
- Income tax and self-employment tax, as well as other taxes and amounts reported on the return

Note: See Form 1040-ES, Estimated Tax for Individuals, Publication 17, *Your Federal Income Tax (For Individuals)*, and Publication 505, *Tax Withholding and Estimated Tax*, for detailed information on ES payments and penalty.

(2) ES payments are submitted with Form 1040-ES. Payment due dates for a calendar year return (unless the due date falls on a Saturday, Sunday, legal holiday, or as otherwise extended) are:

- April 15

- June 15
- September 15
- January 15 of the following year

Note: If the tax return is filed and remaining tax due paid by January 31, the taxpayer doesn't need to make the January 15 payment.

- (3) Prior to providing information about ES payments, refer to IRM 21.1.3.2.3, Required Taxpayer Authentication, and IRM 21.1.3.3, Third-Party (POA/TIA/F706) Authentication, if necessary.
- (4) Taxpayer requests to apply current year ES payments to a previous year's outstanding tax liability cannot be honored. IRC 6402(a) provides that in the case of an overpayment, the Secretary, within the applicable period of limitations, may credit the amount of the overpayment against any liability in respect of an internal revenue tax on the part of the person who made the overpayment and shall refund any balance to such person. The IRS is authorized to make a refund only if an overpayment exists. Therefore, the IRS does not have the authority to apply an ES installment to an outstanding tax liability until the ES installment constitutes an overpayment. An "overpayment" cannot be determined until after the close of the tax year when the tax liability is determined.

Exception: The restriction above does not apply to a payment incorrectly processed as an ES payment due to an IRS processing error. This can be verified by reviewing the payment document and/or requesting the payment Document Locator Number (DLN).

Exception: Obvious taxpayer errors, such as AMS history shows the taxpayer called for a payoff amount and that amount posted as an ES payment.

- (5) If an estimated tax payment is processed incorrectly and is erroneously refunded to the taxpayer, advise the taxpayer to write VOID on the check and return it with an explanation and documentation to support it was intended as an ES payment.
- (6) If the taxpayer is not liable for ES payments based on the account history (i.e., no prior ES payment history, SE income, etc.), or current income situation, and a payment is posted as an ES payment, it can be refunded back to the taxpayer. Disregard any properly completed ES voucher. The payment can either be refunded back to the taxpayer or applied to the correct year's balance due.
- (7) Taxpayers who do not report payments they made (ES payments or a credit

Incomplete for Processing, asking them to verify the dates and amounts of these payments. If a taxpayer calls in response to the 12C letter, do not provide the payment amounts, dates or a transcript of the account. Advise the taxpayer to respond in writing to the address provided on the letter.

21.6.3.4.2.3.1
(06-10-2024)
**Estimated Taxes for
Decedents**

- (1) Deceased taxpayers are liable for ES payments due on installment due dates occurring prior to the date of death.
- (2) When the primary taxpayer on a joint return is the decedent:

- a. The TC 150 posts with a Computer Condition Code (CCC) "F" and filing status 2.
- b. The secondary taxpayer account (if not currently on Master File) is established with a generated TC 000, blocking series 999.
- c. The TC 000 generated on the secondary taxpayer's account is resequenced for one cycle.
- d. One cycle after the TC 150 posts on the primary decedent's account the computer automatically transfers credit-elect and/or payment(s).

(3) If any of the following conditions occur, a transcript will generate.

If	And	Then
A return is filed showing the primary taxpayer as deceased with credit-elect requested	The secondary (surviving spouse) account was not established during the settlement cycle	A "CR EL DECD" transcript generates.
A return is filed showing the primary taxpayer as deceased with ES payments on the subsequent tax period	The secondary account was not established during the settlement cycle	A "DECD ES CR" transcript generates.
A TC 540 posts for the primary taxpayer	There are payments or credits on the deceased taxpayers account	A "DECD ES CR" transcript generates.

(4) Resolve transcripts as indicated below:

Row Number	If	And	Then
1	Computer transcript "DECD ES CR" generates.	There's evidence a return will post, such as: <ul style="list-style-type: none"> • it is prior to the filing deadline • there is a TC 460 on the account • research shows the return is still in processing (i.e., TC 610 on account) 	Suspend/monitor case until the return posts, or after the return due date (or extended due date), or Cycle 26 (for accounts with TC 610). If the return posts to the secondary (surviving spouse's) account, transfer payment(s) to secondary (surviving spouse). If the extension date (TC 460) or Cycle 26 (TC 610) passes and the return does not post, follow instructions in the "Then" box immediately below.
2	Computer transcript "DECD ES CR" generates on the primary taxpayer's year of death or prior.	A return has not been filed yet	Leave a case note and close the case unless you receive correspondence or a phone call from the secondary (surviving spouse) requesting the payment(s) be moved. If you can confirm the payment was intended for a joint return (voucher on RTR), send the secondary (surviving spouse) a Letter 112C advising of the payments on the primary SSN so they may request the payment be moved to the secondary account.
3	Computer transcript "DECD ES CR" generates on the primary taxpayer's year of death or prior.	A return posts after the transcript generates	If other account conditions are present, follow appropriate procedures (e.g., IRM 21.5.6.4.48 (1c), -X Freeze). If the account is settled (no credit on account), leave a case note and close your CII case.
4	Computer transcript "CR EL DECD" or "DECD ES CR" generates	The secondary account is not established within two cycles of the transcript and both the valid and invalid SSNs were researched to determine the payment(s) should be applied to the secondary taxpayer	<ol style="list-style-type: none"> 1. Input TC 000. 2. Transfer the credit-elect, payment(s), and/or ES payment(s) to the surviving spouse's account.

Row Number	If	And	Then
5	Computer transcript "CR EL DECD" or "DECD ES CR" generates	The secondary account is established on either the valid or invalid SSN	Transfer credit elect or ES payment(s) to the surviving spouse's account.
6	Either transcript generates	The entity is erroneously coded as deceased	See (6) below.
7	Either transcript generates	Both taxpayers are deceased	Send a Letter 112C, Payment/Overpayment/Credit Applied; No Record of Return Filed, to the address on record.
8	Either transcript generates	The credit is statute barred from refund	Prepare Form 8758, Excess Collections File Addition. See IRM 3.17.220.2.2.1, Preparation of Form 8758.

Note: If you encounter a scenario not listed in the table above, consider whether a joint return can still be filed, other account conditions and what information you can disclose to the surviving spouse before proceeding with the path most closely related to your case.

- (5) During phone contact or when corresponding with the secondary spouse, advise them to do the following:
 - Download Form 1040-ES, Estimated Tax for Individuals, from IRS.gov.
 - Remit future ES payments under their own SSN.
 - Update their name with SSA or advise them to hyphenate their name when filing (if CC INOLE shows a discrepancy).
- (6) When referred from the table above, check CC INOLE for a date of death:
 - If present, advise the taxpayer they need to contact the Social Security Administration (SSA) to have their record corrected.
 - Research all modules for a TC 540.
 - a. If the DLN of the TC 540 is 28277-111-11111-Y, an input of a TC 542 unposts. Updated data must come from SSA.
 - b. If DLN 28277-111-11111-Y is present and CC INOLE does not show a date of death, provide the SSN to your Planning & Analysis staff so they can forward to the author of IRM 21.5.6. The account requires a manual correction to reverse the TC 540, which is done by contacting Information Technology.
 - If the DLN is not as shown above, input a TC 542 to reverse the TC 540.

21.6.3.4.2.3.2
(10-01-2012)

**Estimated Tax Joint
Allocation**

- (1) If both spouses file separate returns that divide the aggregate amount of the ES payments between them, this is evidence the parties reached an agreement on the allocation and there is nothing for you to allocate.
- (2) Use the following table for all other ES payments and joint allocation issues:

Row Number	If	And	Then
1	Taxpayer requests to have all or a portion of ES payments and/or credit elect credited to their individual account	You determine the taxpayer made separate ES payments (request the ES voucher, if necessary).	<ul style="list-style-type: none"> You must determine the taxpayer's share of joint liability for the credit elect overpayment. Transfer the ES payment to the separate account. Transfer the allocated portions of credit elect.
2	Taxpayer requests to have all or a portion of ES payments credited to their individual account	You determine the taxpayer made joint ES payments	Advise the taxpayers they must allocate the payments between themselves.
3	Taxpayer has been previously advised the payments must be allocated	Both taxpayers cannot agree on an allocation of the joint payments	Advise taxpayer to submit a computation indicating the allocation of the ES credit in proportion to each spouse's separate tax.
4	Taxpayer submits computation with the allocation	N/A	Transfer the allocated ES credit to taxpayer's account. (Apply in four equal installments, unless directed otherwise.)
5	Taxpayer cannot provide an allocation of joint payment	You can determine allocation of payments per ratio of each spouse's separate tax	Transfer the allocated ES credit to taxpayer's account. (Apply in four equal installments, unless directed otherwise.)
6	Taxpayer resides in a community property state	N/A	Refer to Pub. 555, Community Property.

21.6.3.4.2.3.3
(10-01-2015)

**Estimated Tax Form
1041-T (Trusts)**

- (1) A trust fiduciary may elect to treat any amount of ES payment(s) for any tax year of the trust as a payment made by the beneficiary of the trust.
- Input TC 290 .00, if no tax change is required.
 - To transfer the credit appropriately, refer to IRM 21.7.4.4.1.12, Form 1041-T, Allocation of Estimated Tax Payments to Beneficiaries.
 - Use the applicable SC, RC(s), and blocking series.

- (2) For information on balance due notices on IMF accounts involving Form 1041-T, Allocation of Estimated Tax Payments to Beneficiaries, credit transfers, see IRM 21.7.4.4.1.12.4, Balance Due Notices on IMF Accounts.

21.6.3.4.2.3.4
(10-01-2007)

**Forms 1041-T Filed by
Electing Small Business
Trusts (ESBTs)**

- (1) Treasury Regulation section 1.641(c)-1(a) provides guidelines that an ESBT is treated as two separate trusts for purposes of determining income tax. For complete instructions about ESBTs, refer to IRM 21.7.4.4.1.1.3, Types of Trusts.

21.6.3.4.2.4
(10-01-2024)

**Excess Social Security
and Railroad Retirement
Tax Act (RRTA) Tier I Tax
Credits**

- (1) Employees are subject to social security tax and the equivalent portion of the RRTA Tier I Tax based on the following wage limitations:

YEAR	MAXIMUM SOCIAL SECURITY WAGES	PERCENT EMPLOYEE TAX W/H	MAXIMUM SOCIAL SECURITY TAX W/H
2024	\$168,600	6.2	\$10,453.20
2023	\$160,200	6.2	\$9,932.40
2022	\$147,000	6.2	\$9,114.00
2021	\$142,800	6.2	\$8,853.60
2020	\$137,700	6.2	\$8,537.40

- (2) Employees are subject to the employee portion of Medicare tax (shown separately on Form W-2, Wage and Tax Statement), at the rate of 1.45%. There is no wage base limit for Medicare tax. All wages are subject to the tax. Thus, there is no excess Medicare tax credit.
- (3) For withholding purposes, the above social security tax (and equivalent portion of the RRTA Tier I tax) maximum applies separately with respect to each employer for whom an employee works. If an employee works for one employer and receives the maximum social security wages and also works for another employer in the same calendar year, the second employer is also required to deduct social security tax from the employee's wages up to the maximum social security tax.
- (4) If more than the maximum social security tax (or equivalent portion of the RRTA Tier I tax, or more than 6.2%) is deducted from the wages of the employee, the employee can receive a credit for the social security tax or RRTA Tier I withheld more than the maximum social security tax or RRTA Tier I tax. This credit is available only if such withholding is the result of the employee working for two or more employers. This credit is taken on Form 1040 / Form 1040-SR, *Schedule 3*, Additional Credits and Payments
- (5) If an employee has more than the maximum social security or RRTA Tier I taxes deducted from their total wages, the action depends on the information entered on the Forms W-2 received by the employee.

If	Then
<p>The employee has one Form W-2 on which more than the maximum social security or RRTA Tier I tax was withheld</p>	<p>Release the -A freeze, if applicable, send Letter 404C, FICA / Railroad Retirement Tax Withheld in Excess; Instructions for Claiming Credit, and advise the taxpayer:</p> <ul style="list-style-type: none"> You cannot claim excess social security withheld from the same employer as a credit against your income tax. Contact the employer to get a refund of the excess social security tax withheld. If you cannot obtain reimbursement from the employer, you need a signed statement from the employer indicating the employee had not authorized employer to file a claim, nor had employee been reimbursed for amount over-withheld. Submit Form 843. <p>If the taxpayer files a Form 843:</p> <p>Claims for excess social security - use the Update Case Data function on CII to change the information as follows:</p> <p>Doc Type: Correspondence 94X MFT: 01 Category: PHZ1 Program: 10006</p> <p>Select the BMF campus (Cincinnati or Ogden) based on the following. Do not route to the address below.</p> <p>Andover, Austin, Memphis, and Philadelphia - reassign to Cincinnati Atlanta, Brookhaven, Fresno, and Kansas City - reassign to Ogden</p> <p>Claims for RRTA Tier I or Tier II - route to:</p> <p>IRS Large Corp / Technical Unit Stop 537G 7940 Kentucky Dr. Florence, KY 41042</p> <p>Exception: If the issuer of the W-2 is a Professional Employer Organization (PEO) or Certified Professional Employer Organization (CPEO) (a payroll processing company) follow the procedures in the last If/Then below.</p>
<p>The employee has separate Forms W-2 with different EINs</p>	<p>The employee can claim a credit for excess social security or RRTA Tier I tax.</p>

If	Then
The employee has separate Forms W-2 with the same EIN	<p>The employee can claim a credit for excess social security or RRTA Tier I tax withheld if:</p> <ul style="list-style-type: none"> • The “Employer’s Name” box (Box c) on the Form W-2 reflects the fact that the wages were paid as agent for another employer and such excess withholding was the result of paying wages as agent for one or more other employers. See instructions to Form W-2 (Special Reporting Situations). • It appears that a parent company and one or more of its subsidiaries are responsible for the excess amount • The W-2 was issued by a Professional Employer Organization (PEO) or Certified Professional Employer Organization (CPEO) (a payroll processing company). <p>Note: The Form W-2 won’t show it was issued by a PEO or CPEO, but if the taxpayer says the W-2 was issued by one, allow the credit.</p> <p>If neither situation applies, follow procedures in the first If/Then.</p>

- (6) If FICA taxes were withheld when the taxpayer is not liable for FICA tax, see IRM 21.7.2.4.4.2, Excess Social Security and Medicare Tax Withheld - Employee Claims for Refund.
- (7) If an adjustment is required, take the following action:
- Verify the overpayment of social security or RRTA Tier I tax withheld based on Forms W-2.
 - Input Credit Reference Number (CRN) 252 to allow the excess social security or RRTA Tier I tax withheld. The CRN 252 generates a Transaction Code (TC) 766.
- Note:** Input an override code “N” on CC ADJ54.
- Input CRN 252 with a minus (-) to reduce previously posted excess social security or RRTA Tier I tax. The CRN 252 generates a Transaction Code (TC) 767.
 - Use Reason Code 055, and the applicable *source code* and *blocking series*.
 - Refer to IRM 20.1, Penalty Handbook, for possible estimated tax penalty adjustment.
- Note:** The excess amount of social security or RRTA Tier I tax withheld must be computed separately for each spouse on a married filing jointly return.
- (8) For information about RRTA Tier I, Tier II or CT-1 claims, see IRM 21.7.2.6.5.7, Claims filed on Form CT-1X and Form 843. Excess RRTA Tier II tax credits must be claimed on Form 843, not the Form 1040.

21.6.3.4.2.5
(10-01-2015)
Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains

- (1) A Regulated Investment Company (RIC) or Real Estate Investment Trust (REIT) that does not distribute all of its net capital gain to its shareholders must pay tax on the undistributed part. The RIC or REIT may issue a Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, to each of its shareholders to designate the amount of the undistributed long-term capital gains required to be reported on the shareholder’s Form 1040, *Sched-*

ule D. In addition, Form 2439 includes the shareholder's share of the tax paid by the RIC or REIT on the undistributed long-term capital gains. That amount may be claimed by its shareholders as a credit or refund on their respective return.

- (2) The shareholder should attach Form 2439, Copy B, to the original or amended tax return.

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- (3) Loose Forms 2439, Copy A and/or B, may be received. If "NOMINEE" is noted on the form, no adjustment is made to the taxpayer's account. Associate the form with the return of the taxpayer who appears in the "Shareholder's" name and address box. If this refers to a Form 990, refer to Ogden AM per IRM 21.7.7.6.3.10, Composite Form 990-T. If this is a company entity refer to IRM 21.7.4.4.9.2.2, Loose Form 2439, Copies A and B, for BMF instructions.

- (4) Action required if "NOMINEE" is **not** noted:

- Input TC 290 .00, if no other adjustment is required.
- Use credit reference number 766 to allow the credit.
- Use credit reference number 767 (with a minus) to decrease a previously posted credit.
- Use RC 057 and the applicable *source code* and *blocking series*.

21.6.3.4.2.6

(10-04-2023)

**Form 4136, Credit for
Federal Tax Paid on
Fuels**

- (1) Form 4136, Credit for Federal Tax Paid on Fuels, is used to claim certain non-taxable uses or sales of fuel during the income tax year. The corresponding Credit Reference Number (CRN) applicable to the type fuel tax paid is shown in column (e) of the Form 4136.

Note: The credits for renewable biodiesel and biodiesel mixtures and credits for alternative fuel are both extended through 2024. Taxpayers use Form 4136 to claim the credit for such mixtures or fuels that met the sale or use requirements for tax years 2017 – 2024.

Note: See Notice 2020-08 for the one-time claim procedure for claiming the retroactively extended biodiesel mixture, renewable diesel mixture, or alternative fuel credit on the Form 8849. The one-time claim procedure does not affect Form 4136 claims.

- (2) Form 4136 must be attached to an income tax return (Form 1040) or an

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- (3) Amounts previously claimed on Form 8849, Claim for Refund of Excise Taxes, or Form 720, Quarterly Federal Excise Tax Return, (Schedule C, Claims), cannot be included on Form 4136. For information about Form 8849 claims, refer to IRM 4.24.22.4.5, Form 8849, Claim for Refund of Excise Taxes, and for Form 720 claims, refer to IRM 4.24.22.4.1.6, Form 720, Schedule C Claims.

- (4) The same documentation required for Form 8849 must be included with Form 4136.

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21.5.3–3, Examination Criteria (CAT A) - Credits.

- (6) Claims on Form 4136, Line 1, Non-taxable Use of Gasoline, cannot be made for personal use. If the taxpayer does not show any business activity, such as a Schedule C, E, or F, follow no consideration procedures shown in IRM 21.5.3.4.6.3, No Consideration Procedures.
- (7) If the fuel tax credit appears frivolous (Social Media Promotion Scheme), see IRM 21.6.3.4 (12), Credits Procedures.
- (8) If there is a Transaction Code (TC) 810 Responsibility Code (RC) 4 (-E freeze) on the module and the taxpayer files an amended return to remove the credit, see IRM 21.5.6.4.10(4), -E Freeze.

21.6.3.4.2.6.1
(10-01-2011)
Fuel Tax Claims

- (1) The Form 4136, Credit for Federal Tax Paid on Fuels, is:
 - a. Processed in the receiving campus.
 - b. Submitted with Form 1040, U.S. Individual Income Tax Return, to claim the entire year's credit.
- (2) Any Form 8849, Claim for Refund of Excise Taxes, is referred to and processed at the Cincinnati Campus.

21.6.3.4.2.6.2
(04-01-2016)
Form 4136, Adjusting the Account

- (1) The applicable CRN is listed in column (e) of the Form 4136, Credit for Federal Tax Paid Fuels.
Note: If Form 4136 is not attached (under tolerance), and the specific fuel type cannot be determined, process using CRN 362.
- (2) Input an adjustment to reflect the correct fuel credit:
 - a. Input TC 290. 00, if no other adjustment is required.
 - b. Use RC 061, the applicable *source code* and *blocking series*.
 - c. Use the applicable CRN and credit amount. Do **NOT** input CRN 450. The CRN converts to TC 766/767 at Masterfile.
 - d. The 45-day interest free period procedures apply. Enter the amended claims date on ADJ54.
Note: Tax increases or decreases must be addressed.
 - e. Allow computer-generated refund and/or offsets when possible.
- (3) If the claim is disallowed in full or in part:
 - a. Send the proper certified C letter.
 - b. Input TC 290.00 with Source Code 0, Reason Code 061 and Hold Code 3.
 - c. Use the applicable *source code* and *blocking series*.

21.6.3.4.2.7
(01-08-2016)
Earned Income Tax Credit (EITC)

- (1) Earned Income Tax Credit (EITC), as established by IRC 32, is available for certain low-income individuals who meet earned income, adjusted gross income (AGI) and certain other requirements. EITC greater than the tax liability is refunded to the taxpayer.

- (2) Use CC DDBCK when processing all amended or duplicate returns received in the current processing year and two prior years resulting in an increase to EITC due to adding, changing, or deleting a qualifying child. When adding or increasing EITC, DDBCK determines if the claim meets CAT-A criteria, and in most cases, updates the Duplicate TIN database. CC DDBCK must be used in conjunction with the correct IRM procedure to determine the next actions.

Exception: Employees who do not have access to CC DDBCK should review the amended return for CAT-A criteria. See Exhibit 21.5.3-2, Examination Criteria (CAT-A) - General. If the claim does not meet CAT-A criteria and all other requirements are met, allow the EITC. Update CC DUPED, if unable to use CC DDBCK.

Exception: If CC DDBCK cannot be used on current year amended returns involving EITC increases, then use CC DUPED to update DUPOL. See IRM 21.6.1.7.2, Command Code DDBCK, for a list of exceptions when CC DDBCK cannot be used.

21.6.3.4.2.7.1
(05-13-2022)

**Earned Income Tax
Credit (EITC) - Eligibility
Criteria**

- (1) Taxpayers are eligible for EITC if:
- Their earned income is at least \$1, but less than the established limits (IRM 21.6.3.4.2.7.4, Earned Income Tax Credit (EITC) - Earned Income).
 - Their AGI is less than the established limits (IRM 21.6.3.4.2.7.6, Earned Income Tax Credit (EITC) - Adjusted Gross Income).
 - Their investment income is not more than the established limits. (IRM 21.6.3.4.2.7.5, Earned Income Tax Credit (EITC) - Investment Income Limitation).
 - Their filing status is other than married filing separately (FS 3).
- Note:** For tax years beginning after December 31, 2020, separated spouses may qualify, see (2) below.
- The taxpayer (and spouse, if filing jointly) are U.S. citizens or resident aliens all year.
- Note:** U.S. military personnel stationed outside the U.S. on extended active duty are considered to live in the U.S. during that duty period for purposes of the EITC.
- They do not file Form 2555, Foreign Earned Income.
 - They have a valid Social Security Number issued on or before the due date of the return (including extensions).
- (2) Beginning in tax year 2021, a married taxpayer who does not file a joint return with their spouse may qualify for EITC if they:
- Reside with a qualifying child of the taxpayer for more than half the year
 - For last 6 months of the year, don't have the same residence as the spouse, or have a separation decree or agreement with the spouse and are not a member of the same household by the end of the taxable year
- Qualifying individuals must check the correct check box on Schedule EITC.
- (3) For more information, refer to Publication 17, Your Federal Income Tax (For Individuals), or Publication 596, Earned Income Credit (EIC).

21.6.3.4.2.7.1.1
(10-03-2022)

**Earned Income Tax
Credit (EITC) - Taxpayer
with No Qualifying Child
or Children**

- (1) Taxpayers with no qualifying child must also meet the following requirements:
 - Must be at least age 25 but under age 65 (either spouse, if a joint return).
 - Note:** For tax year 2021, see (3) below.
 - The taxpayer's principal residence must be in the U.S. for more than one-half of the tax year (both spouses, if joint).
 - For tax years 2018 - 2025: Must not be the dependent of (or eligible to be claimed as a dependent) by another taxpayer (both spouses, if joint).
- (2) The application of age criteria for a taxpayer claiming EITC without qualifying children must be made in the most taxpayer favorable manner at both ends of the 25 - 65 range.
 - For a taxpayer whose birthday is on January 1st and is turning age 25 on January 1st of a year immediately subsequent to the tax year (e.g., taxpayer turns 25 on January 1st, 2023 and is filing a tax year 2022 return), allow the claim for EITC, provided other eligibility criteria are met.
 - For a taxpayer whose birthday is on January 1st and is turning age 65 on January 1st of a year immediately subsequent to the tax year (e.g., taxpayer turns 65 on January 1st, 2023 and is filing a tax year 2022 return), allow the claim for EITC, provided other eligibility criteria are met.
- (3) For tax year 2021 **only**, the age requirement is as follows:
 - Must be at least age 19 (unless the taxpayer meets a condition below).
 - No maximum age.
 - Age 24 for specified students - defined as an individual who is an eligible student during at least 5 calendar months during the taxable year.
 - Age 18 if a qualified former foster youth - defined as an individual who on or after age 14, was in foster care under a plan administered under the Social Security Act, and consents to disclosure of such information to the IRS.
 - Age 18 if a qualified homeless youth - defined as an individual who certifies that they are either an unaccompanied youth who is homeless, or is unaccompanied, at risk of homelessness, and self-supporting.

21.6.3.4.2.7.1.2
(10-01-2016)

**Earned Income Tax
Credit (EITC) - Taxpayer
With a Qualifying Child
or Children**

- (1) Children on *Schedule EIC* are qualifying children if they meet four tests. The four tests are:
 - Relationship
 - Age
 - Residency
 - Joint Return

Note: A taxpayer's child does not have to be claimed as a dependent on the taxpayer's return to qualify for EITC.
- (2) **Relationship** - A child meets the relationship test if the child is the taxpayer's:
 - Son
 - Daughter

- Stepchild
- Descendant of the taxpayer's child or stepchild
- Brother, sister, half-brother, half-sister, stepbrother, or stepsister
- A descendant of the taxpayer's brother, sister, half-brother, half-sister, stepbrother, or stepsister
- An eligible foster child (a child placed lawfully with the taxpayer by an authorized placement agency or by judgement, decree, or other order of any court of competent jurisdiction)

Note: An adopted child, including a child placed lawfully with the taxpayer for adoption is treated the same as a biological child.

(3) **Age** - The child meets the age requirement if the child is:

- Under the age of 19 at the end of the calendar year and younger than the taxpayer (or spouse, if filed jointly), OR
- Under the age of 24 at the end of the calendar year, a student, and younger than the taxpayer (or spouse, if filed jointly)

Note: A student is defined as a student who is enrolled for the number of hours or courses the school considers to be full-time attendance. The child must be a full-time student during some part of each of any five calendar months during the tax year. The five calendar months need not be consecutive.

OR

- Any age, if permanently and totally disabled at any time during the tax year

(4) **Residency** - The child must live with taxpayer in the U.S. for more than half the tax year. Temporary absences, such as for schooling, medical care, or vacation are counted as time lived at home. If a child fails the residency test solely because the child was born or died during the tax year, the child is treated as meeting the test, if the child lived with taxpayer for more than half the time the child was alive during the tax year.

Note: Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, does not allow a taxpayer to claim EITC.

Note: See IRM 21.6.3.4, Credits Procedures, if research and/or CC DDBCK shows a date of death for the qualifying child prior to the tax year involved.

(5) **Joint Return** -To meet this test, the child cannot file a joint return except if it is filed only as a claim for refund of income tax withheld or estimated tax paid.

21.6.3.4.2.7.2
(10-01-2002)
**Earned Income Tax
Credit (EITC) -
Kidnapped Child**

(1) A taxpayer's kidnapped child can meet the residency requirement. The following requirements must be met:

- The child must be presumed by law enforcement authorities to have been kidnapped by someone who is not a member of the family of the child or the taxpayer.
- The child must have had, for the tax year in which the kidnapping occurred, the same principal place of abode as the taxpayer for more than half of the portion of the year before the date of the kidnapping.

- (2) If these requirements are met, the child is treated as meeting the residency requirement for all taxable years ending during the period that the child is kidnapped.
- (3) This rule applies for all tax years ending during the period that the child is kidnapped. It does not apply as of the first tax year beginning after the year in which the child is determined to be dead (or, if earlier, the year in which the child would have reached age 18).

21.6.3.4.2.7.3
(10-03-2022)

**Earned Income Tax
Credit (EITC) - Social
Security Number
Requirements**

- (1) To claim the EITC, the taxpayer and spouse, if filing jointly, must have valid SSNs. For tax year 2021 and subsequent, an EITC qualifying child must have a valid SSN to be considered in calculating the amount of the EITC. If a taxpayer has no qualifying children with valid SSNs, that taxpayer may only claim the self-only EITC. For tax year 2020 and prior, **all** EITC qualifying child(ren) listed on Schedule EIC must also have a valid SSN.
- (2) SSNs must be issued on or before the due date or extended due date of the return. A valid SSN does not include an ITIN (Individual Taxpayer Identification Number), ATIN (Adoption Taxpayer Identification Number child only) or an IRSN (Internal Revenue Service Number). See the following references for information on how to identify these types of TINs:
 - ITIN IRM 3.13.5.22, Individual Taxpayer Identification Number (ITIN) Format
 - ATIN IRM 3.13.5.24, Adoption Taxpayer Identification Number (ATIN) Format
 - IRSN IRM 3.13.5.23, Internal Revenue Service Number (IRSN) Format
- (3) For purposes of the EITC, a valid SSN is a number issued by the Social Security Administration (SSA) to (1) a U.S. citizen, or (2) a noncitizen who obtained the SSN for purposes other than to obtain a benefit partially or fully funded by the Federal Government. Examples of these benefits include Medicaid and food stamps. Below are several examples of Social Security cards you may receive.
 - a. Taxpayer submits a copy of a Social Security card containing either no legend or a legend that says, "valid for employment only with INS (or DHS) authorization". If the card is for the primary or secondary taxpayer, allow the EITC. If the card is for the qualifying child, allow the EITC on the basis of that child.
 - b. Taxpayer submits a copy of a Social Security card with "not valid for employment" legend and says the SSN was obtained to receive a federally funded benefit. If the card is for the primary or secondary taxpayer, do not allow EITC. If the card is for a qualifying child, do not allow EITC on basis of this child. Explain the SSN requirements to the taxpayer.
 - c. Taxpayer submits a copy of a Social Security card with "not valid for employment" legend in response to a math error and does not state reason why the SSN was obtained. If the card is for the primary or secondary taxpayer or for a qualifying child, follow procedures in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.
- (4) If the taxpayer meets all the EITC requirements for the tax year and is currently going through the immigration process to become a legal resident

and cannot obtain an SSN until the process is completed, advise the taxpayer they qualify for EITC if the SSN is obtained prior to the due date / extended due date of the return.

- (5) Before allowing EITC, verify the validity of the name(s) and SSN(s) provided by the taxpayer for the qualifying individual(s). Research using CC INOLE, CC NAMES, and CC RTVUE to verify the name, number, and date of birth.

Note: See IRM 21.6.3.4.2.7.14, *EITC and Command Code DDBCK*, and IRM 21.6.1.7, *Command Code DUPED and DDBCK*, for correct usage of CC DUPED and CC DDBCK.

Reminder: CC RTVUE shows the validity of the primary/secondary taxpayer(s) and up to four qualifying children shown on the original return. The qualifying child's TIN shows an indicator of "2" if the account is not present on the NAP and a "9" if invalid.

Row Number	If	And	Then
1	EITC was previously claimed for the tax year and was not allowed	Name and SSN are valid	Taxpayer is eligible for EITC if all other eligibility criteria are met.
2	EITC was previously claimed for the tax year and was not allowed	Name and SSN are not valid	Taxpayer is not eligible for EITC.
3	EITC qualifying child was born in the U.S. and died in the same tax year	Does not have an SSN	Allow EITC if all other eligibility criteria are met.
4	EITC qualifying child is in the process of a domestic adoption	An SSN from SSA has not been issued. Parent has applied for an ATIN for the child.	EITC is not allowed with an ATIN.
5	EITC qualifying child is in the process of a foreign adoption	The child is ineligible for an SSN from SSA. Parent has applied for an ITIN for the child.	EITC is not allowed with an ITIN.

Reminder: EITC is not allowed for "Amish", "Mennonite", "Exempt Form 4029", or "conscience-based objection" without a valid SSN, although the dependency exemption and other credits may be allowed.

- (6) See IRM 21.6.3.4, *Credits Procedures*, for more information about incorrect SSNs due to the child being deceased prior to the tax year for which EITC is being claimed.

21.6.3.4.2.7.4

(01-17-2023)

**Earned Income Tax
Credit (EITC) - Earned
Income**

- (1) Earned income includes all employee compensation subject to income tax, net earnings from self-employment, and gross income received by a statutory employee.

Note: A taxpayer (or the spouse, if married filing jointly) receiving nontaxable combat pay may elect to include the amount when figuring their earned income for purposes of computing EITC.

- (2) Taxable earned income includes:

- Wages
- Salaries
- Tips
- Strike pay
- Sick pay
- Union strike benefits
- Disability benefits (not disability social security) received by taxpayers under minimum retirement age (normally, this is reported on the Form 1040, U.S. Individual Income Tax Return, as wages)

Note: Minimum retirement age may vary.

- Net earnings from self-employment (SE) or gross income received by a statutory employee

Note: Net earnings from self-employment may not appear on Schedule SE if under \$400.

Note: Earned income generally does **not** include workfare payments to the extent subsidized under a state program for work experience (including work associated with the refurbishing of publicly assisted housing if sufficient private sector employment is not available), work in community service programs, or certain Medicaid waiver payments (see IRM 21.6.6.2.35, Qualified Medicaid Waiver Payments/Difficulty of Care Payments, for more information). However, the taxpayer may include certain Medicaid waiver payments received as wages or self-employment income in earned income if they benefit from the inclusion (even if this payment is excluded on Schedule 1).

* Reference - Feigh v Commissioner, 152 T.C. 267 (2019)

- (3) For EITC purposes, use SE income as reported on Schedule SE, minus the 50% deduction of SE tax or use EITC Worksheet B in Publication 596, Earned Income Credit.

Row Number	If	Then
1	Schedule SE is not present because the net earnings from self-employment shown on Schedule C or Schedule F (or the combined net earnings) are less than \$400	Use the amount of net profit or loss reported on Schedule C or Schedule F.
2	Schedule SE is not present and net earnings from self-employment appear to be \$400 or more	See IRM 21.6.3.4.2.7.7, Earned Income Tax Credit (EITC) and Self-Employment Tax.
3	SE income is a loss	Subtract the amount from other earned income.
4	The optional method is used	Use the optional amount as income; do not subtract the SE loss.
5	Taxpayer is a statutory employee (indicated on Form W-2, box 15)	Use Schedule C, line 1, as earned income.

Caution: If taxpayer receives wages from ministerial duties, some of the income reported as wages on Form 1040, may also be shown on Schedule SE, line 2. Subtract the Schedule SE, line 2 amount from taxpayer's other earned income.

Note: If taxpayer receives wages from ministerial duties and also receives a housing allowance or the rental value of a parsonage, the housing allowance or rental value is included in net earnings from self-employment. Thus, this amount is earned income, even though it is not subject to regular income tax.

(4) Income not included in earned income includes:

- Interest
- Dividends
- Welfare payments
- Pensions
- Veteran benefits
- Taxable scholarships or fellowship grants not reported on Form W-2
- Alimony
- Child support
- Social Security and Railroad Retirement benefits
- Worker's compensation benefits
- Unemployment compensation (insurance)
- Amounts received for work while in a penal institution, including amounts earned in a work release program or halfway house. If the amount is included in the total on Form 1040 or 1040-SR, line 1, taxpayers are instructed to enter "PRI" and the amount on the dotted line next to Form 1040 or 1040-SR, line 1

(5) For ministers or members of religious orders, CC ENMOD shows the ministerial indicator (MIN-SE) when Form 4029, Application for Exemption from Social Security and Medicare Taxes and Waiver of Benefits, or Form 4361, Applica-

tion for Exemption from Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners, is approved or denied.

If	Then
Form 4361 is approved	<p>Income from ministerial duties performed as an employee is earned income. Form W-2 won't reflect any FICA wages, or FICA tax withheld.</p> <p>Any income for services unrelated to ministerial duties (whether as an employee or a non-employee) is earned income.</p> <p>Income from non-employee ministerial duties is not earned income.</p> <p>Note: See Publication 517, Social Security and Other Information for Members of Clergy and Religious Workers, for more information.</p>
Form 4029 is approved	<p>All wages, salaries, tips, and other employee compensation are earned income, even if FICA tax is not withheld.</p> <p>Amounts received from self-employment are not earned income.</p> <p>Losses from Schedule C, Schedule C-EZ (2018 or prior), or Schedule F cannot be subtracted from wages.</p>

- (6) A special rule applies for certain taxpayers affected by the disasters shown below. Qualified individuals whose earned income for the applicable tax year is less than the earned income in the preceding taxable year may elect to use their preceding taxable year earned income when figuring EITC. Taxpayers should enter "PYEI" and the dollar amount of the prior year earned income on the dotted line for EITC.

The main home of qualified individuals must have been in:

- the Hurricane Harvey disaster area on August 23, 2017
- the Hurricane Irma disaster area on September 4, 2017
- the Hurricane Maria disaster area on September 16, 2017
- the California wildfire disaster area on October 8, 2017
- a Presidentially declared disaster area that occurred in 2018 or 2019, but before December 21, 2019

Note: Verify the taxpayer was in the qualified disaster zone via the *IRS Disaster Assistance Program*.

These claims are centralized in Austin and Philadelphia (International). Reassign the case per the *AM Site Specialization Temporary Holding Numbers*. Use category code KATX and OFP 710-82365 when processing these claims.

- (7) Generally, for tax years 2020 and 2021 **only**, if current year (i.e. 2020 or 2021) earned income is less than the earned income for 2019, individuals may elect to use their 2019 earned income when figuring EITC. Taxpayers may make this election even if they have no earned income for the current year. For tax year 2020, taxpayers enter "PYEI" and the dollar amount of the prior year earned income on the dotted line for EITC. For tax year 2021, taxpayers enter their 2019 earned income on Form 1040, line 27c. If they file a joint return and

make the election, their 2019 earned income is the **sum** of their 2019 earned income and their spouse's 2019 earned income.

Note: When figuring EITC, taxpayers should use the current year AGI even if they use their earned income from 2019.

21.6.3.4.2.7.5
(10-01-2024)
**Earned Income Tax
Credit (EITC) -
Investment Income
Limitation**

- (1) EITC is denied if taxpayer receives investment income (sometimes referred to as disqualified income) of more than a certain amount. The maximum amount of investment income is:
 - \$11,600 for tax year 2024
 - \$11,000 for tax year 2023
 - \$10,300 for tax year 2022
 - \$10,000 for tax year 2021
- (2) Investment income includes:
 - Interest.
 - Dividends.
 - Capital gain net income (Form 1040) does not include gain from selling certain business assets such as from the sale of “culled” cows. This income is reported in Part 1 of Form 4797, Sales of Business Property. Subtract the gain, if any, from Form 4797, line 7, column (g) (or from line 9, column (g), if lines 8 and 9 were completed), from the amount on Form 1040 / Form 1040-SR, *Schedule 1*, Additional Income and Adjustments to Income. Include only the result, if more than zero, in investment income.
 - Child's interest and dividends from Form 8814, Parents' Election to Report Child's Interest and Dividends, included on Line 21 of Form 1040. For more details see Publication 596, Earned Income Credit (EITC).
 - Royalty income (Schedule E, line 4, minus the related expenses on Schedule E, line 21).
 - Net income from rentals of personal property not used in a business (the rental income included on Form 1040, *Schedule 1*, Additional Income and Adjustments to Income, minus the PPR (rental of personal property) amount deducted on Form 1040, line 36).
 - Income from passive activities included on Schedule E, lines 26, 28 column (g), 33 column (d), and 39, minus the losses from passive activities included on Schedule E, lines 26, 28 column (f), 33 column (c), and 39.

Exception: Do not consider any royalty income or loss included on line 26 of Schedule E or any amount included in taxable income as income related to passive activities. These amounts are used in computing “Royalties and Rental Income from Personal Property”.

21.6.3.4.2.7.6
(10-01-2024)
**Earned Income Tax
Credit (EITC) - Adjusted
Gross Income**

- (1) Adjusted Gross Income (AGI) is used in determining the earned income tax credit. The amounts vary depending on the year, filing status and number of qualifying children.
AGI must be less than:
2024
 - \$18,591 (\$25,511 for married filing jointly) if no qualifying child

- \$49,084 (\$56,004 for married filing jointly) if one qualifying child
- \$55,768 (\$62,688 for married filing jointly) if two qualifying children
- \$59,899 (\$66,819 for married filing jointly) if three or more qualifying children

2023

- \$17,640 (\$24,210 for married filing jointly) if no qualifying child
- \$46,560 (\$53,120 for married filing jointly) if one qualifying child
- \$52,918 (\$59,478 for married filing jointly) if two qualifying children
- \$56,838 (\$63,398 for married filing jointly) if three or more qualifying children

2022

- \$16,480 (\$22,610 for married filing jointly) if no qualifying child
- \$43,492 (\$49,622 for married filing jointly) if one qualifying child
- \$49,399 (\$55,529 for married filing jointly) if two qualifying children
- \$53,057 (\$59,187 for married filing jointly) if three or more qualifying children

2021

- \$21,430 (\$27,380 for married filing jointly) if no qualifying child
- \$42,158 (\$48,108 for married filing jointly) if one qualifying child
- \$47,915 (\$53,865 for married filing jointly) if two qualifying children
- \$51,464 (\$57,414 for married filing jointly) if three or more qualifying children

21.6.3.4.2.7.7
(12-19-2018)

**Earned Income Tax
Credit (EITC) and
Self-Employment Tax**

- (1) Taxpayer's failure, during original processing, to compute self-employment (SE) tax on income which appears to be subject to SE tax, results in:
 - a. Assessment of SE tax if less than the EITC claimed on the original return. (EITC is not allowed if the income is not considered earned income.)
 - b. Assignment of Unallowable (UA) 99 if the SE tax exceeds the amount of allowable EITC. UA 99 is worked by the Examination function.
- (2) If the taxpayer was assessed SE tax on original filing and states the income is earned income for purposes of EITC, but not subject to SE tax, verify the income source to determine whether the SE tax should be abated.

If	Then
Income is not subject to SE tax	Abate the SE tax using the correct item reference number(s), SC, RC, and blocking series.
Income is subject to SE tax	Reply to taxpayer and explain the issue thoroughly.
Income is not earned income for EITC purposes	Refer to the Examination function with Form 5101. In remarks, say: EITC allowed on original return; SE tax assessed; income may not be "earned income".
Taxpayer requests the SE tax be eliminated, but is unable or unwilling to provide the information needed (after receiving a full explanation of the law's provisions)	Follow the unsubstantiated math error procedures in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.

- (3) Taxpayer states the income reported on the original return **was** SE income and subject to SE tax.

If	And	Then
Reply includes a CP 19/20 and/or there is an open AIMS base	N/A	Refer the reply to Examination function.
There is no open Examination base	Taxpayer reports an SE tax amount and signs the reply	Compute the SE tax based on the original return, taking the new information into consideration.
The SE tax is equal to or less than the amount of EITC the taxpayer reported	N/A	Assess SE tax and allow EITC (if proper).
The SE tax exceeds the amount of EITC the taxpayer reported	N/A	Refer with Form 5101, Examination Referral Slip, to the Examination function.
Examination returns the referral for adjustment	N/A	<ol style="list-style-type: none"> 1. Assess the SE tax up to the total amount of EITC claimed. 2. Use the applicable item reference number(s), SC, RC, and blocking series. 3. Correspond with the taxpayer, if necessary.

- (4) A taxpayer files a claim/amended return claiming and qualifying for EITC but does not compute SE tax on income which appears to be subject to SE tax. Compute EITC and SE tax.

If	Then
SE tax does exceed the amount of EITC claimed	1. Refer to Examination function with Form Note: The case is handled by Examination; corresponds to the Unallowable (UA) 99 considerations set for pipeline processing. the SE tax up to the amount of EITC. Set the math error freeze, see IRM 21.5.4.5.1, Setting the Initial Math Error Action.
The SE tax does not exceed the amount of EITC claimed, or if Examination returns the referral for adjustment	1. Set the math error freeze per IRM 21.5.4.5.1, Setting the Initial Math Error Action. 2. Assess the SE tax up to the amount of EITC. 3. Use SC 6, RC 044/053 and applicable item reference number(s) (see IRM 21.6.4.4.14.2, Self-Employment Tax Adjustments) and <i>blocking series</i> . 4. Correspond with taxpayer, if necessary.

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Note: If taxpayers who are Native American tribe members report Form 1099-MISC, Miscellaneous Income, tribal related income on the “Other Income” line of Form 1040, *Schedule 1*, Additional Income and Adjustments to Income, these amounts are not considered “earned income” for EITC purposes. Do not assess SE tax if any of the following literals are provided:

- Indian gaming
- Indian gaming proceeds
- IGP
- Indian tribal distribution
- Indian tribal income
- Indian tribal fund
- Indian tribal earnings
- Native American distribution
- Alaska Permanent Fund (APF)
- Alaska Permanent Fund DIV (APFD)

21.6.3.4.2.7.8
(03-15-2024)

Earned Income Tax Credit (EITC) - CP 09 / CP 27

(1) If taxpayer appears to qualify for EITC but did not claim it on their original return:

- A CP 09, Earned Income Credit - You May Be Entitled to EIC, is issued to taxpayers with qualifying child(ren).
- A CP 27, EIC Potential for T/P Without Qualifying Children, is issued to taxpayers with no qualifying children.

Exception: The CP 09 / CP 27 generates for tax returns with no unallowable conditions.

Note: A TC 971 Action Code (AC) 503 means the CP 09 / CP 27 notice was suppressed.

- (2) The notice advises the taxpayer to allow 8 weeks for receipt of refund or correspondence.

Exception: CP 09 and CP 27 responses received **prior to** September 11, 2023, were scanned in and assigned a TC 971 AC 120 and AC 010 causing a -A freeze to generate. If you receive a phone call meeting this scenario, provide the taxpayer the timeframe based on IRM 21.5.6.4.2, -A Freeze.

Take the following action if contacted by the taxpayer:

Row Number	If	And	Then
1	Less than 8 weeks have passed since taxpayer submitted CP 09 / CP 27	There is no open IDRS control, and adjustment has not been made or Research shows an open control, but adjustment has not been made	Advise the taxpayer to allow 8 weeks for normal processing time.
2	8 weeks have passed since taxpayer submitted CP 09 / CP 27	Research shows no record of receiving taxpayer's response	Advise the taxpayer to complete Form 1040-X, Amended U. S. Individual Income Tax Return, and attach Schedule EIC, if applicable.

Row Number	If	And	Then
3	8 weeks have passed since taxpayer submitted CP 09 / CP 27	The taxpayer's response has been received, there is an open control to an employee and an adjustment has not been made	<p>If you have access to Correspondence Imaging Inventory (CII):</p> <ul style="list-style-type: none"> Add a Case Note to CII indicating taxpayer called to check status. Apologize for the delay in processing and advise the taxpayer to allow an additional 30 days for a response. <p>If you do not have access to CII:</p> <ul style="list-style-type: none"> Prepare Form 4442/e-4442, Inquiry Referral, and route to the employee with the open control. Apologize for the delay in processing and advise the taxpayer to allow an additional 30 days for a response.
4	8 weeks have passed since taxpayer submitted CP 09 / CP 27	<p>The taxpayer's response has been received, there is an open control to a clerical unit or generic IDRS queue and an adjustment has not been made</p> <p>Note: Generic IDRS queue numbers for Submission Processing (SP) can be found in IRM 3.11.6.3, Controlling Cases on the Integrated Data Retrieval System (IDRS). Generic IDRS queue numbers for Accounts Management (AM) can be found in IRM 21.5.1.5.1, CII General Guidelines.</p>	<ul style="list-style-type: none"> If you have access to CII and sufficient information to work the case during the phone call, reassign the case to yourself in CII, work and close the case. If you do not have access to CII, sufficient information to work the case or are unable to work the case due to a training issue (e.g., call sites), apologize for the delay in processing and advise the taxpayer to allow an additional 30 days for a response.

- (3) Generally, a completed CP 09 or CP 27 is considered an informal claim. However, if the taxpayer returns the CP 09 / CP 27 or Form 15111, Earned Income Credit Worksheet (CP 09) / Form 15112, Earned Income Credit

Worksheet (CP 27), indicating they are not eligible for EITC (no other issue involved), a reply is not necessary. Destroy as classified waste per IRM 21.5.1.4.10, Classified Waste.

Note: Occasionally taxpayers get confused with the earned income / investment income statement and check the box. If CC IRPTR verifies earned income, continue with (5).

- (4) Beginning January 2023, taxpayers can send responses to CP 09 notices electronically via the Documentation Upload Tool (DUT). Taxpayers can access the DUT by scanning the QR code or entering the access code located on the CP notice or form, or by visiting irs.gov/dutreply. The responses are transferred to Correspondence Imaging Inventory (CII) and worked following normal procedures.
- (5) Taxpayers must complete, sign, and return the Form 15111 / Form 15112 (Earned Income Worksheet), or CP 09 / CP 27, if qualified. If incomplete, follow IRM 21.5.3.4, General Claims Procedures.

Exception: There is no signature requirement for Form 15111 for tax years 2022 and later.

- (6) If you receive a CP 09 / CP 27 response with the incorrect revision of Form 15111 or Form 15112, respond as follows.
 - For CP 27, EIC Potential for T/P Without Qualifying Children, try to contact taxpayer via telephone (refer to IRM 21.1.1.4, Communication Skills) to verify their responses for the correct tax year. If contact is made via telephone, document CII with a case note **“Verified 20XX EITC eligibility via oral statement authority.”** If unable to contact via telephone, send an appropriate “C” letter apologizing for the inconvenience and request a new Form 15112 for the correct year.
 - For CP 09, Earned Income Credit - You May Be Entitled to EIC, try to contact taxpayer via telephone (refer to IRM 21.1.1.4, Communication Skills) to request a new Form 15111 for the correct year **or** *Schedule EIC* via fax. If unable to contact via telephone, send an appropriate “C” letter apologizing for the inconvenience and request a new Form 15111 for the correct year **or** *Schedule EIC*.
- (7) See IRM 21.6.3.4.2.7.3, Earned Income Tax Credit (EITC) - Social Security Number Requirements, to verify SSN validity for qualifying child(ren)’s SSNs. If SSN provided for qualifying child is not valid, reduce or disallow the credit.
- (8) Compute the EITC amount using normal procedures. If the taxpayer is **not** eligible for EITC based on our computation, eligibility criteria, or other reason:
 - Deny the credit
 - Input a TC 290 .00, BS 05, RC 054
 - Send Letter 474C with an open paragraph “We are writing as a follow-up to the (CP 09 / CP 27 or Form 15111 / Form 15112) we recently mailed. We are sorry to inform you that you do not qualify for the Earned Income Tax Credit because [include explanation]. We apologize for this inconvenience.”
 - Input a TC 971 AC 112, if the criteria in IRM 21.6.3.4.2.7.10, Earned Income Tax Credit (EITC) - Claims, is met

Note: If a refund on the module is being held by Return Integrity Verification Operations (RIVO), input a HC 4

- (9) If the taxpayer claims a child on the CP 09 that was not claimed on the original return, send a Letter 474C explaining why the credit was partially disallowed and inform the taxpayer to file a Form 1040-X to claim the additional child.
- (10) When allowing EITC based on a CP 09 / CP 27 or Form 15111 / Form 15112, use:
- Blocking series 05
 - Source code 1
 - Reason Code (RC) 017 and 053. The RC 017 is for tracking purposes only; nothing prints on the CP 21 / CP 22.
 - Priority Code 3 when allowing the credit. Refer to IRM 20.2.4.8.3.3, 45-Day Rule and IRS Initiated Adjustments, for more information
 - CRN 764
 - Do not input the amended claims date

Note: If a refund on the module is being held by RIVO, see IRM 21.5.6.4.35.3, -R Freeze Overview For Accounts With Return Integrity Verification Operations (RIVO) Involvement.

Note: The Additional Child Tax Credit may have to be recomputed if EITC is allowed and the taxpayer claimed three or more qualifying children for the Child Tax Credit. See *Instructions for Schedule 8812 (Form 1040), Credits for Qualifying Children and Other Dependents*, for more information.

- (11) Refer to the following chart if you receive a Form 1040-X and a CP 09 / CP 27 has been sent to the taxpayer.

If	And	Then
If you receive a Form 1040-X in response to a CP 09 / CP 27	A Form 15111 / Form 15112 is attached	Process the case as a CP 09 / CP 27 response
If you receive a Form 1040-X for a tax year in which a CP 09 / CP 27 was sent	A Form 15111 / Form 15112 is NOT attached	Process the case as a Form 1040-X
If you receive a Form 1040-X in response to a CP 09 / CP 27 with additional changes (e.g., adding a child or income)	A Form 15111 / Form 15112 is attached	<ul style="list-style-type: none"> • Adjust the EITC following CP 09 /CP 27 processing • Do a separate adjustment for the other changes following normal Form 1040-X processing

- (12) If current year, update Command Code DUPED (using the child's SSN, not the primary SSN) when allowing EITC based on a CP 09. Refer to IRM 21.6.1.7, Command Code DUPED and DDBCK, for more information.
- (13) Unpostable CP 27 adjustments input by Submission Processing are forwarded to Accounts Management.

21.6.3.4.2.7.9
(10-03-2022)

**Earned Income Tax
Credit (EITC) - Adjusting
the Credit**

- (1) EITC allowed on the original return posts as a computer-generated TC 768 with a minus after the amount.
- (2) Action required to adjust EITC:
 - a. Verify the EITC on any claim involving an income change. EITC must be recalculated when earned income changes, even if taxpayer does not address it. Advise the taxpayer of any resulting change to EITC.
 - b. Do not research CC DUPOL; do not use information found on DUPOL to disallow EITC.
 - c. When adjusting an account that changes, adds or deletes an EITC qualifying child's SSN, see IRM 21.6.1.7, Command Code DUPED and DDBCK, and IRM 21.6.3.4.2.7.14, Earned Income Tax Credit (EITC) and Command Code DDBCK.
 - d. Use CRN 764 to allow/increase EITC.
 - e. Use CRN 765 to decrease EITC.
 - f. Use RC 053 when increasing or decreasing the credit claimed. Use RC 054 if all EITC on the current claim is being disallowed.

Note: Use RC 103 in addition to RC 053 when CC DDBCK returns the following response "OK to input adjustment if eligibility met, enter reason code 103" and the taxpayer is part of the certification program.

- g. Use PC 8 **only** if the adjustment contains TC 764 and there is a previously posted TC 29X on the module (except a previously posted TC 290 with PC 6 or TC 290 with Julian Date 999).

Exception: Use PC 2 if a separate IRM instructs you to.

- h. Use the Letter 3050C, EIC/Dependent/Child & Dependent Care Credit - Math Error, to notify taxpayer of any change in the amount of EITC requested, or if taxpayer claims EITC on an amended/duplicate return which was previously allowed/corrected during pipeline processing.

Exception: Do not use Letter 3050C, when disallowing the amount of EITC requested. See IRM 21.6.3.4.2.7.10, Earned Income Tax Credit (EITC) - Claims.

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Note: Follow normal adjustment procedures for missing or incomplete information in IRM 21.5.1.4.3, Incomplete Inquiry.

21.6.3.4.2.7.10
(10-01-2017)

**Earned Income Tax
Credit (EITC) - Claims**

- (1) The following items are necessary for EITC to be claimed on an amended return (See IRM 21.5.3.4, General Claims Procedures):
 - Schedule EIC must be attached if a qualifying child (not claimed as a qualifying child originally) is being claimed for EITC.

- Schedule EIC must contain the qualifying children's SSN information for all children considered in determining EITC amount.
- The type of income must be identified.

Note: Loose Schedules EIC supporting an entry claimed on the original return do not require a signature for adjustment. However, if EITC was not claimed on the original return, and a Schedule EIC is being submitted, an amended return is required. Review CC RTVUE to determine if a return EITC line item was transcribed from the original return.

- (2) The "Protecting Americans From Tax Hikes (PATH) Act of 2015", Section 201(b), signed into law December 18, 2015, prohibits refunds of EITC before the 15th day of the second month following the close of the taxable year (Feb. 15 for calendar year filers). Do not input any current year EITC adjustments (increases) before that date unless the taxpayer is responding to a math error and the module contains a C- freeze. A C- freeze prevents any refund until Feb. 15. If the taxpayer is responding to a math error and a C- freeze was not set, advise the taxpayer to call back.
- (3) The PATH Act, Section 204, also prohibits an individual from retroactively claiming EITC by amending (or by filing an original or supplemental return) for any year in which the taxpayer, spouse, and qualifying child, did not have an SSN issued on or before the due date, or extended due date, of the return. This provision applies to any return or claim filed after December 18, 2015. When adding a new credit, or a new qualifying person, you must verify all SSNs associated with the credit (the primary taxpayer, secondary taxpayer, and all qualifying children considered in computing the credit amount) were assigned on or before the due date of the return. This applies to amended returns, math error responses, duplicate returns, etc. To determine the validity of the request, see the following table for the necessary action.

Note: This section of the PATH Act applies to filing status changes only to the extent of any additional EITC being claimed, it does not require or allow for the removal of EITC previously claimed (IRM 21.6.3.4.2.7.11, Earned Income Tax Credit (EITC) and Filing Status Changes, still applies for claims filed with an ITIN).

Note: If the account needs to be merged with another TIN, take the merge actions first to ensure all actions below are taken under the new TIN. See IRM 21.6.2.4.1, Resequencing Accounts.

If	Then
The "TIN ASGNMT" field on CC INOLE contains a date on or before the due date of the return	Allow the credit if all other criteria are met
The "TIN ASGNMT" field is all zeros	Allow the credit if all other criteria are met

If	Then
The "TIN ASGNMT" field contains a date after the due date of the return	<ul style="list-style-type: none"> Disallow the credit. See (4) and (5) below. Use the retroactive claim paragraph in the Letter 105C or 106C. Input a TC 971 AC 112 using CC REQ77 or the REQ77 IAT tool. The TC 971 enables the IRS to track these claims and report the dollars saved. Input the credit amount claimed in the "Freeze-Release-AMT" field. No transaction date is needed. <p>Note: If CTC/ACTC and/or AOTC are also being claimed, combine the amounts.</p>

Example: A taxpayer files a 2021 amended return on Dec. 28, 2022, stating they now qualify for EITC since SSA just issued a new SSN. CC INOLE research shows the SSN was assigned after the due date of the return. Since the SSN was issued after the due date of the return, disallow the EITC.

Example: A taxpayer files a 2021 amended return on Jan. 20, 2023, adding a Form W-2, which increases previously reported EITC. This is not a retroactive claim and the table above does not apply.

- (4) When disallowing or partially disallowing a claim, see IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. For a no consideration, see IRM 21.5.3.4.6.3, No Consideration Procedures.
- (5) If taxpayer is not entitled to the full amount of EITC claimed, allow the amount of EITC (RC 053) to which the taxpayer is entitled following procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action. When disallowing EITC, use RC 054.

Note: See IRM 21.6.1.7, Command Code DUPED and DDBCK, for proper use of DUPED and DDBCK and IRM 21.6.3.4.2.7.14, Earned Income Tax Credit (EITC) and Command Code DDBCK, for information on verifying claim information and subsequent actions.

missing.

21.6.3.4.2.7.11
(10-03-2022)
**Earned Income Tax
Credit (EITC) and Filing
Status Changes**

- (1) If the taxpayer changes filing status from Married Filing Jointly (MFJ) or Married Filing Separately (MFS) to Single (S) or Head of Household (HOH), the taxpayer must clearly be eligible. These procedures apply to cases being worked as an amended or superseding return.

Note: Do **not** change the account unless taxpayer meets all criteria for "Single" or "Head of Household Considered Unmarried" in the instructions for filing status in Publication 501, Dependents, Standard Deduction, and Filing Information and Publication 17, Your Federal Income Tax (For Individuals), or has submitted marital status documentation, such as a Dissolution of Marriage.

Caution: For information about retroactive claims, see IRM 21.6.3.4.2.7.10, Earned Income Tax Credit (EITC) - Claims.

- (2) The taxpayer can provide documentation such as court documents showing the marriage was not valid, copy of divorce decree or separate maintenance, documents verifying the taxpayers did not live together during the last six months, such as a lease agreement, utility bills, etc.
- (3) If the taxpayer does not provide proper documentation, refer to IRM 21.5.3.4, General Claims Procedures.
- (4) The taxpayer might reply to the previous situation and:

If	Then
Reply is acceptable information (e.g., a copy of the divorce decree)	Adjust the account appropriately.
Reply includes no substantiation (e.g., taxpayer informs they were not married during the tax year)	Review the prior year tax account (under primary and secondary TIN, if available). Continue with 3rd or 4th If/Then.
Prior year shows taxpayer was married to the same spouse	Disallow the claim informing taxpayer of the prior year filing status.
Prior year shows taxpayer was NOT married, OR NOT married to the same spouse	Allow the claim and adjust the account appropriately.

- (5) If the taxpayer changes filing status from Married Filing Jointly to Head of Household and states the spouse is a nonresident alien (NRA), use the table below to determine if the taxpayer has submitted a binding election or a timely revocation of election. Even with a timely revocation of election, the taxpayer is not entitled to the EITC unless they meet the remaining four requirements to be considered unmarried. (See Publication 501, Dependents, Standard Deduction, and Filing Information, and Publication 519, U.S. Tax Guide for Aliens, for more information.)

Caution: A taxpayer who filed jointly with an NRA spouse and claims EITC must submit a valid SSN for both spouses and qualifying child(ren).

If	And it is	Then
This is the first year a joint return was filed	Prior to the return due date, including extensions	Taxpayers may change their election with a written request. Follow normal procedures to make the changes per IRM 21.6.1.5.6, Only One Spouse Requesting Filing Status Change.
This is the first year a joint return was filed	After the return due date, including extensions	Taxpayers are not eligible to change from joint to head of household. Disallow the claim per IRM 21.5.3.4.6, No Consideration and Disallowance of Claims and Amended Returns.
Taxpayers filed as joint with the same spouse in the prior year	Prior to the return due date, including extensions	Taxpayers may change their election for this year with a written request.
Taxpayers filed as joint with the same spouse in the prior year	After the return due date, including extensions	Taxpayers are not eligible to change from joint to head of household. Disallow the claim per IRM 21.5.3.4.6, No Consideration and Disallowance of Claims and Amended Returns.

- (6) If the taxpayer filed as Single or Head of Household and received EITC and subsequently files a MFS return or joint return with a spouse who has an ITIN or invalid SSN, the taxpayer may not be eligible for EITC. If the taxpayer is no longer eligible for EITC, follow the procedures below:

- a. Change to MFS or joint filing using normal procedures.
- b. Back out the EITC using normal procedures.
- c. Set the math error if additional EITC was claimed or if the taxpayer did not consider the previously received EITC when completing the subsequent return (see IRM 21.5.4.2, General Math Error Procedures Overview).
- d. Send the Letter 3050C, EIC/Dependent/Child & Dependent Care Credit - Math Error, to thoroughly explain the math error to taxpayers.

21.6.3.4.2.7.12
(10-01-2002)

**Earned Income Tax
Credit (EITC) -
Erroneously Allowed**

- (1) If EITC was erroneously allowed on the account, either in full or part, but the refund is frozen due to an invalid TIN condition, an "I-" freeze is set.
 - a. If taxpayer's SSN is not a valid SSN, EITC should not be allowed and must be reversed.
 - b. Remove the EITC using normal procedures.
 - c. Set the math error, see IRM 21.5.4.5.1, Setting the Initial Math Error Action.
 - d. Send Letter 3050C, EIC/Dependent/Child & Dependent Care Credit - Math Error, to the taxpayer to thoroughly explain the math error.
- (2) If EITC was erroneously allowed after initial processing (e.g., freeze release, adjustment action):

If	Then
Refund can be stopped	Follow normal procedures to correct the account.
Refund was issued	Follow erroneous refund procedures in IRM 21.4.5, Erroneous Refunds.

21.6.3.4.2.7.13
(10-25-2021)

**Earned Income Tax
Credit (EITC) - Math
Errors**

(1) A math error notice is issued if a taxpayer does not:

- Include a valid SSN for either the primary taxpayer, secondary taxpayer, and/or EITC qualifying child considered in computing the credit
- Pay SE tax on SE income (SE tax is assessed to the extent of allowable EITC; if SE tax is over the allowable EITC amount, it is assigned an Unallowable code 99)
- Correctly compute AGI (EITC may be reduced or eliminated)
- Correctly consider investment income in the EITC computation (EITC may be reduced or eliminated)
- Meet the age requirement
- Check the box on Form 1040, line 27 if a qualified former foster youth or homeless youth and at least age 18 for tax year 2021
- Check the box to state eligibility when filing status is Married Filing Separately (tax year 2021 and subsequent)

Note: The check box is located directly underneath the name and SSN on Schedule EIC.

- (2) If Taxpayer Notice Codes (TPNC) 701/702/741/743/745/748 are used, a special math error notice (CP 11A/ 12A/ 13A) is issued to the taxpayer. Additional TPNCs may be present on the math error notice. Use CC IMFOLR to determine the TPNC(s). (See *Notices and Notice Codes*, for the complete TPNC listing and wording)
- (3) In addition, a math error notice is issued if a taxpayer's claim for EITC was denied as the result of deficiency procedures and the taxpayer claims EITC in a subsequent year without attaching a properly completed Form 8862, Information to Claim Certain Credits After Disallowance. TPNCs 653, 814, 815 and 816 are used for these types of errors. See IRM 21.6.3.5, Credit Recertification, for procedures.
- (4) See IRM 21.6.3.4.2.7.10, Earned Income Tax Credit (EITC) - Claims, before adjusting EITC.

21.6.3.4.2.7.13.1
(01-11-2018)

**Earned Income Tax
Credit (EITC) - Math
Error Reply**

(1) Taxpayers may reply to an EITC math error or submit a claim, amended, or duplicate return to request EITC. Perform SSN validity check, as needed.

Note: See IRM 21.6.3.5, Credit Recertification, for EITC recertification math errors.

(2) The age requirement for taxpayers claiming EITC is reviewed for correctness. A math error is issued for taxpayers without a qualifying child and for the qualifying child(ren) when the year of birth does not match SSA records or fall within the age range (see IRM 21.6.3.4.2.7.1, Earned Income Tax Credit (EITC) -Eligibility Criteria).

- (3) If the case has a -L freeze, forward to the Examination function via Form 5101, Examination Referral Slip.
- (4) If taxpayer agrees with the math error on a debit balance account:
1. Input TC 290 .00 with priority code 6 to release the -G freeze.
 2. Use the applicable *reason code*, *source code*, and *blocking series*.
- (5) If a response to the math error requires EITC allowance, math verify the EITC #
not math verified during original processing). If available, use CC RTVUE to determine if non-taxable earned income (NEI) was transcribed. Do not pull the return solely for NEI review; use the information on CC RTVUE. See IRM 21.6.3.4.2.7.14, Earned Income Tax Credit (EITC) and Command Code DDBCK.
- (6) If a taxpayer submitted an original return for the IRS to compute, a CP 51 was issued. Math error TPNs set by Error Resolution System (ERS) won't print on the notice. Take this into consideration if the taxpayer replies.

If	Then
Taxpayer asks about EITC	Verify SSN
SSN is not a valid SSN	<ol style="list-style-type: none"> 1. DO NOT allow EITC. 2. Set a math error by inputting TC 290 .00, HC 3, SC 2, RC 053, blocking series 77/78. (Creates a G freeze.) 3. Send the Letter 3050C, EIC/Dependent/Child & Dependent Care Credit - Math Error, to thoroughly explain the math error issue.
SSN is a valid SSN	Allow EITC using normal procedures. Reminder: EITC was not math verified at this point.

- (7) Mixed Entity/Scrambled SSN EITC case considerations:

If	Then
EITC is claimed on a mixed entity case (See IRM 21.6.2.4.2, Mixed Entity Procedures)	Do not allow EITC until the mixed entity condition is resolved. Once resolved use CC DUPED, if current year return, to update DUPOL. Do not use CC DDBCK when processing mixed entity cases.
It is a "true" scrambled SSN case (both taxpayers are moved to IRSNs because SSA issued the same SSN to multiple taxpayers)	Allow EITC for both taxpayers. For all other scrambled cases, refer to IRM 21.6.2.4.3, Scrambled SSN Case Procedures.

21.6.3.4.2.7.13.2
(10-02-2023)

**Inquiries Concerning
Earned Income Tax
Credit (EITC) Math Error
Notices**

- (1) If a taxpayer makes a statement, asks a question, or indicates a misunderstanding of the EITC math error(s):
 - a. DO NOT follow unsubstantiated math error procedures.
 - b. Close the case with a Letter 3050C, EIC/Dependent/Child & Dependent Care Credit - Math Error, explaining the EITC criteria.
- (2) If taxpayer does not provide the correct information and requests the account adjustment be made, follow the unsubstantiated math error procedures in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.

Note: If the -G freeze is no longer present on the account then see IRM 21.5.4.5.3, Processing Responses to Math Error Notices.

- (3) Taxpayers with an invalid SSN may have EITC erroneously allowed and refunded if a TC 510 was input in a prior year. If a taxpayer requests an adjustment which increased EITC:
 - a. DO NOT begin erroneous refund procedures to recover the EITC previously refunded.
 - b. DO NOT allow additional EITC.
 - c. Input an adjustment to set the math error per IRM 21.5.4.5.1, Setting the Initial Math Error Action; consider other changes requested by the taxpayer.
 - d. Send the Letter 3050C to the taxpayer to thoroughly explain the math error.
- (4) A taxpayer who is incarcerated, as shown in the address or on a Form W-2, Wage and Tax Statement, requires additional research if EITC is claimed.
 - a. If a taxpayer reports an additional Form W-2 with wages from a penal institution, refer to Examination.
 - b. If a taxpayer reports information other than income earned while in a penal institution and:

If	Then
No EITC allowed previously on the account	<ol style="list-style-type: none"> 1. The taxpayer cannot claim EITC for amounts received for services while an inmate. It does not matter if income is from a penal institution (e.g., telemarketing from prison). If the taxpayer worked prior to or following incarceration, that income could be earned income. 2. Research to determine if the wages/income on which the EITC is based was received for services provided while an inmate in a penal institution. (Use CC IRPTR, review of the return, etc.)
EITC <i>was</i> allowed previously on the account	Research to determine if the wages/income on which the EITC is based was received for services provided while taxpayer was an inmate in a penal institution. (Use CC IRPTR, review of the return, etc.)
EITC allowed based on penal institution income	Refer to Examination.
EITC allowed appropriately	Follow normal procedures to process the claim.

21.6.3.4.2.7.13.3
(06-10-2024)

**Earned Income Tax
Credit (EITC) - CP 54
Notices with Math Error
Involvement**

- (1) When a primary taxpayer's TIN is invalid, the taxpayer may receive a CP 54 and/or math error notice. Written responses to CP 54 notices that do not involve EITC are worked in Entity. If taxpayer attaches correspondence in response to a math error notice or attaches correspondence inquiring about a math error issue, these are worked in Accounts Management. See the following IRMs to resolve the issues:

- IRM 3.13.5, Individual Master File (IMF) Account Numbers, for resolving invalid TINs and IRCHG instructions
- IRM 21.6.1.6.4, Missing or Invalid Exemption/Dependent TINs Procedures, for correcting exemptions
- IRM 21.6.3.4.2.7, Earned Income Tax Credit (EITC), and IRM 21.6.3.4.2.7.13.1, Earned Income Tax Credit (EITC) - Math Error Reply, for addressing EITC math errors
- IRM 21.3.1.6.36, CP 54x Series Notices, Inquiry Regarding Name and Social Security Number (SSN)

21.6.3.4.2.7.14
(10-01-2024)

**Earned Income Tax
Credit (EITC) and
Command Code DDBCK**

- (1) Command Code DDBCK must be used on all current processing year and two years prior (the three most recent tax years) for:

- Form 8862, Information To Claim Certain Credits After Disallowance, (For math errors 653, 814, 815, and 816, see IRM 21.6.3.5, Credit Recertification).
- TIN-related math errors (ME 604 / 605 / 610 / 701 / 702 / 741 / 743 / 745 / 748)

Note: CC DDBCK should not be used when working EITC Non-TIN related math error responses (such as ME 285, 286, 289, 542, etc.).

- Amended returns claiming EITC (excluding for self/spouse only)

- Determining if the claim meets Examination selection criteria and/or
- Updating the Duplicate TIN database (DUPOL)

Exception: Employees who do not have access to CC DDBCK should review the amended return for CAT A criteria. See Exhibit 21.5.3–3, Examination Criteria (CAT-A) - Credits. If the claim does not meet CAT A criteria and all other requirements are met, then allow the EITC. Update CC DUPED, if necessary.

Note: See IRM 21.6.1.7.2, Command Code DDBCK, for all other exceptions.

Command Code DDBCK must be used when a phone call or correspondence is received which corrects an EITC TIN related math error. These cases are scored but not selected and DUPOL is updated. During the scoring process, DDBCK identifies if the math error meets the criteria to refer for review by Exam Classification.

If the CC DDBCK response is to adjust the account, review the required actions in IRM 21.6.1.7.2 (9), Command Code DDBCK, prior to adjusting the module.

- (2) See IRM 21.6.3.4, Credits Procedures, if the DDBCK return summary screen or response screen shows a date of death prior to the tax year involved for the qualifying child.
- (3) When processing claims involving EITC, DUPOL must be updated when changing, adding, or deleting EITC qualifying children.
- (4) CC DDBCK updates DUPOL on cases when the response includes “OK to input ADJ54”.
- (5) CC DDBCK does not update DUPOL on cases when the response includes “Follow IRM”, “Selected”, or “Send as CAT A.”
 - If working a current processing year claim and CC DDBCK’s response is “Follow IRM” and following the IRM procedure results in the adjustment being made, CC DUPED must be used to update DUPOL.
 - If working a current processing year claim and CC DDBCK’s response is “Selected”, **do not** use CC DUPED to update DUPOL. The claim is being referred to Examination for further review.
 - If working a current processing year claim and CC DDBCK’s response is “Send as CAT A” and the claim is later returned by Examination “accepted as filed” CC DUPED must be used to update DUPOL.
- (6) CC DDBCK determines if a claim with an EITC increase meets examination selection criteria, and if so, systemically inputs a TC 971 Action Code 013 and opens the case on AIMS. If a TC 971 Action Code 010 is present, the Contact Representative (CR) must manually input the TC 971 Action Code 013.

Note: When working Non-Correspondence Imaging Inventory (CII) cases that are selected, manually route the case to Examination within 3 business days.

- (7) When working EITC TIN-related math error responses, overlay the “YYYYMMDD” on DDBCK’s Return Summary Screen, under CLAIM RCVD DATES, with the received date of the Form 1040-X / Correspondence / Phone Call.

Note: CC DDBCK reflects an indicator of “X” for each dependent claimed on the Schedule EIC. Overlay the “X” with an “A” on CC DDBCK when adding that qualifying child for EITC purposes.

(8) For claims involving an original claim for EITC or an increase to the amount of EITC claimed, input the “Category Code”, “Claim Amount”, “AGI INC / DEC Amount” (if applicable), and the “EIC Increase Amount.”

(9) Input one of the following in the “Category Code” field:

- EICX - EITC increases claimed on amended or duplicate return cases which **do not** involve an EITC math error.
- EICC - EITC increases due to a correspondence/amended return / CP 36 / DUPF case which corrects an EITC TIN related math error.
- EICP - EITC increases due to a phone call which corrects an EITC TIN related math error.

Note: Category Code EICN is used when decreasing EITC. more case scenarios are listed in IRM 21.6.1.7.2, Command Code DDBCK.

(10) The “Claim Amount” is the result of the amended return (REQ54) or correction to the math error. The result of the claim can be:

- Net Zero - enter “0” as the “Claim Amount”.
- Overpayment - enter the amount of the overpayment as the “Claim Amount” but not more than “9999”.
- Balance due - enter the amount of the balance due as the “Claim Amount”. This amount must be input as a positive amount since the “Claim Amount” won’t accept a negative figure.

Reminder: The “claim amount” is the net result of the adjustment (REQ54) and may differ from the taxpayer’s computation on the refund/balance due on the amended return. Do not include any balance due into the computation.

(11) If applicable, use the amount of the increase or decrease to the Adjusted Gross Income (AGI) being claimed when inputting the “AGI INC/DEC Amount”.

(12) Use the amount of the increase to EITC being claimed when inputting the “EIC Increase Amount”.

(13) Update the Schedule C (SCHED-C) indicator field on DDBCK with a “Y” when the taxpayer is claiming EITC and:

- Submits a new Schedule C or
- Submits a Schedule C which amends a previously filed Schedule C or
- Claims additional income (except Schedule F, Schedule E, Schedule K-1, or minister income) which is subject to self-employment tax

Example: Form 1040-X reflects self-employment tax due to non-employee compensation from a Form 1099-MISC. The Schedule C indicator would be “Y”. The non-employee compensation income shown on the Form 1099-MISC would be the amount of the “Gross Receipts” and the “Net Profit” on the DDBCK Return Update Screen - Schedule C.

An “N” is input when a Schedule C is attached but it is a duplicate of a previously filed Schedule C or a Schedule C is not attached, unless specified above.

- (14) After you submit all changes, if the age of a qualifying dependent is over 19, an additional screen pops up to ask if the dependent is a student or disabled. The user should enter a “Y” if either box is checked on Schedule EIC.
- (15) See IRM 21.6.1.7.2, Command Code DDBCK, for a table showing possible DDBCK responses and correct next actions.
- (16) If the CC DDBCK response screen indicates “Validation Failed, Reject/Disallow # Child” (# is the number of children failing validation), **and # equals the total number of children being claimed/added to the taxpayer’s account:**
 - Answer “Process Update” question with an “N.”
 - See IRM 21.5.3.4, General Claims Procedures, for applicable procedures.
- (17) If the CC DDBCK response screen indicates “Validation Failed, Reject/Disallow # Child” (# is the number of children failing validation),

and # does not equal the total number of children being claimed/added to the taxpayer’s account:

If	Then
The child failed validation due to an invalid TIN/name issue	<ol style="list-style-type: none"> 1. Following normal procedures, input an adjustment for the child passing validation. 2. Set a math error (See IRM 21.5.4.5.1, Setting the Initial Math Error Action) for the child failing validation and issue a Letter 3050C, EIC/Dependent/Child & Dependent Care Credit - Math Error, explaining the issue. 3. Reinput CC DDBCK to reflect the TIN/Name of the child passing validation, and the applicable EITC amount in the “Amount of EIC Claimed” field. Answer “Process Update” question with a “Y”.
The child failed validation due to reasons other than an invalid TIN/Name issue	See IRM 21.6.3.4.2.7.10, Earned Income Tax Credit (EITC) - Claims, for procedures.

21.6.3.4.2.7.15
(10-01-2011)

**Earned Income Tax
Credit (EITC) - Criminal
Investigation Referrals**

- (1) The Criminal Investigation (CI) function reviews original returns deemed suspicious. CI:
 - a. Intercepts questionable paper refunds with CC NOREF or CC NOREFE.
 - b. Stops electronic funds transfer refunds with CC CRMNLE TC 916.
 - c. Codes the original return with a Computer Condition Code (CCC) 3 to generate TC 570 and an R freeze to hold the credit.
- (2) See IRM 21.5.6.4.51, Z – Freeze, for the necessary action(s) to take.

21.6.3.4.2.8
(05-13-2022)
**Additional Child Tax
Credit (ACTC)**

- (1) Certain individuals who get less than the full amount of the non-refundable Child Tax Credit (CTC) are entitled to the refundable Additional Child Tax Credit (ACTC). ACTC may result in a refund even if no tax is owed. **See IRM 21.6.3.4.1.24, Child Tax Credit, and subsequent subsections, for rules and regulations pertaining to the Child Tax Credit prior to addressing Additional Child Tax Credit.**
- (2) For tax year 2021 only, for taxpayers whose principal abode was in the United States for more than one-half of the year (Schedule 8812, Line 13, Box A), ACTC is referred to as Refundable Child Tax Credit (RCTC) and the entire amount is refundable.
- (3) Taxpayers must claim the qualifying child as a dependent to be a qualifying child for the Child Tax Credit.
- (4) Earned income generally does **not** include workfare payments to the extent subsidized under a state program for work experience (including work associated with the refurbishing of publicly assisted housing if sufficient private sector employment is not available), work in community service programs, or certain Medicaid waiver payments (see IRM 21.6.6.2.35, Qualified Medicaid Waiver Payments/Difficulty of Care Payments, for more information). However, the taxpayer may include certain Medicaid waiver payments received as wages or self-employment income in earned income if they benefit from the inclusion (even if this payment is excluded on Schedule 1).
- (5) Taxpayers who file Form 2555, Foreign Earned Income, cannot claim the credit.
- (6) For taxpayers indicating a religious (e.g., Amish/Mennonite) or conscience-based objection to obtaining a TIN, refer to IRM 21.6.1.6.1, Determining the Exemption/Dependent Deduction.
- (7) For tax years 2020 and prior, a bona fide resident of Puerto Rico must have 3 or more children to qualify for the ACTC if the taxpayer is excluding all their income under IRC 933.
 - Bona fide residents of Puerto Rico do not have taxable income if it is excluded under IRC 933, which applies to income derived from sources within Puerto Rico.
 - Amounts received for services performed as an employee of the United States or any agency thereof is not subject to exclusion under IRC 933.
 - If a taxpayer has U.S. Government wages, they must file Form 1040 and use *Schedule 8812* to claim ACTC. If the taxpayer has excluded income under IRC 933, for 2020 and prior, they must use the worksheet in *Pub. 972, Child Tax Credit and Credit for Other Dependents*, and for tax year 2021 and later, they must use the *Instructions for Schedule 8812, Credits for Qualifying Children and Other Dependents*, to compute CTC. Depending on the circumstances, the taxpayer may be entitled to claim CTC, as well as ACTC, even if they have fewer than three qualifying children.

- See IRM 3.38.147.13.5.3, Additional Child Tax Credit (ACTC) and 2021 Refundable Child Tax Credit - Puerto Rico, for more information. If the taxpayer calls about additional child tax credit on a Form 1040-PR, prepare a Form 4442/e-4442, Inquiry Referral, if applicable.

Note: Bona fide residents of the other U.S. territories (American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands) who are eligible for the CTC or ACTC would claim those credits on an income tax return filed with the U.S. territory, not with the IRS.

- (8) For tax year 2021, bona fide residents of Puerto Rico are eligible for enhanced refundable child tax credit (RCTC). The following applies for tax year 2021.

- Residents can claim the credit even if they didn't work and received no income.
- The credit can be claimed with only one child.
- Depending on modified AGI, the enhanced credit can be up to \$3,600 for qualifying children under age 6 and \$3,000 for qualifying children over age 5 and under age 18. See IRM 21.6.3.4.1.24, Child Tax Credit (CTC), for income thresholds.

- (9) A special rule applies for certain taxpayers affected by disaster areas shown below. Qualified individuals whose earned income in the applicable taxable year is less than the earned income in the preceding taxable year may elect to use their earned income of the preceding taxable year when figuring ACTC. Taxpayers who do not claim Earned Income Tax Credit (EITC) should enter "PYEI" and the dollar amount of the prior year earned income on the dotted line for ACTC. Taxpayers who also claim EITC must follow the election they made when they figured EITC.

The main home of qualified individuals must have been in:

- the Hurricane Harvey disaster area on August 23, 2017
- the Hurricane Irma disaster area on September 4, 2017
- the Hurricane Maria disaster area on September 16, 2017
- the California wildfire disaster area on October 8, 2017
- any Presidentially declared disaster that occurred in 2018 or 2019, but before December 21, 2019

Note: Verify the taxpayer was in the qualified disaster zone via the *IRS Disaster Assistance Program*.

These claims are centralized in Austin and Philadelphia (International). Reassign the case per the *AM Site Specialization Temporary Holding Numbers*. Use category code KATX and OFP 710-82365 when processing these claims.

- (10) As part of the Taxpayer Certainty and Disaster Tax Relief Act of 2020, individuals whose earned income for tax year 2020 is less than the earned income for 2019 may elect to use their 2019 earned income when figuring ACTC. Taxpayers should enter "PYEI" and the dollar amount of the prior year earned income on the dotted line for ACTC. If they file a joint return and make the election, their 2019 earned income is the **sum** of their 2019 earned income and their spouse's 2019 earned income. Taxpayers who elect to use PYEI in figuring their 2020 ACTC, and who also claim EITC, may also elect to use PYEI when figuring their 2020 EITC, but they are not required to do so.

21.6.3.4.2.8.1
(10-01-2013)

**Additional Child Tax
Credit (ACTC) Taxpayer
Inquiries**

- (1) A taxpayer may inquire concerning the credit.

If	And	Then
The taxpayer claimed the credit on the original return.	The missing information is provided. Refer to IRM 21.6.3.4.1.24.1, Child Tax Credit (CTC) - Qualifications, for more information.	Adjust the account. See IRM 21.5.4.5.3, Processing Responses to Math Error Notices.
The taxpayer claimed the credit on the original return.	Does not provide missing information	Follow IRM 21.5.4, General Math Error Procedures.
The taxpayer did not claim the credit on the original return.	N/A	Advise the taxpayer to file an amended return.

21.6.3.4.2.8.2
(03-04-2022)

**Additional Child Tax
Credit (ACTC) -
Adjusting the Credit**

- (1) If present, math verify the Additional Child Tax Credit (ACTC) on *Schedule 8812*.

Note: Recompute ACTC if there is a change to other non-refundable credits impacting the amount of Child Tax Credit (CTC) allowed.

- (2) If a taxpayer (or the spouse if married filing jointly) received nontaxable combat pay, they must include the amount in figuring their earned income when figuring ACTC.
- (3) If *Schedule 8812* is incomplete, follow claim processing in IRM 21.5.1, General Adjustments. If the schedule is missing, see IRM 21.5.3.4, General Claims Procedures.
- (4) Determine if the ES penalty should be computed or recomputed on any refundable portion of the credit. Refer to IRM 20.1, Penalty Handbook.

Exception: For a claim with both ACTC and EITC, if CC DDBCK returns the EITC result "OK to input REQ54", do not refer as CAT-A for manual classification of ACTC.

- (6) The "Protecting Americans From Tax Hikes (PATH) Act of 2015", Section 201(b), signed into law December 18, 2015, prohibits refunds of ACTC before the 15th day of the second month following the close of the taxable year (Feb. 15 for calendar year filers). Do not input any current year ACTC adjustments (increases) before that date unless the taxpayer is responding to a math error and the module contains a C- freeze. A C- freeze prevents any refund until Feb. 15. If the taxpayer is responding to a math error and a C- freeze was not set, advise the taxpayer to call back.

#

- (7) For information on ITIN renewal math errors, see IRM 21.6.1.6.6.2, ITIN Renewal Math Error Adjustments.
- (8) When adjusting the credit:
- Use Credit Reference Number (CRN) 336 to allow/increase the credit.
 - Use CRN 336 with a minus sign (-) to decrease the credit.
 - Use RC 061 and the applicable *source code* and *blocking series*.

Caution: Prior to adjusting ACTC, read IRM 21.6.3.4.1.24.4, Adjusting Child Tax Credit and/or Credit for Other Dependents, for information and requirements about retroactive claims and when taxpayers are required to recertify for the credit.

Reminder: The CRN converts to TC 766 Ref 336 at Master File.

- (9) When processing amended/duplicate returns, if the taxpayer was allowed the credit during original processing, but is not entitled to all or a portion of the credit based on changes made:
- a. Follow the procedures in IRM 21.5.4.5.1, Setting the Initial Math Error Action.
 - b. Explain to the taxpayer the adjustment was made and a notice will be sent explaining the adjustment and the appeal rights.

Example: An amended return increasing income that now subjects the credit to limitation.

21.6.3.4.2.8.3
(02-02-2024)
Additional Child Tax Credit (ACTC) - CP 08

- (1) The CP 08, You May Qualify for a Refund From the Additional Child Tax Credit (ACTC), is generated if specific criteria based on the original return are met. Taxpayers are issued a CP 08, informing them of their potential eligibility to claim the Additional Child Tax Credit, when they:
- a. Compute an amount for the Child Tax Credit (CTC), have no tax liability, and fail to use the remaining portion of the credit to claim ACTC, or
 - b. Indicate eligibility for CTC (by checking the Child Tax Credit box on Form 1040), do not claim CTC due to no tax liability and do not claim ACTC.
- (2) The notice advises the taxpayer to allow 8 weeks for receipt of refund or correspondence.

Exception: CP 08 responses received **prior to** September 11, 2023, were scanned in and assigned a TC 971 AC 120 and AC 010 causing a -A freeze to generate. If you receive a phone call meeting this scenario, provide the taxpayer the timeframe based on IRM 21.5.6.4.2, -A Freeze.

Take the following action if contacted by the taxpayer:

Row Number	If	And	Then
1	Fewer than 8 weeks have passed since taxpayer submitted CP 08	There is no open IDRS control, and adjustment has not been made or Research shows an open control, adjustment has not been made	Advise Taxpayer to allow 8 weeks for normal processing time.
2	8 weeks have passed since taxpayer submitted CP 08	Research shows no record of receiving taxpayer's response	Advise Taxpayer to complete Form 1040-X, Amended U. S. Individual Income Tax Return, and attach Schedule 8812.
3	8 weeks have passed since taxpayer submitted CP 08	The taxpayer's response has been received, there is an open control to an employee and an adjustment has not been made	<p>If you have access to Correspondence Imaging Inventory (CII):</p> <ul style="list-style-type: none"> • Add a Case Note to CII indicating taxpayer called to check status. • Apologize for the delay in processing and advise the taxpayer to allow an additional 30 days for a response. <p>If you do not have access to CII:</p> <ul style="list-style-type: none"> • Prepare Form 4442/e-4442, Inquiry Referral, and route to the employee with the open control. • Apologize for the delay in processing and advise the taxpayer to allow an additional 30 days for a response.

Row Number	If	And	Then
4	8 weeks have passed since taxpayer submitted CP 08	<p>The taxpayer's response has been received, there is an open control to a clerical unit or generic IDRS queue and an adjustment has not been made</p> <p>Note: Generic IDRS queue numbers for Submission Processing (SP) can be found in IRM 3.11.6.3, Controlling Cases on the Integrated Data Retrieval System (IDRS). Generic IDRS queue numbers for Accounts Management (AM) can be found in IRM 21.5.1.5.1, CII General Guidelines.</p>	<p>Take one of the following actions:</p> <ul style="list-style-type: none"> If you have access to CII and sufficient information to work the case during the phone call, reassign the case to yourself in CII, work and close the case. If you do not have access to CII, sufficient information to work the case or are unable to work the case due to a training issue (e.g., call sites), apologize for the delay in processing and advise the taxpayer to allow an additional 30 days for a response.

- (3) Generally, a completed CP 08 is considered an informal claim. However, if the taxpayer returns the CP 08 or Form 15110 notice indicating the taxpayer is not eligible for the Additional Child Tax Credit (no other issue involved), a reply is not necessary. Destroy as classified waste per IRM 21.5.1.4.10, Classified Waste.
- (4) Beginning January 2023, taxpayers can send responses to CP 08 notices electronically via the Documentation Upload Tool (DUT). Taxpayers can access the DUT by scanning the QR code or entering the access code located on the CP notice or form, or by visiting IRS.gov/dutreply. The responses are transferred to Correspondence Imaging Inventory (CII) and worked following normal procedures.
- (5) Taxpayers must complete, sign, and return the CP 08 notice or Form 15110, Additional Child Tax Credit Worksheet, if qualified.

Exception: There is no signature requirement for Form 15110 for tax years 2022 and later.

- (6) If you receive a CP 08 response with the incorrect revision of Form 15110, try to contact taxpayer via telephone (refer to IRM 21.1.1.4, Communication Skills) to request a new Form 15110 for the correct year **or** *Schedule 8812*, Credits for Qualifying Children and Other Dependents, (depending on year or number of children, see paragraph 7 below), via e-fax. If unable to contact via telephone, send an appropriate "C" letter apologizing for the inconvenience and request a new Form 15110 for the correct year **or** *Schedule 8812*.

- (7) For tax years 2018 - 2025, *Schedule 8812* is required. If a taxpayer submits CP 08 without the Schedule 8812 when required, correspond for the missing schedule. Follow IRM 21.5.3.4.2, Tax Decrease or Credit Increase Processing.
- (8) Compute the amount of the credit based on the qualifying children claimed on the CP 08 that meet the following criteria:
- A dependency exemption was allowed for the same child.
 - The child was under 17 years old at the end of the calendar year.
- (9) Partially / completely deny the claim by inputting a TC 290 .00, BS 05 and send a Letter 76C with an open paragraph, "We are writing as a follow-up to the CP 08 we recently mailed. We are sorry to inform you that you do not qualify for the Additional Child Tax Credit because [include explanation]. We apologize for this inconvenience." if:
- the taxpayer claims additional children on the CP 08 for whom the taxpayer did not claim a dependency exemption on the original return
 - the taxpayer claims any children on the CP 08 for whom a dependency exemption was disallowed to the taxpayer
 - the taxpayer does not meet all of the criteria (see IRM 21.6.3.4.1.24, Child Tax Credit (CTC))

Note: If a refund on the module is being held by Return Integrity Verification Operations (RIVO), input a HC 4.

- (10) When adjusting a module based on a CP 08:
- a. Use Credit Reference Number (CRN) 336 to allow the credit.
 - b. Use RC 061, SC 1 and the applicable *blocking series*.
 - c. Use Priority Code 3 to allow interest to be systemically calculated as an IRS initiated adjustment. Refer to IRM 20.2.4.8.3.3, 45-day Rule and IRS Initiated Adjustments, for more information and procedures when a manual interest computation is required.
 - d. Do not input the amended claims date.

Note: If a refund on the module is being held by RIVO, see IRM 21.5.6.4.35.3, -R Freeze Overview For Accounts With Return Integrity Verification Operations (RIVO) Involvement.

- (11) Refer to the following chart if you receive a Form 1040-X and a CP 08 has been sent to the taxpayer.

If	And	Then
If you receive a Form 1040-X in response to a CP 08	A Form 15110 is attached	Process the case as a CP 08 response
If you receive a Form 1040-X for a tax year in which a CP 08 was sent	A Form 15110 is NOT attached	Process the case as a Form 1040-X

If	And	Then
If you receive a Form 1040-X in response to a CP 08 with additional changes (e.g., adding a child or income)	A Form 15110 is attached	<ul style="list-style-type: none"> Adjust the ACTC following CP 08 processing Do a separate adjustment for the other changes following normal Form 1040-X processing

21.6.3.4.2.9
(10-01-2024)

Health Coverage Tax Credit (HCTC)

- (1) HCTC was effective for tax years through Dec. 31, 2021. There has been no extension to the legislation. All information contained in this subsection and subsequent subsections refer to tax year 2021 returns and prior.
- (2) The Health Coverage Tax Credit (HCTC) is a refundable credit that pays for 72.5% of health insurance premiums for eligible individuals. The credit is claimed on *Form 8885*, Health Coverage Tax Credit.
- (3) HCTC paper is centralized at the Andover campus. If not trained to work HCTC, update the category code to HCTC or HCTX as necessary and reassign to 0830141335. HCTC can also be claimed on Form 1040-SS, those claims are processed in Philadelphia.
- (4) There is no longer a dedicated HCTC phone line. It was deactivated as of June 17, 2024.
- (5) For tax years 2016 through 2021, coverage through the Health Insurance Marketplace won't qualify for HCTC.
- (6) Taxpayers can receive a full credit for insurance premiums paid upon filing Form 8885 with their return, or can receive the benefit of an advance monthly credit to help cover the cost of insurance premiums. Taxpayers must register with the IRS to receive the benefit of an advance monthly credit. Taxpayers who choose the advance credit option are required to submit 27.5% of their total health insurance costs to the IRS. The IRS contributes the remaining 72.5% (the advanced monthly credit), for a total of 100% of the insurance premiums, paid directly to their third-party administrator (TPA) or health plan administrator (HPA).

Note: Taxpayers are required to pay the full 27.5% at once, partial payments are not accepted.

Note: The HPA / TPA must be able to receive payment via electronic funds transfer (which is done by completing Form 3881) in order for the taxpayer to get advance payment, otherwise, the taxpayer must wait to claim the credit when filing their return.

- (7) The American Rescue Plan Act enacted a 100% COBRA subsidy for eligible individuals for the period of April 1, 2021 through September 30, 2021. Individuals are **not** eligible for HCTC for the months they receive the COBRA Subsidy.

If	Advise the taxpayer
the taxpayer asks about eligibility for the COBRA subsidy	contact their COBRA administrator to determine eligibility
the taxpayer asks if they need to submit a payment through the HCTC program while receiving the subsidy	<ul style="list-style-type: none"> they should not send any payments until their October payment is due send the payment after September 20, 2021, but before October 10, 2021
the taxpayer requests their April and/or May 2021 payment be returned	they should email the HCTC stakeholder inbox at <i>WI.HCTC.STAKEHLDR.EN@irs.gov</i> to request the payment(s) be returned
the taxpayer received a refund check from their health insurance administrator	<ul style="list-style-type: none"> not to send any payments until the October payment is due return the government's contribution using Form 13560 (Return of Funds) for the months your administrator returned to you Form 13560 can be found on the HCTC website <p>Note: Payment details, including the government's contribution, can be found in the HCTC database under the Payment History, by selecting the drop down icon next to the payment date.</p> <p>Note: Send a Form 4442/e-4442, Inquiry Referral, to the HCTC Enrollment Team to request Form 13560 be printed and mailed if the taxpayer can't print the form.</p>

- (8) Taxpayers can request reimbursement for premiums they paid (for the current year only) while waiting to be accepted into the advance monthly program. Form 14095, The Health Coverage Tax Credit (HCTC) Reimbursement Request, is used to request reimbursement. Taxpayers must be a monthly HCTC participant or have an HCTC registration in process.

Note: Due to program constraints, Form 14095 has an annual cutoff of September 30 and resumes after the beginning of the new year. Any reimbursement requests received after September 30 must be claimed on the taxpayer's return using Form 8885.

- (9) Each January, taxpayers receive a list of the advance payment amounts made on their behalf in the prior year. The payments are reported on Form 1099-H, Health Coverage Tax Credit (HCTC) Advance Payments. Taxpayers should use Form 1099-H to complete Form 8885. The IRS issues Form 1099-H.

Caution: For tax year 2020 and 2021, Form 1099-H is not available on CC IRPTR or through the Transcript Delivery System (TDS). You can obtain Form 1099-H data by sending a referral to the Austin enrollment team. Fax referrals to Austin at 855-250-1731.

Reference - IRC 35

21.6.3.4.2.9.1

(05-24-2017)

Health Coverage Tax Credit (HCTC) - Eligibility

- (1) The following individuals meet the HCTC requirements:
- A Pension Benefit Guaranty Corporation (PBGC) payee who is age 55 or older
 - An eligible Trade Adjustment Assistance (TAA), Alternative TAA (ATAA), or Reemployment TAA (RTAA) recipient
 - A qualifying family member of an individual who fell under one of the categories listed above at the time of the individual's death or divorce
- (2) General requirements taxpayers and qualifying family members must meet:
- Be covered by qualified health insurance coverage
 - Not be entitled to Medicare, which is generally available to people age 65 or older, or, for the first 24 months after the taxpayer is entitled to Medicare, have a qualifying family member enrolled in qualified health insurance coverage
 - Not be enrolled in Medicaid or the Children's Health Insurance Program (CHIP)
 - Not be enrolled in the Federal Employees Health Benefits Program (FEHBP)
 - Not be eligible for benefits under the U.S. military health system (TRICARE)
 - Not be imprisoned under federal, state, or local authority
 - Not be claimed as a dependent on someone else's return
- (3) Qualified health insurance coverage is any of the following:
- COBRA continuation coverage through the taxpayer's or spouse's former employer where they pay more than 50% of the monthly premiums
 - A state-qualified health plan
 - Coverage under a group health plan available through the spouse's employer where the spouse pays more than 50% of the total monthly premium with after-tax dollars (PBGC payees and TAA recipients) or the spouse pays 100% of the total premium with after-tax dollars (ATAA and RTAA recipients)
 - Coverage under a health plan funded by a Voluntary Employees' Beneficiary Association (VEBA) that was established through a bankruptcy court
 - Coverage under a non-group / individual health insurance plan, however coverage through the Marketplace won't qualify for tax years after 2015

Note: Coverage through the HCTC eligible individual's employer is qualified health insurance coverage only if it is COBRA continuation coverage paid to a

former employer. Coverage through the HCTC-eligible individual's current employer is never qualified health insurance coverage.

- (4) See the *Instructions for Form 8885, Health Coverage Tax Credit* for more information.

21.6.3.4.2.9.2
(11-09-2017)
**Health Coverage Tax
Credit (HCTC) -
Registration**

- (1) Taxpayers were required to register to receive the benefit of advance HCTC. Form 13441-A, Health Coverage Tax Credit (HCTC) Monthly Registration and Update, had to be submitted with required supporting documentation.
- (2) Taxpayers could not register for the monthly program for coverage through a spouse's current employer. Taxpayers were required to complete Form 8885 after the end of the tax year to determine if the HCTC is allowed for coverage through a spouse's current employer.
- (3) Supporting documentation includes a copy of the taxpayer's health insurance bill dated within the last 60 days that includes all of the following:
- Taxpayer's name
 - Monthly premium amount
 - Monthly premium due date
 - Date of coverage
 - Health plan administrator name and phone number
 - Health plan identification numbers
 - Address for mailing payments

If the taxpayer has **COBRA**, they must provide:

- A copy of their completed and signed COBRA election letter or form
 - A letter from their employer or COBRA administrator showing start and end dates, home address, health plan name, covered family members, dates of birth, relationship, and SSNs
 - A copy of the "Notice of Rights to Continue Coverage" and proof the bill was paid
- (4) Registration processing was handled by the enrollment team, located in Austin Submission Processing. AM answers basic questions about the registration process. Changes to any of the information above requires an updated Form 13441-A from the taxpayer.

Exception: During open enrollment (November/December), TPAs can submit an attestation spreadsheet for current participants with rate changes only. Taxpayers should check with their TPA to determine if they need to submit a Form 13441-A for premium changes.

- (5) When a taxpayer ages out of the program (age 65) but pays for qualified health insurance coverage for a qualifying spouse or dependent, the taxpayer should send a letter to the enrollment team advising them they are aging out of the program and send a new Form 13441-A, Health Coverage Tax Credit (HCTC) Monthly Registration and Update, for the qualifying spouse or dependent. The enrollment is cancelled and a letter issued to the participant to confirm cancellation. The qualifying spouse or dependent receives a new enrollment letter with a new HCTC Participant Identification Number.

21.6.3.4.2.9.2.1
(05-22-2019)
**Health Coverage Tax
Credit (HCTC) -
Enrollment Database**

- (1) AM employees answer basic questions about the registration process. Employees have access to the *HCTC enrollment database* (as read only) to answer questions such as:

- Was their application received
- Has the application been processed
- Was payment made to their insurance company

Note: If data cannot be found in the database, the application has not been processed. The enrollment team generally processes applications within 6 weeks.

- (2) Records can be obtained by searching by SSN, name or participant identification number. Prior to disclosing any data, you must know with whom you are speaking. Since the data being discussed is found in the HCTC database, not IDRS, verify the information shown on the "Summary" page of the HCTC database. Use of the IAT Disclosure Tool is not needed since you are not accessing IDRS. Follow disclosure guidelines shown in IRM 21.1.3.2, General Disclosure Guidelines, for the protection of the HCTC data. Only the individuals shown on the "Summary" tab or "Family" tab are authorized to receive information. Third-party designees are required to provide a five-digit designee PIN created by the participant during the registration process. Third-party designee data can be found in the "Accessibility" section.
- (3) Refer requests to update incorrect information found in the database, non-receipt of letters, or a change of address, to the Austin enrollment team via Form 4442/e-4442, Inquiry Referral. Send referrals to Austin SP, Stop 6098, Austin, TX, 78741, or fax to 855-250-1731.
- (4) The database contains a comments section. Comments can be added with read-only access. Comments left by the enrollment team may aid in responding to taxpayer inquiries. If the comments section does not resolve the inquiry, a Form 4442/e-4442, Inquiry Referral, may be needed.
- (5) The HCTC database contains a payment history tab. Payment types can help identify who contacted the IRS and who is being paid:
- Form 13560 (Return of Funds) - These funds are returned by the Vendor and can include both the Participant and Government contributions. After these funds are reconciled, the participant is reimbursed the 27.5% using Form 1034 below.
 - Form 1034 (Reimbursement/Disbursement) - identifies the funds being returned to the taxpayer, after reconciliation (vendor number 02020069) or funds issued to a vendor (any other vendor number).
 - Form 14095 (Reimbursement/Disbursement) - This is the amount that the participant paid directly to their Vendor for the government portion. We reimburse the 72.5% based on proof of payment to the vendor.
 - HCTC Payment - identifies the month to month payment history (taxpayer's / government's contribution).
 - Refund of HCTC Overpayment - systemically generated refund of HCTC overpayment. Returns any payment amount greater than the monthly payment in the database **at the time the participant's payment was received.**

Caution: Review Part 4 of the enrollment information with the participant to confirm if the monthly premiums, other benefits, and monthly HCTC payment are correct. If not correct, Form 13441-A needed to update the account.

21.6.3.4.2.9.3
(04-08-2021)
**Health Coverage Tax
Credit (HCTC) -
Payments**

(1) Taxpayers were required to submit their 27.5% payment, along with their payment coupon, by the 10th of each month. Form 13973, Health Coverage Tax Credit (HCTC) Blank Payment Coupon, can be obtained from IRS.gov. Taxpayers must enter their participant identification number on their payment coupon. If the taxpayer cannot make their payment by the 10th of the month, they must pay 100% of the monthly payment and claim the credit on their tax return using Form 8885.

(2) US Bank supports the HCTC program by providing the following services:

- Processing payments
- Processing HPA / TPA returned funds
- Depositing payments into the HCTC appropriation fund
- Generating and mailing reject letters to taxpayers no longer eligible to receive the benefit of an advance payment

Mail payments to:

U.S. Bank - HCTC (made out to U.S. Treasury)

P.O. Box 970023

St. Louis, MO 63197-0023

Caution: Taxpayers who have not received verification of enrollment should not send their payment to US Bank.

(3) Overpayments and underpayments are returned to the taxpayer. Underpayments disqualify the taxpayer from receiving the benefit of advance payments for that month. If the taxpayer underpays, the bank issues a *Payment Ineligible Letter*. Information about underpayments may be found in AMS or in the database.

(4) Payments received by the 10th of each month are sent to administrators electronically on the 20th of each month. How long it takes each bank to receive the payment varies, but most payments are received by the 25th of each month. Each administrator then has their own internal procedure to apply a payment, and that process can often take a week or longer if there are any issues. Each administrator has their own due dates and late payment procedures.

- Taxpayers should contact their administrator to determine what their policies are. Taxpayers should keep their administrator's policies and payment cycle in mind when making payments.
- If a taxpayer's payment is due on the 1st of the month, they may want to make one payment directly to their health plan provider, so that they have a credit on their account to avoid the risk of cancellation.

(5) TC 971 action codes identify payments were made:

- 170 - represents the taxpayer's 27.5% payment
- 171 - represents the 72.5% government contribution

Since HCTC is a yearly program, the TC 971 indicators are only placed on the account once, in January. As long as the taxpayer remains eligible, payments continue each month.

Note: Corrected amounts are not reflected in the TC 971 AC 170 or AC 171. View corrected forms on CC IRPTR, or for tax years 2020 and 2021, by faxing a referral to the Austin enrollment team at 855-250-1731.

- (6) The HCTC database doesn't show the taxpayer's payment was received, but does show the payment was sent to the insurance provider.

Note: Do not provide the payment tracking number to the taxpayer. The tracking number is used for Lockbox processing.

21.6.3.4.2.9.4
(11-07-2019)

**Health Coverage Tax
Credit (HCTC) - Letters**

- (1) The following letters are associated with the HCTC program:
- Letter 3772, End of Program Letter - issued to inform the taxpayer they are no longer enrolled in the monthly HCTC program.
 - Letter 4510, IRS HCTC Reimbursement Request - Denial - issued to deny the taxpayer's request for premium reimbursement.
 - Letter 4511, IRS HCTC Reimbursement Request - Insufficient Documentation - issued to inform the taxpayer their request for reimbursement could not be processed because required supporting documentation has not been received.
 - Letter 4540, HCTC Candidate Eligibility Denial System Letter - issued to inform the taxpayer their Form 13441-A, Health Coverage Tax Credit (HCTC) Monthly Registration and Update, cannot be processed due to missing supporting documents, unable to confirm family member information, or unable to confirm eligibility.
 - Letter 4541, HCTC Candidate Insufficient Documentation System Letter - issued to inform the taxpayer their HCTC registration could not be completed due to an incomplete Form 13441-A, *Health Coverage Tax Credit (HCTC) Monthly Registration and Update*.
 - Letter 4545, HCTC QFM Approval System Letter - issued to inform the taxpayer they have successfully registered for HCTC and provides payment and due date information, as well as their participant identification number.
 - Letter 5758, Processing Registration Form - issued to inform the taxpayer their registration form and supporting documentation are being processed (interim letter).
 - Letter 5831, Health Coverage Tax Credit - Advance Monthly Payments - issued to health plan administrators or third-party administrators to inform them of HCTC start-up.
 - Letter 5945, HCTC Reimbursement Approval Letter - issued to inform the taxpayer their request for reimbursement has been approved. Payment should be issued within 3 weeks from the date of the letter.
 - Letter 5974, Annual HCTC Vendor Renewal Letter - issued to each HCTC vendor requesting them to submit an updated Form 3881-A, ACH Vendor / Miscellaneous Payment Enrollment - HCTC, to the Austin enrollment team.
 - Letter 6009, Refund of HCTC Payment - issued to inform the taxpayer their monthly payment is being returned and should arrive within 3 weeks from the date of the letter.

- Letter 6011, Return of HCTC Funds - issued to inform a participant they received an overpayment in error. These funds are not posted to the taxpayer's account and are monitored by the HCTC Program Office.
- Letter 6238, Expiration of the HCTC Program - issued to enrolled participants to inform them HCTC expires December 31, 2021.
- U.S. Bank Payment Ineligible Letter - issued to inform the taxpayer their payment was rejected and why.

(2) HCTC letter history can be found in the history section on AMS.

(3) Route all paper responses to Austin SP, Stop 6098, Austin, TX, 78741, or fax to 855-250-1731.

21.6.3.4.2.9.5

(04-08-2021)

Health Coverage Tax

Credit (HCTC) - Inquiries

(1) Direct callers as follows:

Row Number	If the taxpayer is calling about	Then
1	Program shutdown	<ul style="list-style-type: none"> • No new enrollment forms accepted after November 30, 2021. • Insurance policy updates regarding December payments accepted through December 10, 2021. • Participants should notify the IRS of any changes to the mailing address or contact information to ensure timely receipt of Form 1099-H. • No payments accepted from participants after December 18, 2021. Payments received after December 18, 2021 are rejected back to the participant. • No payments issued to vendors after December 31, 2021. • Complete account reconciliation for 2021 by December 31, 2021. • Reconcile advance monthly payment(s) on Form 8885, Health Coverage Tax Credit, and make an election to claim the benefit of HCTC for 2021 by the due date of their tax return. • The stakeholder's email account remains open for reconciliation and shutdown questions.
2	Eligibility	See IRM 21.6.3.4.2.9.1, Health Coverage Tax Credit (HCTC) - Eligibility.

Row Number	If the taxpayer is calling about	Then
3	Enrollment / Registration	<p>See IRM 21.6.3.4.2.9.2, Health Coverage Tax Credit (HCTC) - Registration.</p> <p>Note: Applications (Form 13441-A) can take up to 6 weeks to be processed. If it has not been 6 weeks since the taxpayer mailed their application, instruct the taxpayer to call back after 6 weeks if they haven't received any notification. If it has been more than 6 weeks, prepare a referral to the Austin enrollment team via Form 4442, Inquiry Referral. Fax referrals to Austin at 855-250-1731.</p> <p>Note: Applications filed in advance of the effective date are not processed until the 20th of the month before the effective month.</p>
4	General information	Refer taxpayers to the program website at www.irs.gov/hctc .
5	Help with form preparation	Refer taxpayers to the instructions for Form 8885 and/or the program website at www.irs.gov/credits-deductions/individuals/hctc .
6	Insurance plans or qualified coverage	Refer taxpayer to the program website at www.irs.gov/individuals/hctc-health-plans-q-and-a .
7	Reimbursement, returned funds, or Form 3881	Refer the taxpayer to their HPA or TPA.
8	Updating enrollment information	<ul style="list-style-type: none"> Changing enrollment information, such as updating family members, or changing health insurance information, advise the taxpayer to complete Form 13441-A and send to Austin. Refer requests to update incorrect information found in the database, such as when data was transcribed incorrectly, or a change of address, to the Austin enrollment team via Form 4442, Inquiry Referral. Fax referrals to Austin SP, at 855-250-1731.
9	Providing missing documentation	Advise the taxpayer to fax the documentation to the enrollment team at 855-250-1731.
10	Underpayment due to not receiving updated approval letter or health insurance company not being paid	<p>Prepare a referral to the Austin enrollment team via Form 4442, Inquiry Referral. Fax referrals to Austin at 855-250-1731.</p> <p>Note: Submission Processing researches the issue and may return the 4442 with information to provide to the taxpayer via a return phone call.</p>

Row Number	If the taxpayer is calling about	Then
11	Cancelling the advance payment	Advise the taxpayer the request must be in writing and to send the request to Stop 6098, Austin, TX 78741.
12	Eligibility letter from external stakeholders	Advise the taxpayer to contact the Department of Labor or PBGC.
13	Form 1099-H discrepancy	Prepare a referral to the Austin enrollment team via Form 4442, Inquiry Referral. Fax referrals to Austin at 855-250-1731. Note: Form 1099-H reflects the months the taxpayer made payments. We cannot issue a Form 1099-H based on when the payments were applied as the HPA / TPA determines how to apply the payments.
14	Obtaining Form 1099-H for tax year 2020 or 2021	Prepare a referral to the Austin enrollment team via Form 4442, Inquiry Referral. Fax referrals to Austin at 855-250-1731.
15	Refunds of premiums paid	Advise the taxpayer to cash the check. Send a Form 4442, Inquiry Referral to the Austin enrollment team for research. Fax to 855-250-1731.
16	Obtaining their participant identification number	Access the enrollment database and provide the identification number (after verifying disclosure).
17	Time sensitive questions or other issues not identified above (out of scope)	Advise the taxpayer to submit their question via email to the HCTC mailbox at <i>WI.HCTC.STAKEHLDR.EN@irs.gov</i> .

Note: The Austin enrollment team never calls the taxpayer. If the taxpayer requests direct contact, refer the taxpayer to the HCTC mailbox shown above.

21.6.3.4.2.9.6

(04-08-2021)

Health Coverage Tax Credit (HCTC) - Claim Processing

- (1) Claim processing is centralized at the Andover campus. If not trained to work HCTC, update the category code to HCTC or HCTX as necessary and reassign to 0830141335. HCTC can also be claimed on Form 1040-SS and Form 1040-PR, which should be sent to Philadelphia.
- (2) The presence of a TC 971 Action Code (AC) 172 on TXMOD for the specific tax year indicates the taxpayer is potentially eligible for the credit. Research must be conducted on the primary and secondary SSNs to determine taxpayer eligibility.
- (3) Periodic updates are applied to accounts for HCTC eligibility. The TC 971/972 AC 172 reflects the date of the revision. If a taxpayer filed their return prior to the update, and claimed HCTC, the credit may have been allowed or disallowed incorrectly.
- (4) Taxpayers enrolled in Medicare, Part A or B, or entitled to Medicare, are not eligible to claim HCTC for coverage months after their date of Medicare enroll-

ment or eligibility. Generally, Medicare is available for people age 65 or older. Verify the taxpayer's date of birth using CC INOLE. If the taxpayer was 65 or older on the first day of the tax year, or turned age 65 during the year, disallow or partially disallow the claim per IRM 21.5.3, General Claims Procedures.

Note: A taxpayer remains eligible for the credit for 24 months from the date the taxpayer enrolled in Medicare / Medicaid if the taxpayer has a qualifying family member enrolled in qualified health insurance coverage. The taxpayer can claim the credit only for the premiums for those qualifying family members."

Use the following text in the disallowance letter:

We did not allow the amount of \$(amount of credit claimed) claimed for the Health Coverage Tax Credit. You are not entitled to claim the credit for qualifying family members after 2 years from the date the Medicare eligible taxpayer enrolled in Medicare.

OR

We did not allow the amount of \$(amount of credit claimed) claimed for the Health Coverage Tax Credit. As a spouse/dependent, you are not entitled to claim the credit after 2 years from the date the Medicare eligible taxpayer enrolled in Medicare.

- (5) A deceased taxpayer no longer qualifies for the credit for coverage months after their date of death. However, the decedent's spouse and/or dependent may still qualify. Taxpayers filing under these conditions needs to state as such and provide the necessary documentation. Check each claim for a date of death.
- (6) Taxpayers must check the correct boxes in Part I, Form 8885, indicating the months they were eligible to receive the credit and provide verification of eligibility (eligibility letter), invoices, and proof of payments. In addition, tax year 2014 and 2015 claims should have a letter of eligibility from PBGC or DOL.

- If no boxes are checked in Part I treat it as an incomplete claim, see IRM 21.5.3, General Claims Procedures.

Reminder: When corresponding for Part I information, include information requesting invoices and proof of payments (e.g., cancelled checks (front and back) or credit card statement) if not present, for any amounts included on line 2 of Form 8885.

- If no invoices, proof of payments or eligibility letters are attached, verify eligibility by checking CC IRPTR for the primary and/or secondary taxpayer for a Form 1099-H issued by the TPA or HPA.

Caution: Form 1099-H is not available on CC IRPTR for tax years 2020 and 2021.

- If unable to determine eligibility from CC IRPTR, research the enrollment database.
- If unable to verify eligibility, suspend the case for 40 days and issue a Letter 3064C to request the missing information. Use the following verbiage in the open paragraphs:

"Provide a letter of eligibility, invoices, and proof of payment for the amount you claimed on line 2, Form 8885. If the insurance plan is through your spouse's employer, include copies of pay stubs showing

the health coverage deductions for the qualified months and a letter from the employer confirming the amount the employer paid to the cost of the coverage. ”

For COBRA Continuation Coverage, include any of the following: a notice of rights to continue coverage in an employer’s plan, a signed election form confirming enrollment, a letter or statement from an employer or third-party benefits administrator that confirms enrollment. For an HCTC State Qualified Plan, include the group number provided by the plan.

- If no response is received, no consider / partially disallow the claim as required.
 - If eligibility is verified, input a TC 971 AC 172, if not present. If adjusting a joint account and the TC 971 AC 172 is on the secondary taxpayer’s account only, input the TC 971 on the primary taxpayer’s account. Use a posting delay code 1 on the adjustment to avoid an unpostable when inputting a TC 971.
 - If the taxpayer is trying to claim 72.5% of out-of-pocket expenses and received the 72.5% in advance payment, disallow the claim. Explain the credit pays a total of 72.5% of eligible health insurance costs which the taxpayer received through the advance monthly payment.
- (7) For tax year 2017 and subsequent, taxpayers must elect HCTC (by filing Form 8885) by the due date of the return, including extensions, to qualify for the credit. A timely election is needed even if the taxpayer received the benefit of advance monthly payments during the year. Failure to make a timely election results in a repayment requirement of any advance payment received. Disallow claims received after the due date of the return. Any repayment requirement is resolved by Compliance.

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claim to CAT-A, (See Exhibit 21.5.3-3, Examination Criteria (CAT A) - Credits). When referring these claims to Exam via CII, select “HLTHCVRGTC” from the drop-down listing of reasons referred.

- (9) Since the law was retroactive, some taxpayers may have enrolled in a Marketplace and be eligible for the Premium Tax Credit. For tax year 2014 and 2015 claims, if a Form 8962 is not attached, use the Search CDR Data tool found in AMS to check for Form 1095-A data, see IRM 21.6.3.4.2.12.4, Tools for Accessing ACA-Related Taxpayer Data, for more information.
- If no CDR data found, process the HCTC claim.
 - If CDR data is found and APTC was paid, send a Letter 178C or 324C requesting the taxpayer file Form 8962. Suspend the case. If no response, disallow the claim.
- Note:** A Form 8962 is not required if APTC was not paid.
- If a Form 8962 is attached, refer to the table below for how it should be completed. Since taxpayers cannot claim HCTC and PTC for the same months for the same coverage, any APTC made on behalf of the taxpayer must reduce the PTC claimed or must be repaid. Taxpayers with a repayment requirement **do not get the benefit of having their repayment limited**. For information on processing the Form 8962, see IRM 21.6.3.4.2.12.6, Premium Tax Credit Amended Returns.

Note: If the taxpayer submitted a Form 8962 repaying all APTC following instructions for tax year 2014 and 2015, recompute Form 8962 if sufficient information is available. If sufficient information is not available, such as premiums and SLCSP, correspond for an updated Form 8962.

If HCTC elected	And	Then complete Form 8962 as follows
All 12 coverage months on Form 8885 are checked so that the election applies to all coverage months	No APTC was made	Do not complete Form 8962
All 12 coverage months on Form 8885 are checked so that the election applies to all coverage months	APTC was made	<ul style="list-style-type: none"> Enter a family size of -0- on line 1 Complete lines 9 and 10 as instructed and Part IV if applicable Complete line 11, column (f), or lines 12 - 23, column (f) Complete line 25 and enter this amount on lines 27 and 29. Leave line 28 blank
Fewer than 12 coverage months checked and PTC taken for coverage months not checked	No APTC was made	Complete Form 8962 for the months PTC is being claimed
Fewer than 12 coverage months checked and PTC taken for coverage months not checked	APTC was made	<ul style="list-style-type: none"> Complete Form 8962 for the months PTC is being claimed. Enter APTC in column (f) of line 12 - 23 for all months APTC was paid, even those coverage months checked on Form 8885. If Part III is required, enter the amount from line 27 on line 29 and leave line 28 blank.

- (10) For tax years 2016 and subsequent, coverage through the Marketplace does not qualify for HCTC. In addition, coverage provided by the taxpayer's current employer is never qualified health insurance coverage (taxpayers may submit a Form 1095-C as supporting documentation). Disallow or partially disallow the credit as required.
- (11) If the taxpayer is also claiming self-employed health insurance deduction, the deduction cannot include amounts reported on Form 8885.
- (12) Adjust the account following procedures in IRM 21.6.3.4.2.9.7, Health Coverage Tax Credit (HCTC) - Adjusting the Credit.

21.6.3.4.2.9.7
(11-30-2015)
Health Coverage Tax Credit (HCTC) - Adjusting the Credit

- (1) Math verify Form 8885, Health Coverage Tax Credit.
- (2) Action required:
 - Input TC 290 for zero (.00), if no other adjustment is required.
 - Use credit reference number 250 to allow/increase the credit.

- Use credit reference number 250 with a minus (-) to decrease a previously posted credit.
- Use RC 072 and the applicable *source code* and *blocking series*.
- Use Category Code HCTX if inputting the adjustment via Form 1040-X.
- Use Category Code HCTC if inputting the adjustment via correspondence.

21.6.3.4.2.10
(10-01-2010)
**First-Time Homebuyer
Credit (FTHBC)**

- (1) The Housing and Economic Recovery Act of 2008 (HERA) (PL 110-289), enacted on July 30, 2008, allowed a taxpayer who is a first-time homebuyer a refundable tax credit of the lesser of \$7,500 (\$3,750 for married filing separately) or 10% of the purchase price. The law was effective for qualifying homes purchased on or after April 9, 2008, and on or before December 31, 2008.
- (2) The American Recovery and Reinvestment Tax Act of 2009 (ARRA) (PL 111-5), enacted on February 17, 2009, allowed a refundable tax credit of the lesser of 10% of the purchase price of the residence or \$8,000. The credit was available for first-time homebuyers who purchased a home after December 31, 2008 and before December 1, 2009.
- (3) The Worker, Homeownership, and Business Assistance Act of 2009 (WHBAA) (PL 111-92), enacted on November 6, 2009, extended the eligibility period for the first-time homebuyer credit to purchases made before May 1, 2010. Taxpayers who had entered into a written binding contract before May 1, 2010, had to close on the home before July 1, 2010 to qualify. This bill also established special rules for long-time residents and members of the Armed Services, Foreign Service officers and the intelligence community.
- (4) The Homebuyer Assistance and Improvement Act of 2010 (HAIA) (PL 111-198), enacted on July 2, 2010, extended the deadline to purchase a home to October 1, 2010, for taxpayers who had entered into a written binding contract before May 1, 2010, to close before July 1, 2010.
- (5) For homes purchased in 2008, the credit is treated as a 15-year interest-free loan. The credit is recaptured over fifteen years beginning the second year after the home is purchased.
- (6) For homes purchased in 2009 and 2010, the taxpayer had to repay the credit only if the home ceased to be the taxpayer's main home within the 36-month period beginning on the purchase date.
- (7) A "home" had to be the taxpayer's primary and principal residence and be located in the United States.
- (8) A "home" had to meet the definition of a house, condo, co-op, mobile home, house trailer, or houseboat that has sleeping, cooking and toilet facilities.
- (9) If a taxpayer was constructing a new home, the home was treated as "purchased" by the taxpayer on the date the taxpayer first occupies the home as the principal residence. This also applied to manufactured homes installed on a new site.
- (10) The credit could not be claimed if the taxpayer was a nonresident alien or for the purchase of a residence after 2008, if the taxpayer qualified for the DC First-Time Homebuyer Credit.

21.6.3.4.2.10.1
(04-09-2010)

**The Housing and
Economic Recovery Act
of 2008 (HERA) and the
American Recovery and
Reinvestment Act of
2009 (ARRA)**

- (1) For eligible purchases made in 2008, the credit was claimed on the 2008 tax return or amended return.
- (2) For eligible purchases made in 2009, an election could be made to claim the credit on either the 2008 tax return, amended 2008 tax return, or the 2009 tax return.
- (3) For eligible purchases made in 2010, an election could be made to claim the credit on either the 2009 tax return, amended 2009 tax return or their 2010 tax return.
- (4) For purchases made on or before November 6, 2009, the modified adjusted gross income (MAGI) was computed by the AGI increased by any foreign income under IRC 911, IRC 931, or IRC 933.
 - a. The phase out of this credit began when the MAGI exceeded \$75,000 (\$150,000 if married filing jointly).
 - b. The credit was eliminated when the MAGI reached \$95,000 (\$170,000 if married filing jointly).
- (5) Homes purchased in 2009 that did not fall under the fifteen-year repayment criteria and were claimed on the original 2008 return was coded with a SPC "H" by Document Perfection. This was identified on Master File on CC RTVUE.

21.6.3.4.2.10.2
(01-12-2010)

**Worker, Homeownership
and Business
Assistance Act of 2009
(WHBAA)**

- (1) Under WHBAA, the First-Time Homebuyer Credit of up to \$8,000 was extended from December 1, 2009, to April 30, 2010.
- (2) Long-time residents of the same principal home may have qualified for a credit of up to \$6,500, based on the purchase of a new home.
- (3) In addition, taxpayers who entered into a binding contract before May 1, 2010, to close on the purchase of a principal residence before October 1, 2010, also qualified for the credit.

Example: A taxpayer entered into a binding contract on April 1, 2010 to purchase a home. The taxpayer then closed on the home on June 17, 2010 (receives a properly executed settlement statement). The taxpayer submitted Form 5405 with required documentation claiming the credit.

- (4) Form 5405 could not be electronically filed with Form 1040 series returns for the 2010 filing season due to the required documentation.
- (5) For the 2010 filing season, the Form 5405 "Date Purchased" entry was a transcribed field, so SPC "H" was not necessary to identify those returns as not falling under the fifteen-year repayment criteria.

21.6.3.4.2.10.3
(10-04-2010)

**WHBAA Date of
Enactment- November 6,
2009**

- (1) The Date of Enactment (DOE) for WHBAA of 2009 was November 6, 2009. Certain changes were applicable to the credit on purchases made after that date:
 - a. Allowed qualifying long-time residents to claim a credit up to \$6,500.
 - b. Dollar limit in MAGI increased to \$125,000 (\$225,000 for married filing jointly).
 - c. No credit allowed for home purchase over \$800,000.

- d. The taxpayer had to be at least 18 years old on the date of purchase and if married, only one spouse had to meet this requirement.
- e. Credit could not be claimed from property purchased from individuals related to family of a spouse.
- f. No credit was allowed for taxpayers who were eligible to be claimed as a dependent on another taxpayer's return.

Note: These changes were not retroactive.

21.6.3.4.2.10.4
(10-01-2011)
**WHBAA Military
Exceptions Credit
Extension**

- (1) WHBAA allowed members of the military and certain other federal employees serving outside the U.S. to have an extra year to buy a principal residence in the U.S. and qualify for the credit.
- (2) An eligible taxpayer had to purchase before May 1, 2011, or alternatively, entered into a binding contract before May 1, 2011, to buy a principal residence before July 1, 2011.
- (3) Members of the uniformed services, members of the Foreign Service and employees of the intelligence community were eligible for this special rule.
- (4) This applied to any individual (and, if married, the individual's spouse) who served on qualified official extended duty service outside of the U.S. for at least 90 days during the period beginning December 31, 2008 and ending before May 1, 2010.
- (5) Additional documentation was not required for the military. Taxpayers checked Part I, Line D on Form 5405 to state they are part of the military.

21.6.3.4.2.10.5
(02-01-2010)
**WHBAA Long-Time
Residents Credit**

- (1) WHBAA allowed for a long-time resident of the same principal home to qualify for a credit of up to \$6,500, based on the purchase of a new home.
- (2) The taxpayer(s) had to live in the same principal home for any five consecutive year period during the previous eight years ending on the purchase date of the new home.

Note: If the taxpayers were married filing jointly, BOTH taxpayers had to own and use the home as the principal residence for the five consecutive years. However, please note that only one taxpayer could have been shown as "owner" on mortgage or interest statements.

Example: Single - The taxpayer owned and used a home as a principal residence for five years in a row (2002-2007) and then moved to a rental apartment for two years. At the time of the move, the taxpayer either sold the home or converted it to rental property. The taxpayer decided to buy a principal residence to live in again and once it was purchased (after November 6, 2009) was entitled to a credit up to \$6,500. If the taxpayer had lived in the apartment for three years, the taxpayer would have qualified for up to \$8,000 as a First-Time Homebuyer.

Example: MFJ - Both taxpayers owned and used the same home as a principal residence since November 6, 2004. They purchased a new home and closed after November 6, 2009. They were entitled to a credit up to \$6,500.

21.6.3.4.2.10.6

(10-01-2011)

First-Time Homebuyer (FTHBC) - Math Error Responses

- (1) Most First-Time Homebuyer Credit math errors were adjusted based on oral statement and did not require additional documentation. Unless indicated in this section of the IRM, these math error responses were not required to be run through xClaim.
- (2) Responses to First-Time Homebuyer Credit math errors for missing settlement statements (Taxpayer Notice Code (TPNC) 691) and missing Forms 5405 (TPNC 683) bypassed original return processing filters. When responses come into Accounts Management, the FTHBC tool in xClaim was required to assure the taxpayer was in compliance with other Exam criteria before allowing the credit.
- (3) If a taxpayer submitted a missing Form 5405 or a settlement statement in response to a math error notice, or a late reply was forwarded from Submission Processing, the response was run through the FTHBC tool in xClaim. The response was disallowed or sent to CAT-A if indicated on the FTHBC tool. If no filters were identified by the FTHBC tool, the FTHBC claimed on the original return was allowed.
- (4) Math error responses for disallowance for the FTHBC include the following disallowance literals:
 - 638- Disallowance of FTHBC due to sale of property to a person related to you or spouse.
 - 639- Disallowance of FTHBC due to purchase price of residence exceeding \$800,000.
 - 640- Disallowance of FTHBC due to settlement statement not attached to return.
 - 641- Disallowance of FTHBC due to prior home ownership.
 - 683- Disallowance of FTHBC due to missing or incomplete Form 5405.
 - 685- Disallowance of FTHBC due to home being purchased before April 8, 2008 or after July 1, 2010.
 - 686- Disallowance of FTHBC due to taxpayer or spouse (if married filing jointly) must be 18 or older.
 - 690- Disallowance of FTHBC due to home being purchased prior to year tax year being filed.
 - 691- Disallowance of FTHBC due to properly executed settlement statement not attached.
 - 692- Disallowance of FTHBC due to modified AGI being exceeded.

21.6.3.4.2.10.7

(11-02-2011)

First-Time Homebuyer (FTHBC) - Adjusting Accounts

- (1) When adjusting an account, CC IMFOLF or CC ENMOD were reviewed prior to allowing the FTHBC to ensure the credit was not previously taken on another tax period. If there was an entry in the primary and/or secondary credit amount fields, the credit was previously taken.
- (2) When adjusting an account for the FTHBC Credit Reference Number (CRN) 258 was used to allow/increase the credit and CRN 258 with a minus sign (-) to decrease the credit.

Note: The CRN converted to TC 766/767 Reference Number 258 at Master File. CRN 258 was entered only one of the following reason codes:

- a. Use RC 109 when the home was purchased in 2008.
- b. Use RC 110 when the home was purchased in 2009 or 2010.

- c. Use RC 125 when the home was purchased by a long-time resident (up to \$6,500).
- d. Use RC 126 only for homes purchased by first time homebuyers that are military using their one-year extension.
- e. Use RC 127 only for military forgiveness.
- f. Use RC 128 - for homes purchased by first time homebuyer WITHOUT binding contract documentation attached.
- g. Use RC 129 - for long-time residents WITHOUT a binding contract or 5 out of 8 years documentation attached.

Caution: It is imperative to use the correct reason code when adjusting the 2008 accounts. This code was used to identify homes purchased in 2008 that require repayment.

21.6.3.4.2.10.8
(10-01-2011)

Recapture of First-Time Homebuyer Credit (FTHBC)

- (1) Refer to IRM 21.6.4.4.17.1, Recapture of First-Time Homebuyer Credit, for more information.

21.6.3.4.2.11
(02-02-2024)

Education Credit, American Opportunity Tax Credit (AOTC)

- (1) The American Opportunity Tax Credit (AOTC) is a tax credit of up to \$2,500 of the cost of tuition and related expenses paid during the tax year. This credit is one of two credits reported on Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits), and is the only refundable education credit. Taxpayers receive a tax credit based on 100% of the first \$2,000 of tuition and related expenses (including books) paid during the tax year and 25% of the next \$2,000 of tuition and related expenses paid during the tax year. 40% of the credit would be refundable. For more information on Education Credits and the non-refundable portion of the American Opportunity Tax Credit, refer to IRM 21.6.3.4.1.5, Form 8863 Education Credits.
- (2) AOTC is available for tax years 2009 and subsequent. Form 8863 must be submitted.
- (3) A taxpayer can elect, for any year, only one of the education credits for each student.
- (4) The taxpayer must provide the educational institution's employer identification number on Form 8863.
- (5) The "Protecting Americans From Tax Hikes (PATH) Act of 2015", Section 206, signed into law December 18, 2015, prohibits an individual from retroactively claiming AOTC by amending (or by filing an original or supplemental return) for any year in which the taxpayer, spouse, and student for whom the credit is claimed did not have a valid TIN issued on or before the due date, or extended due date, of the return (for tax year 2019, the ITIN had to be issued before July 15, 2020). This provision applies to any return or claim filed after December 18, 2015.
When adding a new credit, or a new qualifying person, you must verify all TINs (current SSNs and previous ITINs) associated with the credit (the primary taxpayer, secondary taxpayer, and all qualifying children) were assigned on or before the due date of the return. This applies to amended returns, math error responses, duplicate returns, etc.
To determine the validity of the request, see the following table for the necessary action.

Note: The PATH Act applies to filing status changes only to the extent of any additional AOTC being claimed. The Path Act does not require or allow the removal of AOTC previously claimed.

Note: If the account **needs to be merged** with another TIN, take the merge actions first to ensure all actions below are taken under the new TIN. See IRM 21.6.2.4.1, Resequencing Accounts. If an **ITIN is showing as inactive**, see IRM 21.6.1.6.6.2, ITIN Renewal Math Error Adjustments. Inactive ITINs qualify for the credit but must be activated before the credit can be allowed.

Reminder: Those taxpayers who had an ITIN and were subsequently assigned an SSN, if the ITIN was assigned prior to the due date of the return, they qualify for the credit.

If	Then
The "TIN ASGNMT" field on CC INOLE contains a date on or before the due date of the return Note: ITINs issued within 7 days of the return due date are considered timely.	Allow the credit if all other criteria are met
The "TIN ASGNMT" field is all zeros	Allow the credit if all other criteria are met
The "TIN ASGNMT" field contains a date after the due date of the return Note: For a Form W-7 received after Jan. 1, 2017, the TIN assignment date field reflects the actual received date of the Form W-7.	<ul style="list-style-type: none"> Disallow the credit. See IRM 21.5.3.4, General Claims Procedures. Use the retro-active claim paragraph in the Letter 105C or Letter 106C. Input a TC 971 AC 112 using CC REQ77 or the REQ77 IAT tool. The TC 971 enables the IRS to track these claims and report the dollars saved. Input the credit amount claimed in the "Freeze-Release-AMT" field. No transaction date is needed. <p>Note: If CTC / ACTC and/or EITC are also being claimed, combine the amounts.</p>

Example: A single taxpayer files a 2022 amended return on Feb. 21, 2024, stating AOTC was not claimed on the original return. CC INOLE research shows the SSN was issued prior to Apr. 15, 2023. Allow the credit.

Example: A joint taxpayer files a 2023 amended return Dec. 27, 2024, adding an additional dependent who qualifies for AOTC. CC INOLE research shows the dependent's ITIN was assigned August 7, 2024. No extension was filed. Since the ITIN assignment date is after the due date of the return, disallow the AOTC.

(6) For information on ITIN renewal math errors, see IRM 21.6.1.6.6.2, ITIN Renewal Math Error Adjustments.

- Taxpayers who are denied the credit due to deficiency procedures must recertify for the credit, follow procedures in IRM 21.6.3.5, Credit Recertification.

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- (9) In addition to (8), if there are any other circumstances that make the claim questionable, if the Form 1098-T cannot be verified, no consider the claim.
- (10) When disallowing or partially disallowing a claim, see IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. For a no consideration, see IRM 21.5.3.4.6.3, No Consideration Procedures.
- (11) When adjusting the credit:
 - a. Use credit reference number 260 to allow/increase the credit.
 - b. Use credit reference number 260 with a minus sign (-) to decrease the credit.

Reminder: The credit reference number converts to a TC 766/767 Reference Number 260 at Master File.

- c. Use RC 106 (Refundable American Opportunity Credit) and the applicable *source code* and *blocking series* for the refundable credit portion of the adjustment.

21.6.3.4.2.12
(10-01-2024)
**Premium Tax Credit
(PTC)**

- (1) The Patient Protection and Affordable Care Act (ACA) (PL 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (PL 111-152), created IRC 36B, which provides a refundable tax credit to help individuals and families afford health insurance purchased through the Health Insurance Marketplace. The Premium Tax Credit (PTC) is effective for tax years 2014 and subsequent.
- (2) The amount of a taxpayer's PTC is based on the taxpayer's household income, family size and the cost of health insurance available to the taxpayer's coverage family.
- (3) The Marketplace offers health insurance plans at four standardized levels: bronze, silver, gold and platinum. The coverage for all plans at a certain level are the same, but costs and providers may differ. Bronze plans have the lowest premiums and cover 60% of health care costs; platinum plans have the highest premiums and cover 90% of costs.
- (4) A taxpayer's total PTC is determined as the smaller of the taxpayer's enrollment premiums or the premiums for the Second Lowest Cost Silver Plan (SLCSP) available to the taxpayer's coverage family (also known as the benchmark plan) minus the taxpayer's contribution amount.
- (5) The contribution amount is the amount of premiums the taxpayer would be required to pay if the taxpayer's coverage family enrolled in the benchmark plan. The contribution amount is computed by multiplying the taxpayer's household income by a percentage.
 - **2021 through 2024** - the percentages range from 0 to 8.5. For taxpayers with household income below 200% of the Federal Poverty Line (FPL) for the taxpayer's family size, the percentage is 0. The percentage is 8.5 for taxpayers with household income at or above 400% of the FPL. For all others, the percentage is between 0 and 8.5.

Note: For tax years 2021 through 2025, taxpayers with a household income over 400% of the FPL may qualify for PTC.

 - **2020** - the percentages range from 2.06 to 9.78. For taxpayers with household income less than 133% of the FPL for the taxpayer's family

size, the range begins at 2.06, and for taxpayers with household income between 300% and 400% of the FPL, the range ends at 9.78.

- **2019** - the percentages range from 2.08 to 9.86. For taxpayers with household income less than 133% of the FPL for the taxpayer's family size, the range begins at 2.08, and for taxpayers with household income between 300% and 400% of the FPL, the range ends at 9.86.

The PTC is computed on a month-by-month basis and involves many special rules.

Note: FPL tables change from year to year. The table to use is the table in effect at open enrollment, so for tax year 2022, the 2021 FPL table is used.

Note: For tax year 2021, any taxpayer who received, or was approved to receive unemployment compensation is treated as an applicable taxpayer and as having household income of no more than 133% of the FPL. Taxpayers check box A on Form 8962, to show they received unemployment compensation. If married, taxpayers must file a joint return to receive PTC unless special rules for victims of domestic violence and abandonment apply.

- (6) To claim the credit, taxpayers must complete Form 8962, Premium Tax Credit.
- (7) Eligible taxpayers can choose to have advance payments of the premium tax credit made on their behalf to help cover the cost of insurance premiums. The Health Insurance Marketplace (not the IRS) determines eligibility and the amount of advance payment by using information from a variety of sources (e.g., tax data provided by the IRS, information provided by the applicant, data from other government agencies, etc.). The Bureau of the Fiscal Service issues the advance payment directly to the insurance provider monthly.
- (8) Taxpayers who choose to receive advance payments must reconcile the amount of the advance payment with the amount of the PTC the taxpayer is allowed. The reconciliation and the computation of the PTC are done on Form 8962, Premium Tax Credit. A taxpayer who has excess advance payments (the advance payment is more than the allowed PTC) must treat the excess amount as a tax liability, subject to a limitation for taxpayer whose household income is below 400% of the FPL for their family size (limitations do not apply in all circumstances). Taxpayers whose net PTC exceeds the amount of advance payment for the tax year may receive the excess as a refundable credit.

Note: The American Rescue Plan Act of 2021 suspended the requirement that taxpayers repay their excess advance payments of the PTC for 2020. If the taxpayer has excess APTC for 2020 that is more than their allowable PTC, they were not required to file Form 8962 or report an excess advance premium tax credit repayment.

- (9) The repayment limitation for advance payments are as follows:

2024

- \$375 for single (\$750 for all other filing statuses) with household income under 200% of the FPL
- \$950 for single (\$1,900 for all other filing statuses) with household income at least 200% but less than 300% of FPL

- \$1,575 for single (\$3,150 for all other filing statuses) with household income of at least 300% but less than 400% of the FPL

2023

- \$350 for single (\$700 for all other filing statuses) with household income under 200% of the FPL
- \$900 for single (\$1,800 for all other filing statuses) with household income at least 200% but less than 300% of FPL
- \$1,500 for single (\$3,000 for all other filing statuses) with household income of at least 300% but less than 400% of the FPL

2022

- \$325 for single (\$650 for all other filing statuses) with household income under 200% of the FPL
- \$825 for single (\$1,650 for all other filing statuses) with household income at least 200% but less than 300% of FPL
- \$1,400 for single (\$2,800 for all other filing statuses) with household income of at least 300% but less than 400% of the FPL

2021

- \$325 for single (\$650 for all other filing statuses) with household income under 200% of the FPL
- \$800 for single (\$1,600 for all other filing statuses) with household income at least 200% but less than 300% of FPL
- \$1,350 for single (\$2,700 for all other filing statuses) with household income of at least 300% but less than 400% of the FPL

2020 - Not applicable The taxpayer's liability is the smaller of the excess advance payment or repayment limitation.

- (10) Taxpayers who received the benefit of advance payments for health insurance coverage must file a tax return for that year (for tax years other than 2020) and attach Form 8962 to reconcile the advance payment. Taxpayers must file and reconcile even if they do not otherwise have a filing requirement. In addition, failure to reconcile advance payments may jeopardize the taxpayer's eligibility for advance payments for subsequent years.

Example: When applying for health insurance through a Health Insurance Marketplace for 2023 in November 2022, you are not eligible for advance payment until you reconcile the advance payments received in 2021 and prior.

- (11) Taxpayers who enrolled themselves or a dependent in health insurance through a Health Insurance Marketplace receive a Form 1095-A, Health Insurance Marketplace Statement. The data on Form 1095-A assists taxpayers in completing Form 8962. This information is reported to the IRS.
- (12) Individuals with a qualified health plan that covers at least one individual in their tax family and at least one individual not in their tax family, may have to allocate policy amounts (enrollment premiums, SLCSP premiums, and/or advance payments) using Form 8962, Part IV - Allocation of Policy Amounts. See Form 8962 *instructions* for more information on allocation of policy amounts.

Note: If allocating policy amounts, taxpayers must complete the monthly calculation in Part II.

- (13) Taxpayers must attach Form 8962 to Form 1040 / Form 1040-SR, Schedule 3, Additional Credits and Payments, to claim a credit, or Schedule 2, Additional Taxes, to report a repayment.
- (14) Additional information can be found in Pub. 974, Premium Tax Credit (PTC).
- (15) Control cases as follows:

Type	Category Code	Program	CII Document Type
Loose Forms	ACA5	40313	ACA-Loose Forms
Correspondence	ACA7	40310	ACA-Correspondence
Spanish	ACAC	40317	ACA-Spanish
Form 1040-X	ACAX	40320	ACA-1040X

Exception: These ACA category codes must be used unless directed otherwise by another IRM.

21.6.3.4.2.12.1
(10-01-2016)
**Affordable Care Act
(ACA) Terminology**

- (1) Healthcare related issues add many new terms. To understand terminology used in later sections, below are some terms to be familiar with:
 - **ACA Verification Service (AVS)** – the bridge between Account Management Services (AMS) and accessing data in CDR. AVS is the system that calculates the premium tax credit and identifies math errors or third-party data discrepancies.
 - **Advance Payment of Premium Tax Credit (APTC)** – payments made on behalf of a taxpayer to an insurance provider that covers all or a part of the taxpayer's monthly premiums for a Marketplace health plan. Located on Form 1095-A, Health Insurance Marketplace Statement, Part III, Column C, entered on Form 8962, Premium Tax Credit, Lines 11 or 12, Column f.
 - **Coverage Data Repository (CDR)** – the database that stores all the insurance data as provided by the Department of Health and Human Services, accessed via AMS.
 - **Coverage Family** - the members of the tax family who enrolled in a qualified health plan and not eligible for other non-Marketplace health insurance such as employer coverage or Medicare; coverage family may change from month to month.
 - **Excess Advance Payment of PTC** – the amount of APTC in excess of the Total PTC. Form 8962, Part III, Line 27.
 - **Excess Advance Premium Tax Credit Repayment** – the amount of tax liability a taxpayer incurs as a result of the taxpayer's Excess Advance Payment of PTC. Form 8962, Part III, Line 29.
 - **Exemption Certificate Number (ECN)** – an identifying number provided by the Health Insurance Marketplace to the taxpayer for a coverage exemption.
 - **Family Size** - the total number of people shown on Form 1040 that cannot be claimed as dependents on another return.

- **Health Coverage Exemption** – if an individual is eligible for an exemption, the SRP is not imposed. Health coverage exemptions are granted by the marketplace or by the IRS and can be for specific months or the entire year.
- **Health Insurance Marketplace** – a state or federally run program, also referred to as an “Exchange”, where people can purchase health insurance, obtain exemptions from coverage and APTC.
- **Household Income (HHI)** - the aggregate of the MAGI of the taxpayer, their spouse if filing jointly, and the taxpayer’s dependents who have a filing requirement because their income meets the filing threshold.
- **Net Premium Tax Credit (PTC)** – the excess of a taxpayer’s PTC over their APTC. Shown as Net Premium Tax Credit on Form 8962, Part II, Line 26.
- **Repayment Limitation** - the maximum amount of excess advance payment a taxpayer must repay. Form 8962, Part III, Line 28.
- **Shared Responsibility Payment (SRP)** – the penalty imposed if an applicable individual in a tax household lacks minimal essential coverage for any month or does not qualify for a coverage exemption.
- **Tax Family** - all the individuals claimed as a personal exemption on a tax return.
- **Total Premium Tax Credit** – the annual or monthly premium tax credit a taxpayer computes on Form 8962 before the reduction for APTC. Form 8962, Part II, Line 24.

21.6.3.4.2.12.2
(01-09-2023)

**Premium Tax Credit
(PTC) - Qualifications**

- (1) To be eligible to receive PTC, the taxpayer, the taxpayer’s spouse (if filing jointly), or a dependent who is claimed on the taxpayer’s return must:

- Be enrolled in a qualified health plan offered through the marketplace for one or more months.
- Have household income for the tax year at least 100%, but not more than 400%, of the federal poverty line (FPL) for the taxpayer’s family size for the tax year.

Exception: For tax years 2021 through 2025, there is no maximum income limitation, per the American Rescue Plan Act of 2021 and extended by the Inflation Reduction Act of 2022.

Note: Taxpayers at less than 100% of the FPL can claim PTC when they are not eligible for Medicaid due to citizenship status or when the taxpayer was projected to fall between 100% and 400% of the FPL and received advance payment.

Exception: For tax year 2021 only, if the taxpayer received or was approved to receive unemployment compensation, they’re treated as having met the household income requirement. The taxpayer indicates this by checking the box on line A, above Part I of Form 8962, Premium Tax Credit.

- Have paid enrollment premiums by the due date of the return (not including extensions).
- Not be eligible for minimum essential coverage (MEC), such as Medicare, Medicaid, or affordable employer-sponsored coverage.
- Have a filing status other than married filing separately, unless an exception applies.
- Be a United States citizen, or lawfully present and not incarcerated.

- Claim self as an exemption on their tax return, or for 2018 and later, no one can claim them as a dependent on a tax return.
- (2) Household income is defined as an amount equal to the sum of the:
- Modified adjusted gross income (MAGI) of the taxpayer and their spouse if filing jointly, plus
 - Aggregate MAGI of all dependents claimed on the return who have a return filing requirement
- (3) MAGI is defined as the taxpayer's adjusted gross income plus:
- Foreign earned income exclusion (Line 45, Form 2555, Foreign Earned Income)
 - Housing deduction (Line 50, Form 2555)
 - Tax-exempt interest
 - Non-taxable social security benefits including lump sum payments
- (4) A married taxpayer who does not file a joint return with their spouse may qualify for PTC if one of the exceptions below apply:

Exception 1. Taxpayers not divorced or legally separated under a court decree at the end of the tax year are considered unmarried if all the following apply:

- Lived apart from their spouse for the last 6 months of the tax year
- File a separate return from their spouse
- Paid over half the cost of keeping up the home for the tax year
- The home was the main home of their child, stepchild, or foster child for more than half of the tax year
- Claim the child as a dependent or executed a Form 8332 allowing the non-custodial parent to claim the child

Exception 2. Taxpayer is a victim of domestic abuse or abandonment, files a return as married filing separately and meets the following:

- Lives apart from their spouse at the time of filing the tax return
- Unable to file a joint return because they are a victim of domestic abuse or spousal abandonment

If either exception above applies, the taxpayer must certify on their tax return they meet this exception by checking the "exception" check-box on Form 8962, Premium Tax Credit.

- Note:** If neither exception applies, the taxpayer cannot claim PTC and must generally repay 50% of the APTC shown on the Form 1095-A, Health Insurance Marketplace Statement, for the coverage of the taxpayer's family, subject to the repayment limitation for taxpayers with household income below 400% of the FPL for their family size. However, if neither the taxpayer nor any of the taxpayer's dependents were enrolled in the policy for which APTC was paid, the other spouse must reconcile all of the APTC.
- (5) For purposes of determining the excess advance premium tax credit repayment, taxpayers who married during the tax year can elect to compute the repayment using the Alternative Calculation for Year of Marriage (ACM). The spouses compute excess advance credits for the pre-marriage months separately as if each were unmarried and had annual household income equal to one-half of the actual household income for the year. For these pre-marriage

months, the spouses must determine their family sizes based on the numbers of individuals in their pre-marriage families. They may include a dependent of both spouses in either family for the pre-marriage months. For the months when they were married, the repayment amount is computed using actual household income and family size for the year.

- (6) Taxpayers who divorced during the tax year must allocate the applicable benchmark premium amount, the actual premium cost, and the advance payments for the period the taxpayers were married. The allocation can be made in any proportion, but if the taxpayers cannot agree on a proportion, they are allocated 50% to each taxpayer.

21.6.3.4.2.12.2.1
(10-01-2021)

Form 8962, Premium Tax Credit (PTC) - Overview

- (1) Form 8962, Premium Tax Credit, is broken down into 5 parts:

- a. **Part I: Annual and Monthly Contribution Amount** - This section provides the family size and household income. The household income is then compared with the FPL to obtain the Federal poverty line percentage (i.e., the household income divided by the Federal poverty line amount). The taxpayer uses the FPL percentage to locate an applicable figure in the table in the Form 8962 instructions. The applicable figure is used to calculate the taxpayer's annual contribution and monthly contribution, which are used in Part II.

Note: The dependent's modified AGI (MAGI) is not a computed figure, it is provided by the taxpayer.

Caution: Line 4, Federal poverty line, if the taxpayer lived in Alaska or Hawaii during the year, the taxpayer should use the table with the higher dollar amounts for their family size, regardless of their state of residence on December 31. As such, the taxpayer must complete line 4.

- b. **Part II: Premium Tax Credit and Reconciliation of Advance Payment of Premium Tax Credit** - This section is where the taxpayer enters their policy information reported on Form 1095-A, such as enrollment premiums and advance payments. If the tax family had coverage from January - December with no changes to the monthly enrollment premiums or monthly Second Lower Cost Silver Plan (SCLSP) premiums, the taxpayer can complete the annual totals on line 11. Otherwise the taxpayer must enter the monthly amounts on lines 12-23. This section is also where the taxpayer computes their Total Premium Tax Credit, compares the credit to any advance payments (APTC), and if the total premium tax credit is more than the advance credit payments, determines the refundable credit amount (PTC).
- c. **Part III: Repayment of Excess Advance Payment of the Premium Tax Credit** - This section is for those taxpayers whose advance payments (APTC) are more than the total PTC computed in Part II. When a taxpayer with household income below 400% of the FPL has an excess advance payment of PTC, the taxpayer compares the excess amount to the amount in the Additional Tax Limitation Table that applies to the taxpayer to determine if all or part of the excess advance payment has to be repaid. For tax year 2020, the repayment requirement is waived.
- d. **Part IV: Allocation of Policy Amounts** - This section allows multiple tax families covered under one insurance policy to allocate the policy premiums, the premiums for the SLCSP, and the advance payment

among themselves. Taxpayers determine the percentage to allocate, but must use the same allocation percentage for all policy amounts (premiums, SLCSF, and APTC).

- e. **Part V: Alternative Calculation for Year of Marriage** - This section allows taxpayers who marry during the taxable year to use the alternative method to compute the repayment for a year in which they were single for part of the year and married for the remainder of the year.

Note: To qualify for Part V, taxpayers must file a joint return and report APTC repayment.

- (2) For more information, see the *Instructions for Form 8962 - Premium Tax Credit (PTC)*.

21.6.3.4.2.12.3
(10-01-2015)

Form 8962, Premium Tax Credit (PTC) - At-Filing Overview

- (1) Upon receipt of an originally filed Form 1040, Form 1040-SR or Form 1040-NR, with a Form 8962, Premium Tax Credit, attached, Submission Processing uses AVS to calculate the form and identify mismatches between the taxpayer and third-party data for enrollment premium(s), SLCSF(s) premiums and APTC amounts. In addition, Submission Processing also checks CDR on all returns to verify if APTC was paid and the taxpayer reconciled the advance payment.
- (2) Math error authority can apply when a taxpayer's entry differs from an IRS computed value, such as addition or multiplication errors, an incorrect entry from an FPL table, or an entry on Form 8962 does not match information on Form 1040. However, when there is third-party data (CDR) mismatch, math error procedures cannot be used, and the return may be referred to Compliance.
- (3) When third-party data discrepancies exist, in most instances Submission Processing corresponds with Letter 12C to try to resolve the discrepancy. If the discrepancy is resolved or below tolerance, the return continues through processing. If the discrepancy cannot be resolved and is above tolerance, the return is processed as filed, the refund is frozen or partially frozen, and the return is referred to Compliance. Tolerances can be found in IRM 21.6.3.4.2.12.6.1, 8962 PTC Calculator Response.
- (4) The following sub-sections provide math error conditions and Compliance criteria.

21.6.3.4.2.12.3.1
(10-01-2021)

Premium Tax Credit (PTC) - Math Error Conditions

- (1) The following table provides PTC math error conditions:

Error Point	Taxpayer Notice Code (TPNC)	AVS Error Code
Form 8962 is not attached , no APTC received, and Taxpayer reports APTC Repayment in Form 1040 or Form 1040A	N/A. Error point sets Computer Condition Code "U"	270
Taxpayer's entry for MAGI does not equal IRS computed MAGI	784	271
Taxpayer's entry for household income (HHI) does not equal IRS computed HHI	784	271
Taxpayer's entry for family size on Form 8962 differs from the number of exemptions claimed on Form 1040	784	271
Taxpayer's entry for FPL does not equal IRS computed FPL for family size (table)	784	271
Taxpayer's entry for HHI as a percent of FPL does not equal IRS computed entry	784	271
Taxpayer's entry for applicable percentage does not equal IRS computed applicable percentage (table)	784	271
Taxpayer's entry for annual contribution does not equal IRS computed annual contribution	784	271
Taxpayer's entry for monthly contribution does not equal IRS computed monthly contribution	784	271
Taxpayer using the alternative calculation for marriage (ACM) , but the taxpayer's ACM monthly contribution for primary does not match IRS computed ACM monthly for primary	785	273
Taxpayer using ACM , but the taxpayer's ACM monthly contribution for spouse does not match IRS computed ACM monthly for spouse	785	273
Taxpayer's total PTC on Form 8962 does not equal IRS computed total	786	274
Taxpayer's total APTC on Form 8962 does not equal IRS computed total	787	275
Taxpayer's entry for Net PTC on Form 8962 does not equal IRS computed total	788	354
Taxpayer's entry for Advance PTC Repayment on Form 1040 does not equal IRS computed amount	789	276
Taxpayer filing status is MFS and no hardship indicated , and No APTC	790	353
Taxpayer's HHI as a percent of FPL is greater than 400 percent , and no APTC received	791	353
Taxpayer did not claim exemption for self, spouse, or dependent , but claimed PTC	792	353

Error Point	Taxpayer Notice Code (TPNC)	AVS Error Code
Taxpayer used ACM , but did not report APTC on Form 8962 – ineligible for ACM	793	272
Taxpayer indicates an ACM family size , but filing status is not MFJ – ineligible for ACM	793	272
Missing Form 8962 , PTC claimed and no APTC received	794	352

Note: Error code 189 is used in Submission Processing, Accounts Management employees can disregard.

International math error codes can be found in IRM 21.8.1.27.3, PTC math error Responses and notices for International.

Note: The AVS error code is populated when AVS identifies a math error condition (or third-party data discrepancy, discussed later). See IRM 21.6.3.4.2.12.4, Tools for Accessing ACA-Related Taxpayer Data, for more information.

21.6.3.4.2.12.3.2
(10-01-2014)
Premium Tax Credit (PTC) - Compliance Conditions

- (1) PTC third-party data-mismatch errors requiring correspondence with the taxpayer are given unique error codes to route the case for processing if the taxpayer does not respond or provide sufficient information. Error codes indicate one of the following conditions exist:
 - The taxpayer is most likely eligible for PTC but based on error checks, there is a problem in the calculation; PTC is recomputed using CDR data and compared to the taxpayer's calculation; the difference is recorded as an exposure amount which is used to prioritize Compliance case selection.
 - The taxpayer fails the most basic eligibility check of enrollments in a qualified health plan at the Marketplace.
 - The taxpayer is ineligible for PTC but tries to claim PTC, or received APTC but did not attach Form 8962.
- (2) When PTC is frozen from refund, a "PTC Exposure Amount" (PTC-EXP-AMT) field is populated in the posted return section on CC TXMOD.
- (3) A list of the third-party data error codes can be found in IRM 21.6.3.4.2.12.6.1, 8962 PTC Calculator Response.
- (4) Procedures for responding to refund inquiries involving a pre-refund Compliance condition can be found in IRM 21.5.6.4.10 (4), -E Freeze.

21.6.3.4.2.12.3.3
(03-13-2015)
ACA Correspondence Letters

- (1) Various Correspondence Letters include the ACA toll-free number (866-682-7451). The toll-free number also contains a 3 digit extension so if the taxpayer calls, the call can be routed to the proper agent group.
 - Letters requesting more information, Letter 12C, Letter 178C, and Letter 324C, contain extension 568, which is answered by those employees

who received basic ACA training. See the *Responding to Correspondence Letters Requesting Additional ACA Information* job aid.

- Closing letters, Letter 105C, Letter 106C, and Letter 474C, contain extension 569, which is answered by those employees who received full scope ACA account training.

- (2) When issuing letters pertaining to the Premium Tax Credit and there is potential for a call back, be sure to use the ACA toll-free number.

21.6.3.4.2.12.4
(11-09-2017)

Tools for Accessing ACA-Related Taxpayer Data

- (1) AMS provides tools to verify taxpayer health care related information and for computing Form 8962. The tools pull information from posted return data, FPL tables and insurance data from CDR, including any APTC paid on behalf of an individual.
- (2) Since all data and reference material, except for posted return information, is maintained outside of IDRS, an Integrated Automation Technologies (IAT) tool cannot be used to research or calculate, but IAT can still be used to adjust accounts.
- (3) To access taxpayer data, pull up the taxpayer's account on AMS following normal procedures. Select the ACA tools menu option.
- (4) The "**8962 PTC Calc**" tool:
 - Provides the user the ability to select Form 8962 data by year (the default is the current processing year ending in 12, Fiscal Year filers must be set to active prior to accessing the tool)
 - Retrieves and displays Form 8962 data reported on the original return
 - Allows the user to submit a PTC calculation with or without CDR verification
 - Retrieves and displays PTC calculation along with two types of errors: math error descriptions and/or third-party data verification discrepancies
 - Calculates and displays the calculated amounts which may require adjustment action

The **8962 PTC Calc** screen pre-populates with posted return and Form 8962 data, if available. The user inputs or updates the data prior to recalculating. After clicking the calculate button, the **AVS Figures** column returns and displays to the right of the taxpayer's figures.

The **8962 PTC Calc** provides an option to calculate with CDR validation or without CDR validation (the tool defaults to with CDR validation and that is the recommended option). Using the calculator **WITHOUT** the CDR validation only performs math verification. Using the calculator **WITH** CDR validation performs math verification **and** conducts a third-party data check. CDR validation is required when:

- Form 8962 data is not on file (not filed with original return).
- when enrollment premiums, SLCSP premiums, or APTC amounts are changing.
- when adding an exemption (dependent or spouse).

A job aid is available to help employees understand how the calculator is populated and where the corresponding Form 8962 data is placed, see *ACA Populating Form 8962 PTC Calculator*.

- (5) The “**Search CDR Data**” tool provides the ability to search by SSN, name, address, date of birth, policy number, and ECN. AMS also provides the ability to search reference tables such as the FPL, payback limitation and applicable percentage tables.

Note: Since the SSN of covered individuals doesn’t have to be provided on data sent to the IRS, searching by an individual’s name may provide better results.

- (6) AMS does not have the ability to store the AVS responses to the calculation / verification requests.
- (7) AMS is the primary method of accessing health insurance data for both research and PTC calculations. However, if AMS or CDR data is unavailable, CC IRPOL can be used to research Form 1095-A data. For more information on CC IRPOL, see IRM 2.3.86, Command Code IRPOL.

21.6.3.4.2.12.4.1
(11-09-2017)
**ACA - Disclosure of
Taxpayer Data**

- (1) General disclosure guidelines are found in IRM 21.1.3.2, General Disclosure Guidelines. The following information provides disclosure guidelines related to providing third-party health insurance data of another taxpayer, such as a health insurance policy purchased by an ex-spouse that includes a dependent of the taxpayer as an enrollee on the policy.
- (2) **When a third-party data discrepancy exists**, advise the taxpayer of the discrepancy and how to address it. Do not provide third-party data unless the taxpayer is unable to secure it from the Marketplace (see *The Health Insurance Marketplace* for a list of contact telephone numbers) or the owner of the policy. While Coverage Data Repository (CDR) should be used for research, if providing the third-party data, only data from the Form 1095-A can be provided (the Form 1095-A is the authoritative source). **Do not** provide CDR data.

Note: Form 1095-A data belonging to one individual may be disclosed to another taxpayer if the use of that data is directly related to resolving the other taxpayer’s filing / reporting requirements. However, disclosure of another individual’s Form 1095-A data can only be made **after** the filing of Form 1040 / Form 1040-X where the reconciliation of APTC and/or the eligibility or amount of PTC is at issue.

- (3) Form 1095-A data can be accessed via CC IRPOL. The format for CC IRPOL is: IRPOLAnnnnnnnnnvyyyydd. The document code (dd) for Form 1095-A is 07. For more information on CC IRPOL, see IRM 2.3.86, Command Code IRPOL.
- (4) If a taxpayer requests help in obtaining another individual’s Form 1095-A data, the following information can be provided so that the taxpayer may comply with their own filing or reporting requirements:
- Recipient’s name
 - Policy number
 - Covered individual(s) name (those shown on the return)
 - Number of covered individuals
 - Enrollment Premium amount / month(s)
 - SLCSP premium amount / month(s)
 - APTC amount / month(s)

(5) Data that **cannot** be disclosed include:

- Recipient / spouse SSN
- Recipient / spouse DOB
- Recipient spouse's name
- Address
- Covered individual(s) not being claimed on the taxpayer's return (the person requesting the data)

(6) CC IRPOL prints can be provided to the taxpayer, but data shown in (5) must be sanitized.

Note: The Quick Command Code (QCC) IAT tool cannot be used to sanitize IRPOL.

(7) The following are examples of when a taxpayer may request Form 1095-A data of another taxpayer:

Example: Taxpayer A files a return claiming their child as a dependent. The taxpayers ex-spouse (Taxpayer B) enrolled themselves and their child in health insurance coverage via the Marketplace and advance payments of the premium tax credit were made for the coverage. Even though the child was part of Taxpayer's B policy, Taxpayer A must reconcile the advance payment made for their child's coverage (by completing Part IV, Allocation of Policy Amounts).

Example: Taxpayer A files a return claiming their child as a dependent. The dependent purchased insurance through an insurance marketplace and advance payments of the premium tax credit were paid on the dependents behalf.

In both of these examples, Form 1095-A data belonging to another taxpayer may be disclosed to Taxpayer A who must reconcile the APTC even though the Form 1095-A is not their data. Keep in mind, the disclosure can only be made after Taxpayer A files and the discrepancy is identified.

(8) For inquiries on an individual's own Form 1095-A or non-receipt of Form 1095-A, see IRM 21.3.6.5, Health Coverage Statements.

21.6.3.4.2.12.5

(11-09-2017)

**Premium Tax Credit
(PTC) - Notice / Letter
Responses**

- (1) Explaining PTC math errors can generally be done using Command Code (CC) RTVUE / CC TRDBV, CC TXMOD, using the math error notice table found in IRM 21.6.3.4.2.12.3.1, Math Error Conditions, and/or using the 8962 PTC calculator with PTC calculated using the at-filing data.
- (2) The majority of PTC math errors can be resolved without additional documentation, see IRM 21.5.2.4.2, Adjustments With Oral Statement. As with other credits, math errors impacting other areas of the return, such as filing status, exemptions and total income, can have an impact on PTC, and must be taken into consideration when computing PTC.
- (3) The following paragraphs address entering data into the PTC calculator, consider the following prior to input:
 - **A Form 8962 cannot be "dummied"** but can be edited. Per the instructions for Form 8962, if a taxpayer lived in Alaska or Hawaii at any

time during the year, they can use the FPL table with the higher dollar amounts. As such, you may not be able to determine which FPL table applies.

- You won't determine a dependent's MAGI, but you can edit the Form 8962 if the taxpayer entered their own MAGI in the dependent's MAGI field.
- Ensure the MAGI and family size shown are correct.
- If a Form 1095-A is attached, ensure the data is entered correctly on the Form 8962, such as monthly calculation is used when all 12 months are not the same. Failure to do so could result in an incorrect calculation.
- If a Form 1095-A is attached, ensure the taxpayer allocated policies if it appears multiple tax families are covered on the Form 1095-A.

Note: If it appears the taxpayer did allocate but did not complete part IV, if AVS does not return an error message, accept the Form 8962 as filed. If AVS returns an error, request allocation.

- (4) When a taxpayer provides substantiation that the math error condition is incorrect, or sends a late response to a Letter 12C, and there is no Compliance freeze on the module, recalculate the Form 8962 using the "8962 PTC Calc", found in the AMS ACA tools. Third-party data validation (CDR) is not needed in most instances. Refer to IRM 21.6.3.4.2.12.6.1, 8962 PTC Calculator Response, for processing the calculator response. However, if a Form 8962, Premium Tax Credit (PTC), was not attached to the return, see (5), or if correcting an SSN to add a person to the return, see (6).

Note: Whether or not a math error has been charged, if the taxpayer didn't respond to the Letter 12C in a timely manner, assistors can update the account without having an amended return as long as a discrepancy as shown in (7) is not identified. When doing so, **if a PTC credit is allowed that was not claimed on the original return and the credit results in a refund, input a priority code 3.** Do not input an amended claims date.

Note: If the taxpayer's filing status is married filing separately, PTC is not allowed unless the taxpayer meets the exception criteria, as shown in IRM 21.6.3.4.2.12.2, Qualifications.

- (5) When a taxpayer provides a missing Form 8962, third-party data verification (CDR) must be conducted. Input the data into the "8962 PTC Calc" tool and calculate with CDR validation to verify the amounts reported for premium(s), SLCSP(s) and APTC.

Reminder: The PTC calculator can identify two types of errors; math errors and/or third-party data discrepancies (mismatches).

- (6) When correcting an SSN, third-party verification (CDR) must be conducted to verify if APTC was paid on behalf of the person for whom the exemption is being allowed.

Note: If APTC was paid on behalf of the individual for whom the exemption is being allowed, a Form 8962 must be provided to reconcile the APTC before correcting the TIN related math error. If a Form 8962 was filed with the

original return, determine the impact, if any, using the AMS “8962 PTC Calc” tool. If a Form 8962 was not filed, research CDR to see if APTC was reported for that individual.

- (7) For both (5) and (6), if AVS returns a third-party data discrepancy error code (see IRM 21.6.3.4.2.12.6.1, 8962 PTC Calculator Response, for a list of the error codes), the account cannot be adjusted. Advise the taxpayer they must file an amended return and attach documentation addressing the discrepancy, and no action is being taken at this time to address any math error.

Note: Unsubstantiated math error processing does not apply to third-party data discrepancies.

Exception: If the taxpayer attached Form(s) 1095-A that addresses all conditions, run the tool again without CDR verification and adjust the account accordingly.

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- (8) See IRM 21.6.3.4.2.12.7, Adjusting the Account, for the applicable reference numbers and reason codes.

21.6.3.4.2.12.5.1
(10-19-2022)
ACA - Loose Forms

- (1) A loose Form 1095-A and/or Form 8962 received in Accounts Management may be a response to a Letter 12C, an attempt to claim a credit or report additional tax owed, or as an attachment to the taxpayer’s return.
- (2) When a loose Form 1095-A and/or Form 8962 is received and a return has **not posted**, refer to the following table:

If	Then
The return is in ERS suspense (status 2XX/3XX/4XX) and ERS requested the Form 1095-A and/or Form 8962 (as shown on CC ENMOD, Letter 12C, paragraphs 4, 5, 6, 7, 8, 9, a, b, c, or d).	Fax the Form 1095-A and/or Form 8962 to the ERS campus, see IRM 21.4.1.4.1.2.6, Error Resolution System (ERS) Status Codes, for ERS status codes and for fax numbers.
The return is not in ERS suspense, or ERS did not request the Form 1095-A and/or Form 8962	See IRM 21.5.1.4.4, Processing of Loose Forms or Schedules

- (3) When a loose Form 1095-A and/or Form 8962 is received and a return **has posted**, refer to the following table:

If	Then
Compliance activity on the module	See IRM 21.5.6.4.10, -E Freeze, and IRM 21.5.10.4.1.2, Compliance Refund Hold Projects.
You can determine that no adjustment is necessary, such as a Form 8962 is on file and the data matches.	Add a case note to identify the loose form.
An adjustment is needed (data doesn't match) and sufficient information is available. Note: A Form 8962 cannot be “dummied”. Per the instructions for Form 8962, if a taxpayer lived in Alaska or Hawaii at any time during the year, they can use the FPL table with the higher dollar amounts. We cannot make that determination of which FPL table applies. In addition, we won't determine a dependent's MAGI. Editing of the Form 8962 is acceptable.	See IRM 21.6.3.4.2.12.5, Premium Tax Credit Notice / Letter Responses. Reminder: If the account contains an I- freeze, be sure to follow procedures found in IRM 21.5.6.4.17, I- Freeze, for updating the return processable date.
You are unable to determine an adjustment is needed, or an adjustment is needed but sufficient information is not available to make the adjustment (such as only Part I completed)	Advise the taxpayer that a Form 1040-X and/or completed Form 8962 is required to change the original return.

Note: A Form 1095-A marked as Void means the form is no longer valid. The taxpayer is not liable for any APTC originally reported on the form, nor are they eligible for any credit for data originally reported. A Form 8962 does not have to be submitted to update the account.

21.6.3.4.2.12.6
(02-02-2024)
**Premium Tax Credit
(PTC) - Amended
Returns**

- (1) Generally, amended returns impacting PTC / APTC repayment are run through “8962 PTC Calc” tool in AMS. For some amended returns the impact is obvious, such as a Form 8962, *Premium Tax Credit (PTC)*, attached, or PTC claimed on the amended return. For others, the impact to PTC is not obvious, such as a change to income, adding/deleting a dependent, or changing a filing status but a Form 8962 is not attached nor addressed on the amended return. For these types of amended returns, review Command Code (CC) TXMOD or CC IMFOLR / T for the presence of the PTC associated data elements shown in IRM 21.6.3.4.2.12.7, Adjusting Accounts. If present, or adding a dependent or spouse, follow the table in (5) below. Otherwise, follow normal procedures.

Note: For tax year 2020 only, taxpayers are not required to repay Excess APTC.

- (2) The “8962 PTC Calc” tool provides an option to calculate with CDR validation or without CDR validation. CDR validation is required when:
 - Form 8962, Premium Tax Credit, data is not on file (not filed with the original return)
 - Changing data elements on Form 8962 such as enrollment premium amounts, SLCSP premiums, APTC or family size
 - Adding an exemption (dependent or spouse)

- Updating the TIN of a person on the return
- (3) Depending on which method of calculation is used, how we arrive at CAT-A criteria is different.

- With CDR validation - CAT-A criteria is when the exposure amount is
- Without CDR validation - CAT-A criteria is the net change to PTC / decrease, or a combination of the two.

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See Exhibit 21.5.3-3, Examination Criteria (CAT-A) - Credits.

- (4) Taxpayers can claim both a self-employed health insurance deduction and PTC for the same premiums; however, the sum of deduction and the Total PTC (Form 8962, line 24) cannot exceed the taxpayer's enrollment premiums. See Pub. 974, Premium Tax Credit (PTC). When the amount of the self-employment health insurance deduction plus total PTC exceed enrollment premiums (Form 8962 line 11a, or the sum of lines 12a - 23a), send a Letter 178C with the following paragraphs:
- Publication 974 states taxpayers eligible for both a self-employed health insurance deduction and the PTC for the same premiums, can use any computation method that results in reporting amounts that satisfy the rules for both the deduction and PTC, as long as the sum of the deduction claimed for the premiums and the PTC computed is less than or equal to the enrollment premiums.*
- Because your deduction and PTC exceed the enrollment premiums, we need for you to provide supporting documentation of the amount claimed as the self-employment health insurance deduction for insurance obtained outside of the Marketplace. If your only insurance is through the Marketplace, calculate the deduction and/or credit using Publication 974 worksheets.*
- If the taxpayer later provides proof of insurance obtained outside the Marketplace - allow the claim.
 - If the taxpayer later provides a computation based on the worksheets - allow the claim.
 - If the taxpayer responded but didn't provide proof of insurance and the sum of the deduction plus total PTC exceed enrollment premiums, adjust the self-employment health insurance deduction following IRM 21.5.4.5.1, Setting the Initial Math Error Action.
 - If the taxpayer doesn't respond, follow procedures shown in IRM 21.5.3.4.6.3, No Consideration Procedures.
- (5) The necessary actions to take to process an amended return claiming PTC, reporting APTC or impacting PTC depends on what is being requested, what information is being provided and what information we currently have on file. The following table provides initial actions for amended returns impacting PTC / APTC repayment, however, consider the following:
- **A Form 8962 cannot be "dummied"** but can be edited. Per the instructions for Form 8962, if a taxpayer lived in Alaska or Hawaii at any time during the year, they can use the FPL table with the higher dollar amounts. As such, you may not be able to determine which FPL table applies.

- You won't determine a dependent's MAGI, but you can edit the Form 8962 if the taxpayer entered their own MAGI in the dependent's MAGI field.
- Ensure the MAGI and family size shown are correct.
- If a Form 1095-A is attached, ensure the data is entered correctly on the Form 8962, such as monthly calculation is used when all 12 months are not the same. Failure to do so could result in an incorrect calculation.
- If a Form 1095-A is attached, ensure the taxpayer allocated policies if it appears multiple tax families are covered on the Form 1095-A.

Note: If it appears the taxpayer did allocate but did not complete part IV, if AVS does not return an error message, accept the Form 8962 as filed. If AVS returns an error, request allocation.

Note: A Form 1095-A marked as Void means the form is no longer valid. The taxpayer is not liable for any APTC originally reported on the form, nor are they eligible for any credit for data originally reported. A Form 8962 does not have to be submitted to update the account. If the taxpayer files an amended return indicating they received a voided Form 1095-A but does not include the form with the return, follow procedures in IRM 21.5.1.5.6, Incomplete CII Claims, and request a copy of the voided Form 1095-A.

When determining the right "If" statement below, "Form 8962 is not attached" includes forms that are incomplete and cannot be perfected.

Row Number	If	And	Then
1	Form 8962 is attached to Form 1040-X, or a loose Form 8962	N/A	Input the Form 8962 data into the 8962 PTC calculator, then follow IRM 21.6.3.4.2.12.6.1, 8962 PTC Calculator Response
2	Form 8962 is NOT attached to Form 1040-X - *PTC associated data elements are present on the module	Form 1040-X is reporting an increase / decrease in income, adding / deleting a person to / from the return, and/or reporting an additional / corrected Form 1095-A	Update the exemption, AGI, and/or Form 1095-A data fields on the 8962 PTC calculator and follow IRM 21.6.3.4.2.12.6.1, 8962 PTC Calculator Response.

Row Number	If	And	Then
3	Form 8962 is NOT attached to Form 1040-X - *PTC associated data elements are present on the module	Form 1040-X is NOT reporting an increase / decrease in income, adding / deleting a person to / from the return, and/or reporting an additional / corrected Form 1095-A	<ul style="list-style-type: none"> Form 1040-X filed to increase PTC - reject as an incomplete claim, see IRM 21.5.3.4.2, Tax Decrease or Credit Increase Processing Form 1040-X filed to decrease PTC - **input the requested adjustment and correspond for the missing form, see IRM 21.5.3.4.1, Tax Increase or Credit Decrease Processing Form 1040-X filed to decrease Excess APTC Repayment - reject as an incomplete claim, see IRM 21.5.3.4.2, Tax Decrease or Credit Increase Processing <p>Note: For tax year 2020 only, do not reject. Reduce the Excess APTC Repayment amount to zero.</p> <ul style="list-style-type: none"> Form 1040-X filed to increase Excess APTC Repayment - input the requested adjustment and correspond for the missing form, see IRM 21.5.3.4.1, Tax Increase or Credit Decrease Processing <p>Note: For tax year 2020 only, do not increase, reduce the Excess APTC Repayment amount to zero.</p>

Row Number	If	And	Then
4	Form 8962 is NOT attached to Form 1040-X - *PTC associated data elements are NOT present on the module	Form 1040-X is adding a person to the return	<p>Use the “Search CDR Data” tool to determine if APTC was paid on behalf of the individual being added to the account.</p> <p>APTC was paid - suspend and contact the taxpayer for the missing Form 8962</p> <ul style="list-style-type: none"> Form 8962 provided - input the Form 8962 data into PTC calculator and follow IRM 21.6.3.4.2.12.6.1, 8962 PTC Calculator Response Form 8962 NOT provided - “no consider” the claim, see IRM 21.5.3.4, General Claims Procedures. Taxpayers claiming the person are required to reconcile any APTC. <p>APTC was NOT paid - follow normal procedures for adding the person</p>
5	Form 8962 is NOT attached to Form 1040-X - PTC is NOT on the module	1040-X is reporting a PTC credit or Form 1095-A is attached	Reject as an incomplete claim, see IRM 21.5.3.4.2, Tax Decrease or Credit Increase Processing
6	Form 8962 is NOT attached to Form 1040-X - APTC is NOT on the module	1040-X reporting Excess APTC Repayment	<p>**Input the requested adjustment and correspond for the missing form, see IRM 21.5.3.4.1, Tax Increase or Credit Decrease Processing</p> <p>Note: For tax year 2020 only, the reduce excess APTC Repayment to zero.</p>

*The PTC exposure amount field is not considered a data element.

**The amount for the item reference number(s) shown in IRM 21.6.3.4.2.12.7, Adjusting Accounts, cannot be determined. For a tax increase, input a TC 290, reason code 152. For a credit decrease, input a credit reference number (CRN) 262, reason code 151. Do not use any other PTC related item reference numbers.

21.6.3.4.2.12.6.1
(08-16-2021)
**8962 PTC Calculator
Response**

(1) After data is entered into the calculator, the response provided dictates the course of action. The PTC calculator is returned to the top of the tool where, if applicable, the exposure amount and an alert that error conditions were found is displayed. Specific error conditions are displayed at the top of each section of the calculator. See the table below for specific actions.

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If	Then
No math error or third-party data error codes are returned	Adjust the account as requested by the taxpayer. See IRM 21.6.3.4.2.12.7, Adjusting Accounts, for the applicable reference numbers and reason code(s).
AVS identifies a math error condition only (such as addition or multiplication errors or an incorrect entry from a table) Note: See IRM 21.6.3.4.2.12.3.1, Math Error Conditions, for a list of math error conditions. Be sure to select the paragraph(s) in the 474C letter that best describes the math error.	Adjust the account following procedures in IRM 21.5.4, General Math Error Procedures, and IRM 21.6.3.4.2.12.7, Adjusting Accounts. Note: Use the AVS figures provided to adjust the PTC data elements.
AVS returns a third-party data error code, as shown below	Continue with the next paragraph.

(2) If AVS returns a third-party data error code, the corresponding CDR policy data is provided by the tool as part of the error message. The calculation provided is only based on the taxpayer’s figures. **Attach a PDF print of the AVS response in CII.** Below is a list of the third-party data discrepancy (mismatch) error conditions and corresponding error code:

Third-Party Data Error Condition	AVS Error Code
F8962 is not attached, APTC received, and Taxpayer claims PTC in F1040	190
F8962 is not attached, APTC received, and Taxpayer reports APTC Repayment in F1040	190
F8962 is not attached, APTC received, and Taxpayer reports APTC Repayment equal to APTC	190

Third-Party Data Error Condition	AVS Error Code
F8962 is not attached, taxpayer received APTC, no PTC claimed, and no APTC Repayment reported on 1040	190
Ineligible for PTC based on Citizenship, FPL percent is less than 100%, and no APTC	191
Taxpayer entry for dependent MAGI on Form 8962 exists, but does not claim at least one dependent as an exemption on tax return	192
Taxpayer's Dependent MAGI amount equal to computed MAGI amount	192
Taxpayer indicates an alternative calculation for year of marriage (ACM) family size, but ACM family size is greater than or equal to computed family size	193
Incorrect ACM start and stop month (Start or stop month is not present, or stop month is before the start month)	193
Taxpayer indicates an ACM family size, but the sum of ACM family sizes does not equal computed family size	193
Incomplete Allocation Method Data (Taxpayer does not complete all the entries required for an allocation. Required entries are Allocated Policy Number, Allocation SSN, at least one Allocation Percentage, and start/stop months)	194
Incorrect Allocation Method Data (Stop month is before start month)	194
Incomplete Allocation Method Data (Taxpayer did not provide any of percentage of allocation for enrollment premiums, percentage of allocation for SLCSP premiums, and percentage of allocation for APTC)	194
Allocation Policy Mismatch with Exchange Policy	194
Failed Exchange Enrollment	195
Invalid use of annual calculation, Exchange data shows premium and SLCSP are not the same values for all 12 months	196
Taxpayer provides annual calculation, but Form 8962 includes entries for ACM or shared policy allocation	196
Annual Premium Exchange data match failure	197
Monthly Premium Exchange data match failure (January – December)	197
Annual Premium for SLCSP Exchange data match failure	198
Monthly Premium for SLCSP Exchange data match failure (January – December)	198
Annual APTC Exchange data match failure	199
Monthly APTC Exchange data match failure (January – December)	199
F8962 is not attached, APTC received, and Taxpayer claims PTC in F1040	352

(3) When a third-party data discrepancy is identified:

1. Compare the AVS data to CC IRPOL or Form 1095-A, if attached. If the Form 1095-A is hand-written, use CC IRPOL data.
If CC IRPOL or Form 1095-A data matches the taxpayer's figures, run

the calculator again without CDR validation.

If CC IRPOL data matches AVS, or doesn't match but is different than the taxpayer's figures, continue with 2.

2. Determine if correspondence was previously sent addressing the issue, such as a Letter 12C or Letter 178C.

If correspondence was previously sent, follow the incomplete or no response procedures below.

If correspondence was not sent, send Letter 178C or Letter 324C, using the ACA paragraphs, and suspend the case for 40 days.

- (4) If a response is received, or no response and the suspense period has expired, see the following table for the necessary action.

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Note: For error code 198, the SLCSP reported by the Marketplace may be incorrect. If no APTC was paid or the taxpayer had a change in circumstance not reported to the Marketplace, the taxpayer can determine the correct applicable SLCSP.

Row Number	If	And	Then
1	Response received that completely addresses the error condition	N/A	Input the information into the PTC Calc Tool. Perform a calculation only. Adjust the account as appropriate.
2	Incomplete or no response	CAT-A criteria is met	Refer the case to Exam as CAT-A criteria. Document the exposure amount, as provided by AVS (shown at the top of the calculator), in CII.
3	TC 976 processing - Incomplete or no response	The <i>APTC Repayment Calculator</i> (not to be confused with the 8962 PTC calculator found in AMS) identifies an exposure amount	Review the instructions tab on the calculator to determine CAT-A criteria, which may be different than the amount shown above. CAT-A criteria is met <ul style="list-style-type: none"> Refer the case to Exam as CAT-A criteria. Document the exposure amount in CII. CAT-A criteria is NOT met - accept PTC / APTC as filed. Note: If a PTC credit is claimed but a Form 8962 is not provided, do not allow the credit.
4	CAT-A criteria is NOT met	Error code is 190 or 352	<ul style="list-style-type: none"> Form 1040-X reporting PTC - reject as an incomplete claim, see IRM 21.5.1.5.6, Incomplete CII Claims Form 1040-X reporting Excess APTC Repayment - accept as filed Note: For tax year 2020 only, do not assess an Excess APTC Repayment amount. <ul style="list-style-type: none"> Form 1040-X reporting neither - accept as filed

Row Number	If	And	Then
5	CAT-A criteria is NOT met	Error code is 191	<p>Masterfile indicates:</p> <ul style="list-style-type: none"> • PTC - do not allow PTC if reported on Form 1040-X and remove previously allowed PTC • Excess APTC Repayment - do not allow PTC if reported on Form 1040-X, do not remove previously assessed liability <p>Note: For tax year 2020 only, reduce previously assessed Excess APTC Repayment amount to zero.</p> <ul style="list-style-type: none"> • Neither - do not allow PTC if reported on Form 1040-X, however, do assess Excess APTC Repayment reported on the form <p>Note: For tax year 2020 only, do not assess an Excess APTC Repayment amount.</p> <p>See IRM 21.5.3.4.6, No Consideration and Disallowance of Claims and Amended Returns.</p>
6	CAT-A criteria is NOT met	Error code is other than one listed above	<p>Form 1040-X reporting:</p> <ul style="list-style-type: none"> • Increase to PTC or decrease to Excess APTC Repayment - no consideration • Decrease to PTC or increase to Excess APTC Repayment - accept as filed • Neither - accept as filed <p>Note: For tax year 2020 only, Excess APTC Repayment amount should be zero.</p> <p>See IRM 21.5.3.4.6, No Consideration and Disallowance of Claims and Amended Returns.</p>

21.6.3.4.2.12.7
(02-01-2022)
**Premium Tax Credit
(PTC) - Adjusting the
Account**

- (1) PTC allowed on the original return posts as a computer-generated Transaction Code (TC) 766, credit reference number 262. Excess APTC Repayment is included in the total tax.

Note: The American Rescue Plan Act (ARPA) waived the repayment requirement for tax year 2020. Taxpayers, who after completing Form 8962, find they have a repayment requirement, should **not** file Form 8962 or report the repayment amount as a tax liability. If an advance repayment was reported, using the table below, input IRN 867 to reduce the APTC repayment field to zero and IRN 868 to increase the limitation amount to the total excess advance payment. If an amended return or loose Form 8962 is received reporting the repayment and increasing the tax, do not process that part of the amended return. Use the PTC Calculator to confirm the repayment amount, if a repayment amount was previously charged, decrease it. Correspond with the taxpayer to let them know that the repayment is waived for tax year 2020 and that the payment they submitted (if one was submitted) will be refunded if no other tax is owed.

Caution: If the Premium Tax Credit (PTC) was claimed on the original return, do not remove or reduce it when adjusting for the Unemployment Compensation Exclusion.

- (2) Posted PTC associated data can be viewed in the posted return section of CC TXMOD and CC IMFOLR. Below are the data elements and the applicable credit reference number (CRN) and item reference number (IRN):

Data Element	CRN / IRN	Form 8962, Line number	IMFOLR Term	TXMOD Term
Net Premium Tax Credit	262	26	N/A	TC 766 / 767
Advance Premium Tax Credit	865	25	TOTAL APTC	ADV-PTC-AMT
Total Premium Tax Credit	866	24	TOTAL PTC	PTC-AMT
Excess APTC Repayment	867	29	APTC REPMT	PTC-LIAB-AMT
Excess Advance Payment Above Limitation	868	*	LIMIT AMT	PTC-LIMIT-AMT
** PTC Exposure Amount	N/A	N/A	PTC EXPSR	PTC-EXP-AMT

* The difference between line 27 and line 28 if line 27 is greater than 28

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be considered one of the PTC data elements described in previous sections.

Note: Premium Tax Credit (CRN 262) and Total Premium Tax Credit (IRN 866) are not the same. $\text{IRN 866} - \text{IRN 865 (if smaller)} = \text{CRN 262}$.

Reminder: When performing a calculation using the PTC calculator, the figures provided in the AVS column are the end result. Adjust the posted data on IDRS to match the AVS figures using the correct reference numbers as shown on the PTC calculator screen.

Exception: When Form 8962, Part 5, *Alternative Calculation for Year of Marriage*, is completed, if the calculator returns what appears to be a refundable credit, but the Net PTC field is blank, adjust the Total PTC to match the Total APTC when adjusting the module.

- (3) When adjusting PTC related data, use the following reason codes, as appropriate:

- **151** - PTC (refundable credit issue)
- **152** - Excess Advance PTC Repayment (tax liability issue)

- (4) A priority code 3 is required for any IRS initiated adjustment resulting in an overpayment, such as a Letter 12C response.
- (5) Adjustments to PTC and APTC repayment can be input using the xMend tool, Line 6 - Tax, and Line 15 - Other Credits.
- (6) When adjusting the module, use the appropriate *source code* and *blocking series*.

21.6.3.4.2.12.8
(08-30-2021)

**Failure to Reconcile
Advance Payment of the
Premium Tax Credit
(PTC)**

- (1) The IRS provides filing history, or “flags”, to the Marketplace to be used by the Marketplace when determining APTC eligibility. Those “flags” are:
 - Failure to file (taxpayer hasn’t filed a return)
 - Taxpayer filed an extension
 - Taxpayer filed but didn’t reconcile APTC

Note: The American Rescue Plan Act (ARPA) waived the repayment requirement for tax year 2020. Taxpayers, who after completing Form 8962, find they have a repayment requirement, should **not** file Form 8962 or report the repayment amount as a tax liability. If an advance repayment was reported, reduce the APTC repayment field to zero and update IRN 868 to increase the limitation amount to the total excess advance payment.

- (2) Each week, the IRS compiles posted return data and provides information to the Marketplace upon request. Taxpayers whose return or amended return was not posted prior to the beginning of the weekly update could receive a flag.
- (3) Taxpayers may contact the IRS after receiving notification from the Marketplace that they may not be eligible for APTC. Taxpayers are not advised which flag was triggered, and which of the two latest tax years, or both, could have triggered it. Take the following action:

If	Then
Taxpayer has not filed a return	Advise the taxpayer: <ul style="list-style-type: none"> • to file a return and attach a completed Form 8962. • *of return processing time frames and when updated information may be available to the Marketplace
Taxpayer has filed a return, but did not reconcile APTC	Advise the taxpayer: <ul style="list-style-type: none"> • to file an amended return and attach a completed Form 8962 <p>Exception: If the taxpayer received a Letter 12C, see IRM 21.6.3.4.2.12.5, Premium Tax Credit Notice / Letter Responses. Keep in mind letter history may have dropped from CC ENMOD, but CC TRDBV can be used to determine if the return was in ERS.</p> <ul style="list-style-type: none"> • *of return processing time frames and when updated information may be available to the Marketplace

If	Then
Taxpayer did reconcile	<p>Determine when the data posted to IDRS and provide an estimate of when updated information may be available to the Marketplace. See <i>Document 6209</i> for posting cycles.</p> <p>Note: If APTC was reconciled on the original return and their Marketplace accepts a transcript as proof, the taxpayer can order a return transcript. If reconciled after the original return was filed, PTC data is not populated on any type of transcript. If the taxpayer requests verification, send Letter 387C, Record of Account, and in the fill-in paragraph provide the APTC and PTC amounts shown in the TOTAL APTC / ADV-PTC-AMT and TOTAL PTC / PTC-AMT fields, the received date of the claim or Form 8962, along with an approximate date the data posted to our system.</p> <p>Note: Due to the backlog of unopened mail/unprocessed returns created by COVID-19, account information may not be up to date. Apologize for the delay and advise the taxpayer no action is needed with the IRS; however, they should follow-up with their Marketplace.</p>

* Return processing time frames can be found in IRM 21.4.1.4, Refund Inquiry Response Procedures.

21.6.3.4.2.13
(03-15-2024)

**Economic Impact
Payments (EIP)**

- (1) Due to the complex and intertwined nature of Economic Impact Payments (EIP) and Recovery Rebate Credit (RRC), it may be necessary to follow procedures in IRM 21.6.3.4.2.13, Economic Impact Payments (EIP), and its subsections, and IRM 21.6.3.4.2.14, Recovery Rebate Credit (RRC), and its subsections, when responding to a taxpayer inquiry or working a paper case.
- (2) Economic Impact Payments (EIP) are advanced payments of the Recovery Rebate Credit (RRC). Three EIPs were issued to taxpayers for tax years 2020 and 2021 based on the following:

Legislation	Payment number	Credit amount	Applicable posting tax year
The Coronavirus Aid, Relief and Economic Security (CARES) Act IRC 6428	Payment 1 (EIP 1)	The sum of \$1,200 (\$2,400 if married filing jointly), plus an additional \$500 for each qualifying child.	2020 Fiscal year filers (202101 - 202111)
The Consolidated Appropriations Act, 2021 IRC 6428A	Payment 2 (EIP 2)	The sum of \$600 (\$1,200 if married filing jointly), plus an additional \$600 for each qualifying child.	2020 Fiscal year filers (202101 - 202111)

Legislation	Payment number	Credit amount	Applicable posting tax year
American Rescue Plan Act of 2021 IRC 6428B	Payment 3 (EIP 3)	The sum of \$1,400 (\$2,800 if married filing jointly), plus an additional \$1,400 for each qualifying dependent.	2021 Fiscal year filers (202201 - 202211)

Note: Credit may be reduced based on income limitations.

For more information, refer to the *Economic Impact Payment Information Center*.

- (3) Taxpayers who received less EIP than entitled to, may be able to claim the difference, if eligible, as RRC on their 2020 or 2021 original or amended return. Unlike EIP, RRC cannot be allowed on a module without a TC 150. Refer to IRM 21.6.3.4.2.14, Recovery Rebate Credit. If the taxpayer was eligible for EIP based on a prior year return, but the credit based on their 2020 or 2021 tax return is less than the EIP they received, no repayment is required.
- (4) Individuals who weren't required to file a return were able to use the *Non-Filers Tool* on IRS.gov to submit the information necessary to obtain EIP. The taxpayer entered basic information, such as SSN, name, address, and number of dependents, which created a basic Form 1040 filing for the taxpayer. The IRS used this information to determine eligibility and calculate the payment. The deadline for using the Non-Filers Tool was November 21, 2020.

Note: Returns filed using the "Non-Filers Tool" can be identified with \$1 of taxable interest income, \$1 total income, and \$1 AGI.

If a taxpayer used the Non-Filers Tool in error and needs to file a tax return, advise them to file a paper Form 1040 with "Amended Economic Impact Payment (EIP) Return" notated at the top center of the return. Amended return processing timeframes apply. See IRM 21.5.3.4.17, Amended Economic Impact Payment (EIP) Return, for processing procedures.

- (5) Below is information about each EIP; when they were issued, how they were calculated and what the criteria was.

Note: If using the table for RRC eligibility, make sure to use the correct year when necessary (e.g., calculate partial reduction for RRC on 2021 return based on 2021 AGI).

Row Number	Issue	EIP 1	EIP 2	EIP 3
1	Refund date	Began April 10, 2020	Direct deposits - January 4 and February 5, 2021. Paper checks - January 6 - 24, 2021.	Began March 17, 2021
2	Payment based on	<ul style="list-style-type: none"> A posted tax year 2019 return (2018 return if 2019 was not filed) as filed, or as allowed by the Error Resolution System (ERS), or a return created by entering information into the Non-Filers Tool. The payment took into consideration updated AGI (as adjusted), but not updated filing status or child tax credit data. If no tax return was filed, payment was issued based on benefits received from Social Security, Railroad Retirement, Supplemental Security Income (SSI), or the Veterans Administration (VA) for tax year 2019, including veterans, surviving spouses, surviving parents, and surviving children. 	<ul style="list-style-type: none"> Same as EIP 1. *Except 2018 return was not used. 	<ul style="list-style-type: none"> A posted tax year 2020 return (2019 if 2020 return was not filed) as filed, or as allowed by the ERS. The payment took into consideration updated AGI (as adjusted), but not updated filing status or child tax credit data. Note: If the payment or non-payment was based on a 2019 return, once a 2020 return was filed, an additional payment was issued if the 2020 return showed the taxpayer was entitled to more EIP (referred to as "plus-up payments"). If no tax return was filed, payment was issued based on same benefits referenced for EIP 1 for tax year 2020.

Row Number	Issue	EIP 1	EIP 2	EIP 3
3	Eligible individuals	<p>Any individual other than:</p> <ul style="list-style-type: none"> • A non-resident alien • A deceased individual (Date of death prior to 01/01/2020) • An individual who can be claimed as a dependent on another tax return • A filer of Form 1040-NR, 1040-PR, or 1040-SS • An estate or trust <p>Note: For joint returns, if one spouse met eligibility requirements and the other did not, no payment was issued.</p>	<p>Same as EIP 1.</p> <p>Note: For joint returns, if one spouse met eligibility requirements and the other did not, a payment was issued to the eligible spouse.</p>	<p>Same as EIP 2.</p> <p>Exception: A deceased individual with a date of death prior to 01/01/2021 was not eligible.</p>

Row Number	Issue	EIP 1	EIP 2	EIP 3
4	SSN requirements (Primary / Secondary)	<p>A valid SSN must be assigned before July 15, 2020, or October 15, 2020, if an extension was filed. If a joint return is filed and only one spouse had a valid SSN, no Economic Impact Payment was issued.</p> <p>Exception: For joint filers, if either spouse is a member of the Armed Forces at any time during the taxable year, then only one spouse needs to have a valid SSN to receive payment. Members of the Armed Forces can be identified with a TC 971 AC 162 in the entity (Command Code ENMOD or IMFOLE).</p>	<p>A valid SSN must be assigned before July 15, 2020, or October 15, 2020, if an extension was filed. If a joint return was filed and only one spouse had a valid SSN, a payment was issued for the eligible spouse and each qualifying child.</p> <p>Exception: See EIP 1 for military exception.</p>	<p>A valid SSN must be assigned before the return due date, disaster due date, or extended due date if an extension was filed.</p> <p>Exception: See EIP 1 for military exception.</p> <p>Note: An ITIN holder (regardless of assignment date) with dependents received payment for each dependent with a valid SSN or ATIN.</p>
5	Qualifying children / dependents	<p>Any child who qualifies for the child tax credit (and checked the CTC checkbox on Form 1040), as shown in IRM 21.6.3.4.1.24.1, Child Tax Credit (CTC) - Qualifications. For EIP, an ATIN is allowed and can be issued at any time.</p>	Same as EIP 1.	<p>Any qualifying child or relative with a valid SSN (assigned before the return due date, disaster due date, or extended due date if an extension was filed) or ATIN claimed on the return, including college students, adults with disabilities, parents and grandparents.</p>
6	Subject to offset	Can only offset to child support.	Not subject to offset.	Not subject to offset.

Row Number	Issue	EIP 1	EIP 2	EIP 3
7	Limitations	<p>EIP 1 is reduced by 5% of the taxpayer's AGI exceeding:</p> <ul style="list-style-type: none"> 150,000 for joint filers \$112,500 for head of household filers \$75,000 for other filers <p>Example: A single taxpayer with no qualifying children, AGI is \$90,000. \$90,000 minus the \$75,000 limitation = \$15,000. \$15,000 x 5% = \$750. The taxpayer's payment is \$450 (\$1,200 reduced by \$750).</p>	<p>EIP 2 is reduced by 5% of the taxpayer's AGI exceeding:</p> <ul style="list-style-type: none"> 150,000 for joint filers \$112,500 for head of household filers \$75,000 for other filers <p>Example: Married filing jointly with two qualifying children, AGI is \$160,000. \$160,000 minus the \$150,000 limitation = \$10,000. \$10,000 x 5% = \$500. The taxpayer's payment is \$1,900 (\$2,400 reduced by \$500).</p>	<p>EIP 3 is reduced to zero when the taxpayer's AGI is equal to or more than:</p> <ul style="list-style-type: none"> \$160,000 - married filing jointly and qualifying widow \$120,000 - head of household \$80,000 - other filers <p>EIP 3 is partially reduced when the taxpayer's AGI exceeds:</p> <ul style="list-style-type: none"> \$150,000 - married filing jointly and qualifying widow \$112,500 - head of household \$75,000 - other filers <p>See below for calculations and examples.</p>

Calculate the partial reduction of EIP 3 by following these steps:

1. Determine the taxpayer's AGI from the 2020 return, 2019 if 2020 is not filed.
2. Deduct \$75,000 (\$150,000 MFJ and QW; \$112,500 HOH).
3. Divide the difference by \$5,000 (\$10,000 MFJ and QW; \$7,500 HOH). Convert the result into a percentage.
4. Reduce the credit by the percentage from step 3.
5. If a reduction applies, the EIP base amount (primary/secondary) is reduced first, then the dependent amount.

Example: A single taxpayer with no qualifying dependents, AGI is \$77,000
\$77,000 minus the \$75,000 limitation = \$2,000
\$2,000 divided by \$5,000 = .4
\$1,400 (\$1,400 for the base amount) multiplied by 40% = \$560
\$1,400 minus \$560 = \$840
The taxpayer's payment is \$840

Example: Married filing jointly return with two qualifying dependents, AGI of \$158,000
\$158,000 minus the \$150,000 limitation = \$8,000
\$8,000 divided by \$10,000 = .8
\$5,600 (\$2,800 for the base amount plus \$1,400 for each dependent)

multiplied by 80% = \$4,480
 \$5,600 minus \$4,480 = \$1,120
 The taxpayer's payment is \$1,120

Example: A head of household taxpayer with two qualifying dependents, AGI is \$113,250
 \$113,250 minus the \$112,500 limitation = \$750
 \$750 divided by \$7,500 = .1
 \$4,200 (\$1,400 for the base amount, plus \$1,400 for each dependent)
 multiplied by 10% = \$420
 \$4,200 minus \$420 = \$3,780
 The taxpayer's payment is \$3,780

- (6) Before disclosing any account information, refer to IRM 21.1.3.2.3, Required Taxpayer Authentication, or IRM 21.1.3.4, Other Third Party Inquiries.
- (7) If you receive an Economic Impact Payment related call from a limited English proficient taxpayer, you may need to transfer the customer to the Over the Phone Interpreter (OPI) Economic Impact Payment application (App 123). Customers who do not speak English or Spanish may require an interpreter to help with the call.
 - If you are not staffing Application 123 and the taxpayer does not speak English or Spanish and requires an interpreter, transfer the call to 1123.
 - If you have an OPI PIN and are staffing the OPI application, follow procedures in IRM 21.1.1.5, Over the Phone Interpreter Service (OPI) Applications.
- (8) The following notices/letters were issued about EIP:
 - *Notice 1444*, Your Economic Impact Payment, was issued in 2020. This notice notified taxpayers that an EIP was issued.
 - *Notice 1444-A*, EIP Non-Filers Outreach, was issued in September of 2020 to those taxpayers who did not receive the first EIP and qualify.
 - *Notice 1444-B*, Your Second Economic Impact Payment, was issued beginning in February 2021. This notice notified taxpayers that a second EIP was issued.
 - *Notice 1444-C*, Your 2021 Economic Impact Payment, was issued in March 2021. This notice notified taxpayers that a third EIP was issued.
 - *Letter 6475*, Your 2021 Economic Impact Payment(s), EIP 3 end of year, issued beginning January 2022. This letter notifies taxpayers of the total amount of EIP received for tax year 2021.

21.6.3.4.2.13.1
 (10-02-2023)

**Economic Impact
 Payments (EIP) -
 Account Information**

- (1) Economic Impact Payments were systemically generated and can be identified on the tax year 2020 and/or 2021 module as:
 - TC 290 .00
 - A unique reason code (RC) in position 1, 2, 3, and/or 4 (defined in (2) below)
 - Hold Code 3

Note: Although the adjustment notice was suppressed, the taxpayer was issued a vendor notice; Notice 1444, Notice 1444-B, or Notice 1444-C, approximately 15 days from the posting of the credit.

- TC 766 Credit Reference Number (CRN) 338 for the amount attributable to the primary and secondary taxpayer, if applicable
- TC 766 CRN 257 for the amount attributable to the children

For joint returns, these transactions were generated on both the primary and secondary SSN. The primary with significant amounts, the secondary with zeros.

Example: A married filing jointly return with one child posted as:

Primary CC IMFOLT	Secondary CC IMFOLT
TC 766 \$2,400 CRN 338	TC 290 .00
TC 766 \$500 CRN 257	N/A
TC 846 \$2,900	N/A
TC 290 .00	N/A

Primary CC IMFOLA	Secondary CC IMFOLA
TC 290 .00	TC 290 .00
RC 001 / 213 / 209 HC 3	RC 001 / 213 / 209 HC 3
CRN 338 \$2,400	CRN 338 .00
CRN 257 \$500	N/A

If the original 2018, 2019 or 2020 return indicated an injured spouse, an adjustment posted on both the primary and secondary account for half of the total payment.

(2) Unique reason codes were used on the systemic adjustments as follows:

- The first RC position identified the number of children for which the payment was computed. The RC could be 000 - 099.
- RC 206, 211, and 213 in the second RC position is associated with the children in position 1.
- RC 200 - 203, 205, 206, and 209 in the third RC position is associated with the primary and secondary taxpayer.
- RC 207 in the fourth RC position is for a deceased taxpayer.

Note: If the taxpayer was ineligible for the payment, a TC 290 and TC 766 CRN 338 for zero generated. RC 1 and 2 were 000, RC 3 was populated.

(3) Use the table below to determine how the Economic Impact Payment was calculated.

Note: These reason codes are informational only, no adjustment notice was generated.

Systemic Adjustments

Reason Code (RC)	Credit Reference Number (CRN)	Meaning
200	338	No payment or “plus-up payment” due (includes AGI phase-out)
201	338	No payment due to the taxpayer being claimed on another return (TC 971 AC 199 may reflect “DSI”) or someone can claim you/spouse as a dependent box checked
202	338	No payment due to TIN issues (an invalid primary or secondary SSN, invalid due to assignment date, and ITIN) (A TC 971 AC 166 in the entity identifies SSNs issued for non-work purposes)
203	338	No payment due to the filing of Form 1040-NR, Form 1040-PR, or Form 1040-SS
205	338	<ul style="list-style-type: none"> • Systemic catch-all for when a payment cannot be issued, such as refund less than \$1 and SSA/RRB deceased individual • Payment was previously considered (including an amount for zero) and could be reduced or eliminated. For example, a single taxpayer received \$1,200 based on a 2018 return, then a 2019 joint return is filed (the 2019 payment amount is reduced by the amount previously paid for 2018) • Tax year 2021 “plus-up payments”
206	338 / 257	Payment reduced due to AGI phase-out
207	338	Deceased taxpayer, payment issued to surviving spouse (systemic use only)
209	338	Taxpayer qualifies for \$1,200 / \$2,400
211	257	<ul style="list-style-type: none"> • dependent 17 or over as of January 1, 2020 • date of death prior to 2019 • non-qualifying relationship present • dependent has an ITIN

Reason Code (RC)	Credit Reference Number (CRN)	Meaning
213	257	All claimed children qualify (those children who qualified for CTC based on the return as processed, plus those kids with an ATIN shown in the first four dependents position of the return)

Manual Adjustments

Reason Code (RC)	Credit Reference Number (CRN)	Meaning
214	338/257	For EIP 1 and EIP 3, split equally 50/50 between the primary and secondary taxpayer
215	338/257	For EIP 1 and EIP 3, attributable to only the primary taxpayer
216	338/257	For EIP 1 and EIP 3, attributable to only the secondary taxpayer
217	338/257	EIP 2 attributable to both spouses (50/50 split)
218	338/257	EIP 2 attributable to the primary taxpayer
219	338/257	EIP 2 attributable to the secondary taxpayer

- (4) The entity (CC IMFOLE) of the taxpayer, and spouse if applicable, contains a TC 971 AC 199 which identifies the source used to determine eligibility (tax year 2020, 2019 or 2018, SSA, RRB, SSI, or VA) and the amount of payment (half of the payment for joint filers). The amount is zero if the taxpayer is not eligible for the payment. The TC 971 AC 199 miscellaneous field may also provide why EIP was not allowed.
 EIP 2 is identified as "ADDREB2019", "ADDREB1099", "ADDREBSSI", or "ADDREBVA".
 EIP 3 is identified as "2021AREBADJ" if the net amount of the adjustment is positive, 2021ARVREB if the net amount of the adjustment is negative or "2021AXXXX".

Note: For joint return filers, two TCs 971 AC 199 may be present. This happened when one spouse received an EIP based on a 2018 return, then received

another EIP based on the joint 2019 return or received an EIP on a 2019 return, then received another EIP based on their joint 2020 return.

Example: Taxpayer A filed a 2018 return as single and received an EIP of \$1,200. A 2019 joint return was later filed with Taxpayer B and an additional payment of \$1,200 was issued. Taxpayer A's account contains two TCs 971 AC 199; one for \$1,200 for 2018, one for \$600 for 2019. Taxpayer B has one TC 971 AC 199 for \$600 for 2019.

- (5) For a list of TC 971 AC 199 MISC Codes used for EIP, refer to Exhibit 21.6.3-2, TC 971 AC 199 MISC Field Descriptions for Economic Impact Payments (EIPs).
- (6) For manual adjustment procedures, see IRM 21.6.3.4.2.13.3, Economic Impact Payments - Manual Adjustments.

21.6.3.4.2.13.2
(03-15-2024)

**Economic Impact
Payments (EIP) - Refund
Inquiries**

- (1) All EIP payments for the first, second and third rounds have been issued.
 - If the payment was returned, undeliverable, or limited payability (TC 841 / TC 740 any blocking series), the payment was not reissued. Returned payments are systemically reversed with a TC 767. The taxpayer may be able to claim RRC on their 2020 or 2021 original or amended return.

Reminder: A posted TC 150 must be on the tax module to receive RRC. If the taxpayer has not filed a tax return, advise they can file a return and request RRC, if eligible. If the tax module contains a posted TC 150, refer to IRM 21.6.3.4.2.14.1, Recovery Rebate Credit - Adjusting the Credit.

 - If the Economic Impact Payment was issued but not received, follow procedures in IRM 21.4.2.4, Refund Trace Actions, to locate and trace a lost, stolen, or misplaced payment.
 - For all other refund inquiries, such as returned refunds, refund offset, injured spouse, family disputes, erroneous refunds, etc., see the appropriate section of IRM 21.4, Refund Inquiries.
- (2) Refunds were sent by direct deposit, paper check, or pre-paid debit card based on the information provided on the tax return, updated on "Get My Payment", or provided by the Bureau of Fiscal Service.
- (3) Direct deposit information was obtained from various sources, as shown below.
 - The taxpayer's 2018 or 2019 return
 - Information entered in the "Non-Filers Tool" in 2020
 - A federal agency that provides the taxpayer benefits, such as SSA, RRB, or VA
 - Federal records of recent payments to or from the government, where available, for those taxpayers without direct deposit information on file with the IRS

A TC 971 AC 199 miscellaneous field shows the account number followed by the letters "EF". The TC 971 AC 199 is posted in the entity.

- (4) Direct deposits were issued from accounts which had direct deposit information available.

- a. Financial institutions returned payments issued to closed (including temporary) or incorrect accounts. Payments were then automatically reissued as paper checks or to updated banking accounts.
 - b. For accounts with Form 8888, *Allocation of Refund (Including Savings Bond Purchases)*, the Economic Impact Payment was deposited to the first account listed.
 - c. For accounts with a TC 971 AC 850 present, the Economic Impact Payment was not direct deposited. See IRM 21.4.1.5.7 (3), Direct Deposits - General Information, for additional guidance.
 - d. If the Economic Impact Payment direct deposit was rejected by the financial institution, see IRM 21.4.1.5.7.1 (2), Direct Deposit of Refunds.
- (5) Pre-paid debit cards were issued for some refunds dated May 22, 2020 (EIP 1), January 6, 2021 (EIP 2) and March 26, 2021 (EIP 3) and are identified by a TC 971 AC 199 with a miscellaneous field "BFS DEBIT", "BFS DEBIT II" and "BFS DEBIT 2021A " in the entity. **No other refunds were issued as debit cards.**
- The EIP card is sponsored by the Bureau of Fiscal Service (BFS), managed by Money Network Financial, LLC, and issued by Treasury's financial agent, MetaBank (now known as Pathward).
- (6) If the taxpayer did not receive their pre-paid debit card or it was lost, stolen or destroyed and the payment has not been returned to the account (TC 841 or TC 740), advise the taxpayer to contact MetaBank (Pathward) at 800-240-8100. When they call MetaBank (Pathward), they will enter an automated system and should carefully follow the prompts (select language, then option 2, then option 1) and enter the last six digits of the primary (listed first on the return) taxpayer's SSN and ZIP Code from the return used to calculate the EIP amount. If necessary, verify tax year based on CC IMFOLE data per Exhibit 21.6.3-2, TC 971 AC 199 MISC Field Descriptions for Economic Impact Payments (EIPs). The primary SSN and ZIP Code must be verified for the caller to be transferred to a representative. If the SSN cannot be validated, Metabank did not issue a card to that SSN.
- Issues can include, but are not limited to:
- Non-receipt of card
 - Lost, stolen, destroyed, or compromised card replacement
 - Reporting and processing of unauthorized activity or merchant purchase dispute
 - Card usage, features and functionality
 - Name issues such as incorrect spelling, issued in a previous name, etc.
 - Money Network Mobile App and website
 - Address change requests
- Note:** For address change requests, follow IRM 21.5.2.4.2, Adjustments With Oral Statement, then advise the taxpayer to contact MetaBank (Pathward) to cancel the card. The card cannot be reissued. See note above about treatment of returned EIP payments.

MetaBank (Pathward) can be reached at 800-240-8100, or at eipcard.com.

Reminder: Do not initiate a refund trace on debit cards.

- (7) If the taxpayer is advised by Metabank the funds were returned to the IRS and the TC 841 or TC 740 has not posted to the account, advise the taxpayer to

allow 60 days before calling back and document the call in AMS. If after 60 days, the taxpayer calls again and has confirmed with Metabank that the funds were returned to the IRS and the credit still has not posted to the account, elevate to your local Planning & Analysis staff so they can forward to the HQ Analyst (author of this IRM) for further research and escalation to Bureau of Fiscal Service for coordination with Metabank.

Advise the taxpayer they will either receive their refund or correspondence within 60 days.

The HQ analyst will provide the site with the response from BFS. The original CSR, or one designated by the site, should adjust the account to allow RRC if the credit has posted to the account or send an appropriate C letter advising the taxpayer the status of the refund. Document any outgoing correspondence in AMS.

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

21.6.3.4.2.13.3
(10-01-2024)

**Economic Impact
Payments (EIP) - Manual
Adjustments**

- (1) In most cases, taxpayers who received less EIP for the first, second or third round of payments than they are entitled to, may be able to claim the Recovery Rebate Credit (RRC), if eligible, on their 2020 or 2021 return. Manual adjustments may be input to reverse EIP for the following scenarios:

Row Number	If	And	Then
1	The taxpayer is returning the payment (in whole or in part) issued based on a joint return with a deceased spouse	The returned payment is present on the 2020 or 2021 module.	<ul style="list-style-type: none"> If the EIP has not been systemically reversed, reverse the EIP for the amount of the returned payment using the same reference numbers shown on CC IMFOLA, but see (3) below for the reason codes. HC 4

Row Number	If	And	Then
2	The taxpayer is returning the entire payment (e.g., not eligible, religious objection, etc.)	The returned check or full payment has posted to the 2020 or 2021 module	<ul style="list-style-type: none"> If the EIP has not been systemically reversed, reverse the EIP for the amount of the returned payment using the same reference numbers shown on CC IMFOLA, but see (3) below for the reason codes. HC 4
3	The taxpayer is a victim of identity theft	<ul style="list-style-type: none"> EIP was issued based on the fraudulent return and received by the thief, or EIP was issued based on the fraudulent return and received by the taxpayer 	Advise the taxpayer the EIP is adjusted as part of the IDT case resolution.
4	The taxpayer has a TIN related issue, such as mixed entity, scrambled, CP 36F.	N/A	Refer to IRM 21.6.2.4.7, Economic Impact Payment (EIP) and Multiple Taxpayers Using the Same TIN and IRM 21.6.7.4.5.6, DUPTIN EIP Adjustments.

Row Number	If	And	Then
5	The taxpayer is responding to CP 32A, Call Us to Request a New Refund Check - Old Check Has Now Expired	N/A	<ul style="list-style-type: none"> Determine whether the taxpayer has already filed their 2020 or 2021 return. If they have not yet filed a return, advise them to file a return to claim RRC on the 2020 or 2021 return, if eligible. If they have filed their return and the payment has been systemically reversed with a TC 767, an adjustment to RRC can be made, if eligible. See IRM 21.6.3.4.2.14.1 (1), Recovery Rebate Credit - Adjusting the Credit. If the EIP has not been systemically reversed, reverse the EIP using the same reference numbers shown on CC IMFOLA, but see (3) below for the reason codes. HC 4

Note: If it is necessary to make a manual adjustment to EIP with a HC 4, and there is a credit on the module, make sure to release the credit if necessary following the reversal of EIP. Since a notice will not generate due to the use of Hold Code 4, send the taxpayer a letter if necessary.

- (2) Cycle 202149 was the last cycle any EIP refunds were generated. However, if there is a balance due on the account caused by a refund over cancellation (TC 843), another issue related to the timing of when EIP posted, or the taxpayer returns a payment they were not eligible for, a manual adjustment to EIP may be input.

Note: If inputting a manual adjustment to EIP, use the posting date of the EIP as the IRS Rec'd Date and Override Code R.

- (3) When adjusting EIP, use reason codes 214 - 219 shown in IRM 21.6.3.4.2.13.1, Economic Impact Payments - Account Information, as appro-

appropriate. When inputting an adjustment using CRN 338 and/or CRN 257, the first two positions must be 000.

Note: On accounts where the taxpayer has different spouses for 2018 and 2019, the “XREF-TIN” field on CC ADJ54 can be used to ensure the adjustment is pointed to the correct spouse.

Note: If multiple EIP adjustments are needed, input each adjustment separately. Use posting delay codes as necessary.

Note: If error message is received requiring XREF-TIN on CC ADJ54, input the spouse’s TIN.

(4) Manual adjustments create a TC 971 AC 199 in the entity. The values for the “MISC” field are:

- REBADJ - EIP allowed or increased
- REVREB - EIP reversed or reduced

The combined dollar amount associated with the TC 971 AC 199 used to compute the RRC on the 2020 or 2021 return.

21.6.3.4.2.14
(03-15-2024)

Recovery Rebate Credit (RRC)

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

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

Note: Credit may be reduced based on income limitations.

(2) For tax year 2020, taxpayers compute the RRC based on eligibility shown on their tax year 2020 return. RRC is reduced by the first and second EIPs. Any remaining credit is claimed on the tax year 2020 return. If the taxpayer was eligible for EIP 1 and/or 2 based on their 2018 or 2019 tax return, but the

credit based on their 2020 tax return is less than the EIPs they received, no repayment is required.

For tax year 2021, RRC is based on eligibility shown on their tax year 2021 return and is reduced, but not below zero, by the third EIP. If the taxpayer was eligible for EIP 3 based on their 2019 / 2020 tax return, but the credit based on their 2021 tax return is less than the EIP they received, no repayment is required.

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

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

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

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

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

- (3) The refund is issued from the tax year 2020 / 2021 module. See IRM 21.6.3.4.2.14.1, Recovery Rebate Credit - Adjusting the Credit, for the transaction codes used to identify the payment.
- (4) Eligibility for RRC is the same as EIP (unless specified). Refer to IRM 21.6.3.4.2.13, Economic Impact Payments, for eligibility criteria for each EIP. If using the table for RRC eligibility, make sure to use the correct year when necessary (e.g., eligibility for RRC for a missing EIP 3 payment is based on 2021 AGI). If eligibility for RRC is not met, the taxpayer was issued and received (i.e., was not returned to the account) the full amount of EIP they were entitled to, or the full amount of RRC they were entitled to on either an original or amended return, refer to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.

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

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

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

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

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

- (6) While the law allows RRC to offset, the IRS's policy is that RRC does not offset to an IRS debt, but does offset to non-tax debts. Some RRC offset in early March 2021 prior to the policy change. There is no recourse for those that did offset, unless injured spouse applies.
- (7) Overpayment Interest - Unlike EIP refunds, where no interest was allowed, interest is paid on RRC refunds and/or offsets, when permitted under normal interest rules. See IRM 20.2.4, Overpayment Interest, for information.

21.6.3.4.2.14.1
(10-02-2023)

Recovery Rebate Credit (RRC) - Adjusting the Credit

- (1) The majority of RRC issues can be resolved without additional documentation, see IRM 21.1.3.20, Oral Statement Authority, and IRM 21.5.2.4.2, Adjustments with Oral Statement. As with other credits, math errors impacting other areas of the return, such as filing status, exemptions, and total income, can have an impact on RRC, and must be taken into consideration when computing RRC. Adjustments are not limited to the amount of RRC reported on the return. If EIP was issued to, but never received by the taxpayer, and the payment has posted back to the account, the taxpayer can be allowed the total amount of RRC they are entitled to. An amended return is not required. If after reviewing the account, you can determine that the taxpayer is entitled to RRC, adjust the account accordingly.

Example: A single taxpayer received Letter 6475 in February 2022 stating they received \$1,400 for EIP 3 in 2021. The taxpayer gave the letter to their preparer and did not claim RRC on their tax year 2021 tax return. In June of 2022 the taxpayer calls and states they never received the \$1,400 for EIP 3. The CR sees the \$1,400 payment posted back to the

module and the credit systemically reversed. The CR can adjust the account to allow RRC of \$1,400 for tax year 2021 without an amended return.

Use the Recovery Rebate Credit Worksheet in AMS under tax year 2020 or 2021 Worksheets to compute RRC.

- (2) If the taxpayer received more RRC than they were entitled to, follow erroneous refund procedures in IRM 21.4.5.5.2, Category A2 Erroneous Refunds.

Example: A single taxpayer was issued EIP 3 for \$1,400. The check was returned to the IRS and the taxpayer claimed \$1,400 RRC on their 2021 original return. The taxpayer sent in a duplicate filing and the CR incorrectly allowed another \$1,400 of RRC. The taxpayer never had a spouse or qualifying child on any year, therefore was not entitled to any additional RRC.

- (3) Adjust RRC using the following:

- CRN 256
- RC 096
- Due to the varying nature of RRC adjustments, verify the following prior to making any adjustments including but not limited to: *blocking series*, *source code*, *priority code*, and amended claims date IRM 20.2.4.8.3, 45-Day Rule.

Caution: When inputting an IRS initiated adjustment, do not use an amended claims date. Refer to IRM 20.2.4.8.3.3, 45-Day Rule and IRS Initiated Adjustments, to determine if a priority code 3 is necessary. An adjustment to a tax module involving an IRS initiated adjustment, including math errors and non-IRS initiated adjustment requires the input of two separate adjustments.

See IRM 21.6.3.4.2.14.2, RRC Taxpayer Notice Codes (TPNC), for more information on RRC math errors.

21.6.3.4.2.14.2
(03-04-2022)

RRC Taxpayer Notice Codes (TPNC)

- (1) ERS assigns the following TPNC's for RRC errors identified during processing:

Taxpayer Notice Code (TPNC)	Meaning
681	We changed the amount claimed as a Recovery Rebate Credit on your tax return. Information on your return indicates that either you (or your spouse if married filing jointly) is claimed as a dependent on another taxpayer's tax return.

Taxpayer Notice Code (TPNC)	Meaning
682	<p>We Changed the amount claimed as Recovery Rebate Credit on your tax return. The error was in one or more of the following:</p> <ul style="list-style-type: none"> • Your Social Security number (or your spouse's Social Security number if married filing jointly) was either missing or incomplete. • Your last name (or your spouse's last name if married filing jointly) does not match our records. • You (or your spouse if married filing jointly) used 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. • We compared the Social Security numbers (SSN) shown on your tax return with records from the Social Security Administration. According to these records, the SSN shown on your tax return for you, your spouse, or one or more of the dependents belongs to a deceased person. You must contact the Social Security Administration if this information is incorrect. • The Social Security number shown on your tax return for you, your spouse, or one or more of the dependents listed on your return was not issued before the due date of the tax return.
683	<p>We changed the amount claimed as Recovery Rebate Credit on your 2020 tax return. The error was in one or more of the following:</p> <ul style="list-style-type: none"> • The last name of one or more individuals claimed as a qualifying dependent does not match our records. • One or more individuals claimed as a qualifying dependent exceeds the age limit. • Your adjusted gross income exceeds \$75,000 (\$150,000 if married filing jointly, \$112,500 if head of household). • The amount was computed incorrectly. <p>Note: See paragraph 3 below for inquiries related to non-receipt of EIP.</p>

- (2) Due to a programming issue, some notices issued between February 2021 and July 2021 did not include the correct appeals language. The following letters were issued to provide appeals rights allowing the taxpayer the 60-day period to protest the changes made to the Recovery Rebate Credit (RRC) math error:
- *Letter 6468, Apology for Math Error Notices Previously Issued (TPNC 681)*
 - *Letter 6469, Apology for Math Error Notices Previously Issued (TPNC 682)*
 - *Letter 6470, Apology for Math Error Notices Previously Issued (TPNC 683)*
- (3) **Non-receipt of EIP** must be resolved prior to addressing the RRC math error. Follow procedures in IRM 21.4.2.4, Refund Trace Actions, to locate and trace a lost, stolen, or misplaced payment. If the taxpayer meets Oral Statement Authority (OSA), and you can initiate the trace during customer contact; send letter 288C using open paragraph (K) and open paragraph (*) with the following language:

Paragraph	Fill-in text
K	<i>Our records indicate that we sent you a payment on "insert date here" in the amount of "insert amount here". We have initiated a trace on that payment. You will receive a notice and/or a package from the Bureau of the Fiscal Service (BFS) with the result of this trace within the next (insert the correct timeframe for the trace to be completed).</i>
*	<i>Please follow all the instructions in that package to complete the entire trace process. After the trace process has been completed, if you disagree with the result from BFS, please call the IRS, to initiate your appeals rights in this matter.</i>

- Advise the taxpayer a refund trace has been initiated, provide the refund trace timeframe, and advise a letter is being issued detailing the actions taken.
 - Advise the taxpayer to contact IRS **after** the refund trace actions are complete, **and** they have received notification of the result of the trace, **and** it is determined they disagree with the refund trace conclusion.
- (4) If the taxpayer does not meet OSA, follow procedures in IRM 21.4.2.4.1, Form 3911, Taxpayer Statement Regarding Refund.
- (5) If the taxpayer's response is substantiated, allow the credit. If the response is unsubstantiated, the following tolerances apply:

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math error procedures, send the 474C letter, and refer to Examination. See IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.

21.6.3.4.2.15
(07-31-2024)

Form 7202, Credits for Sick Leave and Family Leave

- (1) The Families First Coronavirus Response Act and American Rescue Plan Act provide eligible self-employed individuals and/or household employers credits for sick and family leave related to COVID-19. The credits apply to income that would have been earned, or leave taken, between April 1, 2020 and September 30, 2021.
- (2) Self-employed individuals, who have self-employment income and report self-employment tax on *Schedule SE*, Self-Employment Tax, can claim the refundable credit on *Form 7202*, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, while household employers can claim the non-refundable / refundable credits on *Schedule H*, Household Employment Taxes. Taxpayers claiming credits for qualified sick and family leave wages on a *Schedule H* do **not** complete *Form 7202*. For household employers filing *Schedule H*, follow procedures in IRM 21.6.4.4.8.5.3, Credits for Qualified Sick and Family Leave Wages.
- (3) An individual must be self-employed to claim the credit. To be an eligible self-employed person, the taxpayer must have:
 - carried on a trade or business within the meaning of IRC 1402.
 - been eligible, if they were employed by someone else, to receive qualified sick leave wages under the Emergency Paid Sick Leave Act or qualified family leave wages under the Emergency Family and Medical Leave Expansion Act.
- (4) An eligible self-employed individual who is entitled to claim qualified sick and family leave equivalent credits must attach *Form 7202* for the correct year, to their tax return. The credit is reported on *Form 1040*, *Schedule 3*, Additional Credits and Payments, line 12b (tax year 2020) line 13b (tax year 2021). If filing a joint tax return and both spouses are self-employed individuals and eligible for the credit, each must attach a separate *Form 7202* to the joint tax return. See IRM 21.6.4.4.14(4), Self-Employment Tax, for additional information. *Form 7202* was only available for tax years 2020 and 2021. The credit can only be claimed on a tax year 2022 return on *Schedule H*. See IRM 21.6.4.4.8.5.3, Credits for Qualified Sick and Family Leave Wages.

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

- Review *Form 7202* for completeness and math verify the form. Follow IRM 21.5.3.4.5(6), Math and Master File Verification of Claims and Amended Returns, to verify the income reported to claim this credit. This includes prior year self-employment income if the taxpayer elects to use it. If the self-employment income used on the *Form 7202* does not match current or prior year self-employment income, or the number of day does not match the dates listed, recompute the credit using the correct amount of self-employment income, or days and follow IRM 21.5.4.5.1, Setting the Initial Math Error Action.
- If the form is not attached or incomplete, follow procedures in IRM 21.5.3.4.2, Tax Decrease or Credit Increase Processing, or IRM 21.5.3.4.1.1, Tax Increase and Credit Increase Processing.

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

- pdf of the form. Use the data to create a “dummy” Form 7202 to determine completeness of the form and math verify the claim. Attach a pdf of the “dummy” Form 7202 to your CII case.
- Disallow claims if the taxpayer submits *Form 7202* without any self-employment income or tax, or for the incorrect year (e.g., a 2021 Form 7202 attached to a 2022 or 2023 tax return). Refer to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.

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- (5) Taxpayers may elect to use prior year net earnings from self-employment on *Form 7202*, Credit for Sick Leave and Family Leave for Certain Self-Employed Individuals, if they are greater than current year net earnings from self-employment. To make this election for tax year 2020, taxpayers enter the larger of their 2019 or 2020 self-employment income on line 7 or line 26 of their 2020 *Form 7202*. For tax year 2021, taxpayers enter their prior year self-employment income on line, 7a, 26a, 41a or 60a and check the box below indicating it is prior-year self-employment income.

Note: If the net self-employment earnings reported on line 7 or 26 (2020) or 7a, 26a, 41a, or 60a (2021) do not match the current year return, check the prior year self-employment net earnings to determine if the taxpayer elected to use the prior year earnings to figure the credit.

- (6) If none of the scenarios in (4) apply, and the amended return appears frivolous (Social Media Promotion Scheme), see IRM 21.6.3.4 (12), Credits Procedures.
- (7) If there is a Transaction Code (TC) 810 Responsibility Code (RC) 4 (-E freeze) on the module and the taxpayer files an amended return to remove the credit, see IRM 21.5.6.4.10(4), -E Freeze.
- (8) When adjusting the credit:
- Use CRN 299 for leave taken April 1, 2020 - March 31, 2021.
 - Use CRN 271 for leave taken April 1, 2021 - September 30, 2021.
 - Use RC 061 and the applicable *source code* and *blocking series*. See *Form 7202 Job Aid* for more information.

21.6.3.4.3
(04-22-2024)
**Elective Payment
Elections (EPE)**

- (1) Section 6417 of H.R. 5376, Inflation Reduction Act (IRA), Sec. 13801, Elective Payment for Energy Property and Electricity Produced from Certain Renewable Resources, etc, allows applicable entities to claim an elective payment election (EPE) for certain credits for taxable years beginning after December 31, 2022.
- (2) An EPE provides applicable entities with the ability to treat any unused portion of the non-refundable credit as a payment, which may cause an overpayment and generate a refund. The election to treat the credit as an EPE must be filed on or prior to the latter of the return due date (RDD), extended return due date (XRDD) or disaster due date (DDD) and is generally irrevocable.

Note: Returns that contain EPE will be held until the return due date and will contain a C- freeze. The entire refund, not just the portion associated with EPE, will be held and systemically released after the return due date.

Note: Original tax returns claiming EPE are screened prior to posting to master file. If the return meets the criteria for review, a TC 971 AC 831 with MISC: EPE posts to the tax module. A TC 570 generates and a -R freeze will hold the refund. See IRM 21.5.6.4.35, -R Freeze, for more information.

- (3) For most credits, applicable entities include tax-exempt organizations, state and local governments, Indian tribal governments, Alaska Native Corporations, the Tennessee Valley Authority, and rural electric cooperatives. However, individual taxpayers may be considered applicable entities for the following credits:
- Credit for Carbon Oxide Sequestration (IRC 45Q)
 - Credit for Production of Clean Hydrogen (IRC 45V)
 - Advanced Manufacturing Production Credit (IRC 45X)
- (4) A taxpayer may make an EPE with respect to the Advanced Manufacturing Investment Credit (IRC 48D) under IRC 48D(d).
- (5) See below for processing EPE on amended and superseding returns.

Row Number	If	And	Then
1	An amended return received after the RDD, XRDD or DDD with a new or previously reported/allowed facility	Increasing EPE	Follow procedures in IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Use the following paragraph or similar verbiage: "The elective payment elections made in Part III of Form 3800 are invalid because you did not make the election on a timely filed original return as required by law and described in the form instructions. As a result, we will not be treating the amount claimed as the elective payment election as a separate payment on your tax return."
2	Any superseding or amended return for a non-related EPE item which impacts the EPE as originally calculated	Any change to EPE	Suspend your CII case and elevate to your local Planning & Analysis staff so they can forward to the HQ Analyst (author of this IRM).
3	Any superseding or amended return with a previously reported/allowed facility	Decreasing or removing EPE	Suspend your CII case and elevate to your local Planning & Analysis staff so they can forward to the HQ Analyst (author of this IRM).

[illegible]

Row Number	If	And	Then
7	A superseding return with a new or previously reported/allowed facility previously		Follow procedures in IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Use the following paragraph or similar verbiage: "The Elective Payment Election made in Part III on Form 3800, General Business Credit, is ineffective because the return did not include the registration number of the applicable credit property as required and as provided in the form instructions. As a result, the credit will not be treated as a payment of tax on your return. Further, you may need to make adjustments to your carryovers in Part IV, Form 3800."

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- (6) **For tax year 2022 / processing year 2023**, to **allow** an EPE, verify the taxpayer has completed Form 3800, General Business Credits, Part III, notated "IRA22DPE", and recorded the credit on Form 1040 / Form 1040-SR, *Schedule 3*, Additional Credits and Payments, Part II, line 13a. Input the adjustment using TC 766 with reason code 061 for the correct amount of the EPE.

- (7) **For tax year 2023 / processing year 2024:**

A mandatory pre-filing registration process has been established for facilities related to these credits. The taxpayer must obtain a registration number and include it on Part III of Form 3800, General Business Credits and the source form.

To **allow** an EPE, verify the taxpayer has completed Form 3800, General Business Credits, Part III, including registration number, and completed the source form for the credit(s) for which the EPE is claimed with the same registration number (included on the source form), and recorded the credit on Form 1040 / Form 1040-SR, *Schedule 3*, Additional Credits and Payments, Part II,

line 13c.

Input the adjustment using the appropriate reason code (RC), appropriate item reference number (IRN) and appropriate credit reference number (CRN):

Credit	Source Form	IRN (non-refundable portion)	CRN (EPE)	RC
Advanced Manufacturing Investment Credit	Form 3468 (Part IV), Investment Credit	951	455	231
Credit for Carbon Oxide Sequestration	Form 8933, Carbon Oxide Sequestration Credit	956	458	061
Credit for Production of Clean Hydrogen	Form 7210, Clean Hydrogen Production Credit	950	460	061
Advanced Manufacturing Production Credit	Form 7207 (Part II), Advanced Manufacturing Production Credit	947	462	230

- (8) The non-refundable portion of any credit allowed as EPE is identified on CC TXMOD and CC IMFOLT with a **TC 970 AC 004** (posted return information). The literal for the credit allowed or disallowed as EPE is listed below the TC 970 AC 004 transaction.
- (9) Under the Balanced Budget and Emergency Deficit Control Act (BBEDCA) of 1985, certain federal government subsidies or direct spending to taxpayers are subject to budgetary sequestration, or reduction. The current sequestration reduction rate is 5.7% (through 2030). Under the BBEDCA, IRA EPE credit refunds (the excess over total tax liability) is subject to sequestration. The IRA EPE statute allows for a 6.0445% “gross-up” or increase calculation on the credit refund that would effectively offset the sequestration reduction (except in math rounding situations).
The credit amount prior to sequestration is identified by a TC 971 AC 356 on CC TXMOD and CC IMFOLT. The TC 971 AC 356 Memo Field captures the EPE credit amount (this is the portion of the credit the taxpayer elected to claim as EPE, not necessarily the entire credit). The MISC Field captures the CRN of the Memo Field’s EPE credit amount and the amount of the EPE 6.0445% “gross-up” amount. If the “gross up” amount in the MEMO field is more than the current sequestration rate, the credit is reduced by that amount.

It posts as a TC 767 on CC TXMOD and CC IMFOLT. If the “gross up” amount is less than the current sequestration rate, the credit is not reduced.

- (10) When adjusting an account for EPE, use the IAT REQ77 Tool to input the TC 971 AC 356 and use IAT xMend to input a TC 767 to reduce the credit by the amount sequestered, if applicable. Use RC 232 for any adjustments to the sequestered amount.
- (11) For additional information, see *Elective Pay and Transferability* and IRM 21.7.4.4.9.5, Inflation Reduction Act (IRA), Superseding and Amended Return Processing; Elective Payment Elections (EPE) or Transfers.

21.6.3.5 (03-04-2022)

Credit Recertification

- (1) Due to the complex nature of the recertification process, read this section and following subsection (IRM 21.6.3.5.1, Credit Recertification Math Errors), in their entirety. Adhere closely to all procedures.
- (2) Taxpayers who are denied one of the following credits as a result of deficiency procedures, are denied the credit(s) as a mathematical error for the subsequent year(s) unless they provide information that demonstrates eligibility for the credit and file Form 8862, Information to Claim Certain Credits After Disallowance, with their subsequent return.
 - Additional Child Tax Credit (ACTC)
 - American Opportunity Tax Credit (AOTC)
 - Child Tax Credit (CTC)
 - Credit for Other Dependents (ODC)
 - Earned Income Tax Credit (EITC)

Note: Generally, Form 8862 is required only for the first return filed claiming any of these credits after disallowance. However, if the taxpayer files a second return (subsequent tax year) before demonstrating eligibility with respect to the first return, Form 8862 must be attached to the second return.

- (3) Taxpayers who are denied ACTC, AOTC, CTC, EITC, and/or ODC as a result of deficiency procedures:
 - are denied the credit(s) for the tax year(s) filed after the denial unless the taxpayer attaches a Form 8862 to their return and otherwise demonstrates eligibility for the credit.

Note: For tax year 2018 returns, although ODC was not denied via deficiency procedures, since the credit falls under the IRC governing CTC/ACTC, recertification procedures apply.

Exception: If the taxpayer is claiming EITC without a qualifying child, Form 8862 is not required.

- are denied the credit(s) for **two tax years** if the claim is determined to be due to **reckless or intentional disregard of the rules and regulations**.
 - are denied the credit(s) for **ten tax years** if the claim is determined to be due to **fraud**.
- (4) When ACTC, AOTC, CTC, EITC, and/or ODC are disallowed due to deficiency procedures, a CP 79, Denied Credit Eligibility Requirement, is sent to the

taxpayer explaining the credit disallowance and the requirement to attach Form 8862 to their next return. A Recertification Indicator is set based on the result of the examination (indicators are shown in IRM 21.6.3.5.1, Credit Recertification Math Errors).

(5) Below are **possible inquiries about Form 8862** and how to respond to them:

Row Number	If	Then
1	A taxpayer submits Form 8862 for a year other than the current tax year	Research CC TXMOD to determine if the form was submitted in response to a math error on a late filed prior year return. If the form was filed in response to a math error, see IRM 21.6.3.5.1, Credit Recertification Math Errors, for procedures.
2	A taxpayer submits Form 8862 for the year in which the deficiency assessment occurred	Return Form 8862 to the taxpayer explaining the form does not certify them for the credit claimed on a prior return. Refer the taxpayer to Pub. 3598, What You Should Know About the Audit Reconsideration Process. You can use paragraph P in Letter 32C, <i>EIC Qualifications and Adjustments</i> , as a guide.
3	A taxpayer submits Form 8862 prior to filing their first tax return after the deficiency assessment	Return Form 8862 to the taxpayer and explain the requirement to file the form with the next tax return claiming ACTC, AOTC, CTC, EITC, and/or ODC.
4	Form 8862 is received without the return and the return has posted	Research to see if a math error notice was issued. If filed in response to a math error, see IRM 21.6.3.5.1, Credit Recertification Math Errors.
5	The taxpayer calls and states their return was filed but Form 8862 was not attached, or the taxpayer wants to fax Form 8862	Advise the taxpayer they will receive a math error notice and to send in the form when the notice is received.
6	The taxpayer did not receive a notice or misplaced the notice and can fax Form 8862	See IRM 21.6.3.5.1, Credit Recertification Math Errors, for procedures.
7	The taxpayer did not receive a notice or misplaced the notice and cannot fax Form 8862	Advise the taxpayer to mail Form 8862 to the campus where the taxpayer would mail an original return.

(6) If the taxpayer **received a CP 79 and the reason for the contact is for information or clarification** concerning the notice or the recertification process, explain:

- ACTC, AOTC, CTC, EITC, and/or ODC was disallowed in full or in part as the result of an examination.
- To claim the credit(s) on the next return, the taxpayer must file Form 8862 with the return.
- If the return is filed claiming ACTC, AOTC, CTC, EITC, and/or ODC and a Form 8862 is not attached, the credit(s) are denied.
- If the return is filed with Form 8862 attached, the refund may be delayed until the taxpayer's entitlement to claim the credit(s) is verified.

- (7) When the 2 or 10 year ban is set, a CP 79A, Denied Credit Two Year Ban and Eligibility Requirement, or CP 79B, Denied Credit Ten Year Ban, is issued advising the taxpayer of the ban and the next year they will be eligible to claim the credit(s).
- (8) When the Recertification Indicator is removed, a CP 74, You've Successfully Re-certified for the Credits You Claimed, is issued informing the taxpayer they have recertified for the credit(s) and will receive a refund within 6 weeks from the date of the notice, provided they owe no other taxes or debts the IRS is required to collect.
- (9) If the taxpayer has additional information to submit, or requests reconsideration, follow procedures in IRM 21.5.10.4.3, Audit Reconsideration.

21.6.3.5.1
(10-01-2024)

**Credit Recertification
Math Errors**

- (1) Once ACTC, AOTC, CTC, EITC, and/or ODC is disallowed through deficiency procedures, taxpayers must file Form 8862, Information to Claim Certain Credits After Disallowance, with the next return on which the taxpayer claims the credit(s). See *Instructions to Form 8862, Information To Claim Certain Credits After Disallowance*, for exceptions. Exam reviews all returns with Form 8862 to determine if the credit(s) is allowable.
- (2) The entity module reflects a Recertification Indicator (RI) if the credit was disallowed through deficiency procedures, or if Exam determines recertification is no longer required. CC ENMOD displays the indicator under the literal **"EIC-RECERT-IND"**. CC IMFOLE displays the indicator under the literal **"EIC"**. The entity module also provides the following literals:
 - The ENMOD literal **"TXPD>"** identifies the tax year the ban was set.
 - The ENMOD literal **"EL-TXPD>"** identifies the tax year the ban is lifted.
 - The IMFOLE literal **"RECRT TXPD>"** identifies the tax year the ban was set.
 - The IMFOLE literal **"ELG TXPD>"** identifies the tax year the ban is lifted.

Each credit has its own literal (CTC and ODC is captured under ACTC).

- (3) If the taxpayer responds to a recertification math error and does not understand the reason for the notice, explain:
 - the prior disallowance
 - the need to file Form 8862 if the taxpayer believes they are entitled to the credit for the current tax year
 - if the taxpayer files Form 8862, Exam may review to determine if the credit is allowable
- (4) If the taxpayer can't or won't file Form 8862 and demands the credit(s), follow procedures in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.
- (5) If a taxpayer is responding to a recertification math error or submits a claim and the account contains a Recertification Indicator (RI), follow the procedures below. When applying tolerance criteria, and the taxpayer submits Form 8862 for multiple tax years, treat each year as a separate case.

Reminder: The claim or inquiry must include a Form 8862 if recertification is required. Follow procedures in IRM 21.5.1.5.6, Incomplete CII Cases, if the Form 8862 is incomplete.

Caution: When working math error 100, 653, 814 - 816, and/or 819 - 824 responses and accessing DDBCK, **do not** use blocking series 74 unless directed to IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.

When using CC DDBCK, input one of the following in the “Category Code” field:

- EICC - EITC increases
- EICN - EITC decreases or when EITC is not involved

Note: Once you input CC DDBCK per chart below, the case **MUST** be adjusted and sent to Exam as soon as possible based on CC DDBCK response. Do not leave your case in Active Status.

RI is	and	Action: unable to access DDBCK	Action: able to access DDBCK
Blank or 00	Recertification is no longer required	Verify eligibility is met and allow the credit(s). Do not use BS 74.	Verify eligibility is met and allow the credit(s). Do not use BS 74.
1	Recertification is required	Total credit is:	<ul style="list-style-type: none"> • Input the data into CC DDBCK • On DDBCK’s Return Summary Screen, overlay “YYYYMMDD”, under “Claim Rcvd Dates”, with the received date of the Form 8862 or Form 1040-X. • See IRM 21.6.1.7.2 (9), Command Code DDBCK, for the correct actions
9	Recertification is required RI9 shows the taxpayer’s credit was adjusted due to an adjustment to income	Total credit is:	<ul style="list-style-type: none"> • Input the data into CC DDBCK • On DDBCK’s Return Summary Screen, overlay “YYYYMMDD”, under “Claim Rcvd Dates”, with the received date of the Form 8862 or Form 1040-X. • See IRM 21.6.1.7.2 (9), Command Code DDBCK, for the correct actions

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RI is	and	Action: unable to access DDBCK	Action: able to access DDBCK
2	The tax year is less than the EL-TXPD Taxpayer is under a 2-year ban and is not entitled to the credit	<ul style="list-style-type: none"> • Filed within 60 days of the math error notice - follow procedures in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing. • Filed after 60 days of the math error notice, or this is the first time the taxpayer is claiming the credit for the year - deny the credit and send Letter 474C using the correct paragraph indicating the reason for the ban. 	<ul style="list-style-type: none"> • Input the data into CC DDBCK • On DDBCK's Return Summary Screen, overlay "YYYYMMDD", under "Claim Rcvd Dates", with the received date of the Form 8862 or Form 1040-X. • See IRM 21.6.1.7.2 (9), Command Code DDBCK, for the correct actions <p>Note: If the DDBCK response is "RECERT IND Present - Follow IRM", follow procedures to the left for employees unable to access DDBCK.</p>
2	The tax year is greater than or equal to the EL-TXPD Recertification is required	Total credit is:	<ul style="list-style-type: none"> • Input the data into CC DDBCK • On DDBCK's Return Summary Screen, overlay "YYYYMMDD", under "Claim Rcvd Dates", with the received date of the Form 8862 or Form 1040-X. • See IRM 21.6.1.7.2 (9), Command Code DDBCK, for the correct actions
3	The tax year is less than the EL-TXPD The taxpayer re-certified for the credit after the disallowance and is still under a ban for the banned years.	<ul style="list-style-type: none"> • Filed within 60 days of the math error notice - follow procedures in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing. • Filed after 60 days of the math error notice, or this is the first time the taxpayer is claiming the credit for the year - deny the credit and send Letter 474C using the correct paragraph indicating the reason for the ban. 	<ul style="list-style-type: none"> • Input the data into CC DDBCK • On DDBCK's Return Summary Screen, overlay "YYYYMMDD", under "Claim Rcvd Dates", with the received date of the Form 8862 or Form 1040-X. • See IRM 21.6.1.7.2 (9), Command Code DDBCK, for the correct actions

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RI is	and	Action: unable to access DDBCK	Action: able to access DDBCK
3	The tax year is greater than or equal to the EL-TXPD Recertification is not required	Total credit is:	<ul style="list-style-type: none"> Input the data into CC DDBCK On DDBCK's Return Summary Screen, overlay "YYYYMMDD", under "Claim Rcvd Dates", with the received date of the Form 8862 or Form 1040-X. See IRM 21.6.1.7.2 (9), Command Code DDBCK, for the correct actions
4	The tax year is less than the EL-TXPD The taxpayer is under a 10-year ban and is not entitled to the credit.	<ul style="list-style-type: none"> Filed within 60 days of the math error notice - follow procedures in IRM 21.5.4.5.5, Math Error Unsubstantiated Protest Processing. Filed after 60 days of the math error notice, or this is the first time the taxpayer is claiming the credit for the year - deny the credit and send Letter 474C using the correct paragraph indicating the reason for the ban. 	<ul style="list-style-type: none"> Input the data into CC DDBCK On DDBCK's Return Summary Screen, overlay "YYYYMMDD", under "Claim Rcvd Dates", with the received date of the Form 8862 or Form 1040-X. See IRM 21.6.1.7.2 (9), Command Code DDBCK, for the correct actions <p>Note: If the DDBCK response is "RECERT IND Present - Follow IRM", follow procedures to the left for employees unable to access DDBCK.</p>
4	The tax year is greater than or equal to the EL-TXPD Recertification is required	Total credit is:	<ul style="list-style-type: none"> Input the data into CC DDBCK On DDBCK's Return Summary Screen, overlay "YYYYMMDD", under "Claim Rcvd Dates", with the received date of the Form 8862 or Form 1040-X. See IRM 21.6.1.7.2 (9), Command Code DDBCK, for the correct actions

(6) The following procedures are for claims or correspondence that do not reflect a recertification math error:

Row Number	If	And	Then
1	The taxpayer did not claim AOTC and/or EITC on the original return	Files Form 1040-X claiming AOTC and/or EITC for self/spouse only and the recertification indicator is 1	<ul style="list-style-type: none"> Allow the credit(s) if eligibility is met Return Form 8862 to the taxpayer, if attached, explaining the need to file the form when claiming AOTC and/or EITC with a qualifying child.
2	The taxpayer did not claim AOTC, CTC/ACTC/ODC, and/or EITC on the original return	Files Form 1040-X with Form 8862 attached, claims the credit for a qualifying child(ren), the recertification indicator is 1 or 9 and the amount	<ul style="list-style-type: none"> Update CC DDBCK using Category Code "EICX". Follow DDBCK responses shown in IRM 21.6.1.7.2(9), Command Code DDBCK. <p>Note: TC 971 AC 056 (EITC), AC 160 (AOTC), AC 161 (CTC/ACTC/ODC) are not required as the DDBCK system removes the recertification indicator</p> <p>If unable to access DDBCK:</p> <ul style="list-style-type: none"> Allow the credit if eligibility is met. Input TC 971 AC 056, 160, and/or 161 to remove the recertification indicator.
3	The taxpayer did not claim AOTC, CTC/ACTC/ODC, and/or EITC on the original return	Files Form 1040-X with Form 8862 attached, claims the credit for a qualifying child(ren), the recertification indicator is 1 or 9 and the amount	<ul style="list-style-type: none"> Update CC DDBCK using Category Code "EICX". Follow DDBCK responses shown in IRM 21.6.1.7.2(9), Command Code DDBCK. <p>If unable to access DDBCK:</p> <ul style="list-style-type: none"> Verify eligibility is met. If eligibility is met, route to Exam as CAT-A.
4	The taxpayer did not claim AOTC, CTC/ACTC/ODC, and/or EITC on the original return	Files Form 1040-X without Form 8862 attached, claims the credit for a qualifying child(ren) and the recertification indicator is 1	<ul style="list-style-type: none"> Reject the claim per IRM 21.5.3.4.6, No Consideration and Disallowance of Claims and Amended Returns. Advise the taxpayer the credit(s) was disallowed in a previous year and they must submit a completed Form 8862 with the claim.

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Row Number	If	And	Then
5	The taxpayer files Form 1040-X to increase AOTC, CTC/ACTC/ODC, and/or EITC previously claimed	The recertification indicator is 1 or 9 and the case is open on AIMS	Reroute the case to the open Exam control using Form 5101, Examination Referral Slip.
6	The taxpayer did not claim AOTC, CTC/ACTC/ODC, and/or EITC on the original return	Files Form 1040-X claiming the credit(s) and the recertification indicator is 2 or 4	Follow the same procedures for recertification indicator 2 or 4 in (5) above.

21.6.3.6
(10-25-2023)
REBATEREV (REBV)
Transcripts

- (1) When payments for advance credits (EIPs, AdvCTC) are returned, canceled or expired (TC 720, TC 740, TC 841) after the posting of the tax return (TC 150), the credit is systemically reversed (TC 767) and a REBATEREV (REBV) transcript generates.
 - If there is an open control for another case type you are trained in, work both cases to ensure proper resolution for the taxpayer (MEFA, XRET, TPRQ, etc).
 - Note:** Multiple open REBV cases, must be worked by the same employee.
 - Address any open issues on the tax module unrelated to the transcript issue prior to resolving your case (e.g., refund inquiry for another AdvCTC payment, TPP, RIVO, etc.). If necessary, suspend your case until other actions are completed or take actions to allow the credit and refer case if necessary. Work cases with Exam involvement following normal procedures regardless of AIMS status.
 - For deceased taxpayers, adjust account to allow credit or credits if eligible, and follow normal procedures for issuing the refund. If a computer generated refund can be issued, see IRM 21.6.6.2.21.2(3), Processing Decedent Account Refunds, no further action is necessary. If there is no second nameline or surviving spouse to issue the refund to, send a Letter 18C requesting Form 1310 and required information per IRM 3.11.3.10.3, Documentary Evidence on a Decedent Return. Request a response within 30 days and suspend case for 120 days. If you receive a response with complete documentation, follow procedures in IRM 21.2.4.3.20(12-14), Processing TRNS46 Cases. If no reply is received after 120 days, follow procedures in IRM 21.2.4.3.20(16), Processing TRNS46 Cases.
- (2) **(EIP 1 or EIP 2 ONLY)** A REBV transcript generated when EIP 1 or EIP 2 was credited back to the 2020 module after the TC 150 posted. A TC 570 may have posted and created a **-R** freeze. Selection criteria included:
 - A TC 766 with Credit Reference Number (CRN) 338 or CRN 257 posts to the module after the credit was reversed, OR
 - A TC 740/841 posts to the module, AND
 - An EIP is on the module, AND

- The module contains a TC 846 with a “999” Julian date, AND
- The transaction date of the TC 740/841 matches the transaction date of the TC 846 with the “999” Julian date

If the module contains a credit balance, the only freeze condition preventing the refund is a **-R** freeze, and there are no TPP/IDT indicators on the account, input a TC 571 to release the refund. If the credit balance is being held by **-AR** freezes, close your control base to the amended return. The processing of the amended resolves the freeze condition.

If EIP has been returned or canceled, has not systemically been reversed (TC 767), and you determine the EIP should be reversed, follow procedures in IRM 21.6.3.4.2.13.3, Economic Impact Payments - Manual Adjustments.

- (3) **(EIP 3 and AdvCTC payments)** Review the module to determine which credit (EIP 3 or AdvCTC payment) is the reason for the transcript:
 - If EIP 3 has been returned or canceled, and after complete account research, you determine the taxpayer is due RRC, follow procedures in paragraph 5.
 - If an AdvCTC payment has been returned or canceled, follow procedures in paragraph 6.
 - If after complete account research, you determine the taxpayer is due CTC/RCTC, follow procedures in paragraph 7.
- (4) Prior to making any adjustments to the account, conduct complete account research. If there is a freeze code on the account, refer to IRM 21.5.6.4, Freeze Code Procedures, and resolve accordingly before addressing the EIP or AdvCTC payment.
- (5) If the taxpayer filed a 2020 or 2021 return, has not filed an amended 2020 or 2021 return, and has not received the full amount of RRC they are entitled to, follow procedures in IRM 21.6.3.4.2.14.1, Recovery Rebate Credit (RRC) - Adjusting the Credit.
- (6) If an AdvCTC payment has been returned or canceled and has **not** been systemically reversed, follow procedures in IRM 21.6.2.4.8.2 (2-4), AdvCTC - Manual Adjustments - General Information, to reverse an AdvCTC payment.
- (7) If the taxpayer filed a 2021 return, has not filed an amended 2021 return, and has not received the full amount of Child Tax Credit they are entitled to for 2021, complete the Schedule 8812 worksheet on AMS to verify the amount they are eligible for and adjust the CTC/RCTC on the module following established procedures. Refer to IRM 21.6.3.4.1.24, Child Tax Credit (CTC), for eligibility and IRM 21.6.3.4.1.24.2.1, Reconciling Advance Child Tax Credit (AdvCTC) Payments, for information on adjusting reconciliation data if necessary. An amended return is not required to adjust the CTC/RCTC if you can determine the taxpayer is entitled to the credit.

Reminder: CTC/RCTC must be computed based on the qualifying dependents reported on *Schedule 8812* filed with the original return.

Caution: If the returned or canceled payment was based on joint eligibility and the taxpayers filed separate returns in 2021, make sure to consider the impact on both spouse's accounts (verify amounts on CC IMFOLE). See IRM 21.6.3.4.1.24.2.1(5), Reconciling Advance Child Tax Credit (AdvCTC) Payments.

Example: Keith and Jackie filed married filing jointly in 2020 with one qualifying child (QC) age 1. In 2021, they received AdvCTC of \$1,800. They each received Letter 6419 which listed payments totaling \$900 based on one QC. They divorced in 2021. Keith filed single and included the repayment of \$900 on his 2021 return. Jackie filed head of household with one QC, age 2, included \$900 AdvCTC payments on her return and received an additional \$2,700 CTC/RCTC. In January of 2023, the November 2021 AdvCTC payment of \$300 is returned as undeliverable. Analyze and adjust both individual accounts. Adjust Keith's reconciliation data and reduce the tax by \$150. Issue Jackie \$150 CTC/RCTC.

- (8) If the IRS made a previous adjustment (after processing) and reissued an AdvCTC payment as CTC/RCTC the taxpayer was not entitled to, follow erroneous refund procedures in IRM 21.4.5.5.2, Category A2 Erroneous Refunds.
- (9) If an EIP or AdvCTC payment is returned and there is not a tax return on file for the year in which the payment was issued from, send correspondence to the taxpayer advising we received their (returned, cancelled, expired, etc.) payment and they must file a tax return and claim RRC or CTC/RCTC.

Note: Advise the taxpayer normal Refund Statute Expiration Date (RSED) procedures apply. The RSED is generally three years from the Return Due Date (RDD) for prepaid credits if a return was filed, or two years from the payment date for other payments whichever is later. See IRM 25.6.1, Statute of Limitations Processes and Procedures, for further explanations.

- (10) Use the appropriate *blocking series*, *source code*, and *priority code*. When inputting an IRS initiated adjustment, do not use an amended claims date. Refer to IRM 20.2.4.8.3.3, 45-Day Rule and IRS Initiated Adjustments, to determine if a priority code 3 is necessary. An adjustment to a tax module involving an IRS initiated adjustment, including math errors and non-IRS initiated adjustment require the input of two separate adjustments.
- (11) If research suggests the taxpayer returned or did not cash the payment **and** does not wish to have the payment reissued, but it cannot be confirmed, contact the taxpayer by telephone or appropriate "C" letter, for an explanation of the returned or canceled refund check.
For the following scenarios, do not input an adjustment, document the Correspondence Inventory Imaging (CII) case with a Case Note and close the CII case as No Action.
 - The taxpayer responds they do not wish to have the payment reissued.
 - No response is received after 40 days.
 - The taxpayer returned or did not cash an EIP or AdvCTC payment due to a religious objection or because they did not want the payment (e.g., previous correspondence, check returned or not cashed more than once, approved 4361 on file).
- (12) Send the taxpayer an appropriate "C" letter **only** when the adjustment notice will not sufficiently explain the status of the payments or the account.

Example: The taxpayer received a partial EIP 3 payment of \$1,100 in March 2021. They received a "plus-up" payment of \$300 in September of 2021. When they filed their 2021 return, they requested \$1,400 in RRC and were

assigned a math error during original processing. The \$1,100 payment was canceled and a REBV transcript generated. You can issue the taxpayer \$1,100 in RRC, however; it can be assumed they did not receive the \$300 payment either. Based on timing, the \$300 payment has not been canceled and cannot be issued as RRC. Correspond with the taxpayer to advise them the \$1,100 is being reissued, when the \$300 was issued and if they did not receive it to request a Refund Trace.

- (13) After complete account research, if you determine the taxpayer is no longer eligible for the returned/canceled/expired payment and no other module corrections are needed (i.e., reconciliation data corrected), leave a Case Note and close the CII case as No Action.

Exhibit 21.6.3-1 (10-03-2022)**TIN Requirements for Exemptions/Dependents and Credits**

The tables below provide TIN requirements for exemptions/dependents and certain credits.

Note: EITC, CTC, ACTC, AOTC, and ODC require all TINs be issued on or before the due date, or extended due date, of the return.

Exception: If a child otherwise qualifies for CTC, but they did not have an SSN issued by the due date of the return, they qualify for ODC

Note: For taxpayers indicating a religious (e.g., Amish/Mennonite) or conscience-based objection to obtaining a TIN, refer to IRM 21.6.1.6.1, Determining the Exemption Deduction.

Exemptions:

	Allowed with valid SSN	Allowed with valid ITIN	Allowed with valid ATIN
Primary TIN	Yes	Yes	N/A
Secondary TIN	Yes	Yes	N/A
Dependent TIN	Yes	Yes	Yes

Earned Income Tax Credit

Note: The SSNs for the primary, secondary (if a joint return), and the EITC qualifying child(ren) considered in computing the credit, ALL must be valid before EITC can be allowed.

	Allowed with valid SSN	Allowed with valid ITIN	Allowed with valid ATIN
Primary TIN	Yes	No	No
Secondary TIN	Yes	No	No
Qualifying Child TIN	Yes	No	No

Child and Dependent Care Credit

	Allowed with valid SSN	Allowed with valid ITIN	Allowed with valid ATIN
Child care provider TIN on Form 2441	Yes	Yes	Yes
Qualifying Person's TIN on Form 2441	Yes	Yes	Yes

Other Credits

Exhibit 21.6.3-1 (Cont. 1) (10-03-2022)**TIN Requirements for Exemptions/Dependents and Credits**

	Allowed with valid SSN	Allowed with valid ITIN	Allowed with valid ATIN
Child Tax Credit / Additional Child Tax Credit (tax years 2018 - 2025)	Yes	<ul style="list-style-type: none"> • Primary - Yes • Secondary - Yes • Dependent - No 	No
Lifetime Learning Credit	Yes	Yes	Yes
American Opportunity Tax Credit	Yes	Yes	Yes
Adoption Credit	Yes	Yes	Yes
Credit for Other Dependents	Yes	Yes	Yes
Recovery Rebate Credit	Yes	Yes, if a joint filer, and one spouse is a member of the military, then only one valid SSN is required	Yes

Exhibit 21.6.3-2 (02-01-2022)**TC 971 AC 199 MISC Field Descriptions for Economic Impact Payments (EIPs)**

The following tables give TC 971 AC 199 MISC Field Descriptions for EIP. This information can be found on CC IMFOLE.

Note: This list may not include all MISC field indicators used for EIP purposes.

The first table lists TC 971 AC 199 MISC field descriptions used to identify an EIP computed amount per individual. When the EIP was issued to a joint nameline, the amount in the entity transaction for each of the joint taxpayers reflects half of the issued amount.

Note: When bank account information has been updated through Get My Payment (GMP), or other sources, the account is marked with a TC 971 AC 199 with “EF” in the last two positions of the MISC field. The DLN for GMP includes 99999; other sources include 888XX.

TC 971 AC 199 MISC Field	Description
(1) “nnnnnnnn REB2019”	EIP was computed and issued based on the tax year 2019 return.
(2) “nnnnnnnn REB2018”	EIP was computed and issued based on the tax year 2018 return.
(3) “nnnnnnnn REB1099”	EIP was computed and issued based on a Form SSA-1099 or Form RRB-1099.
(4) “nnnnnnnn REBSSI”	EIP was computed and issued based on the taxpayer being an SSI recipient.
(5) “nnnnnnnn REBVA”	EIP was computed and issued based on the taxpayer being a VA benefit recipient.
(6) “nnnnnnnn ADDREB2019”	EIP 2 was computed and issued based on the tax year 2019 return.
(7) “nnnnnnnn ADDREB1099”	EIP 2 was computed and issued based on a Form SSA-1099 or Form RRB-1099.
(8) “nnnnnnnn ADDREBSSI”	EIP 2 was computed and issued based on the taxpayer being an SSI recipient.
(9) “nnnnnnnn ADDREBVA”	EIP 2 was computed and issued based on the taxpayer being a VA benefit recipient.
(10) “nnnnnnnn 2021AREB2020”	EIP 3 was computed and issued based on the tax year 2020 return.
(11) “nnnnnnnn 2021AREB2019”	EIP 3 was computed and issued based on the tax year 2019 return.
(12) “nnnnnnnn 2021AREBSSA”	EIP 3 was computed and issued based on the taxpayer being an SSA recipient.
(13) “nnnnnnnn 2021AREBSSI”	EIP 3 was computed and issued based on the taxpayer being an SSI benefit recipient.
(14) “nnnnnnnn 2021AREBVA”	EIP 3 was computed and issued based on the taxpayer being a VA benefit recipient.

Exhibit 21.6.3-2 (Cont. 1) (02-01-2022)**TC 971 AC 199 MISC Field Descriptions for Economic Impact Payments (EIPs)**

TC 971 AC 199 MISC Field	Description
(15) "nnnnnnn 2021AREBRRB"	EIP 3 was computed and issued based on the taxpayer being an RRB recipient.

The next table lists TC 971 AC 199 MISC field descriptions used to identify SSA/RRB/SSI/VA benefit recipients that are potential candidates to receive an EIP as an auto-payment.

TC 971 AC 199 MISC Field	Description
(1) "SSA1099-DSI"	Taxpayer was present on a tax year 2019 Form SSA-1099 but was claimed as a dependent on another individual's tax year 2019 return.
(2) "NONFILER-SSA1099"	Taxpayer was present on a tax year 2019 Form SSA-1099.
(3) "RRB1099-DSI"	Taxpayer was present on a tax year 2019 Form RRB-1099 but was claimed as a dependent on another individual's tax year 2019 return.
(4) "NONFILER-RRB1099"	Taxpayer was present on a tax year 2019 Form RRB-1099.
(5) "SSI2019-DSI"	Taxpayer's SSN was provided from SSA as an SSI recipient but was claimed as a dependent on another individual's tax year 2019 return.
(6) "NONFILER-SSI2019"	Taxpayer's SSN was provided from SSA as an SSI recipient.
(7) "VA2019-DSI"	Taxpayer's SSN was provided from VA as a VA benefit recipient but was claimed as a dependent on another individual's tax year 2019 return.
(8) "NONFILER-VA 2019"	Taxpayer's SSN was provided from VA as a VA benefit recipient.
(9) "SSA2020 DSI 2021"	Taxpayer's SSN was provided from SSA as an SSA recipient but was claimed as a dependent on another individual's tax year 2019 return.
(10) "NONFILER-SSA2021"	Taxpayer's SSN was provided from SSA as an SSA recipient.
(11) "RRB2020 DSI2021"	Taxpayer's SSN was provided from RRB as an RRB recipient but was claimed as a dependent on another individual's tax year 2019 return.
(12) "NONFILER-RRB2021"	Taxpayer's SSN was provided from RRB as an RRB recipient.
(13) "SSI2020 DSI 2021"	Taxpayer's SSN was provided from SSA as an SSI recipient but was claimed as a dependent on another individual's tax year 2019 return.

Exhibit 21.6.3-2 (Cont. 2) (02-01-2022)**TC 971 AC 199 MISC Field Descriptions for Economic Impact Payments (EIPs)**

TC 971 AC 199 MISC Field	Description
(14) "NONFILER-SSI2021"	Taxpayer's SSN was provided from SSA as an SSI recipient.
(15) "VA2020 DSI2021"	Taxpayer's SSN was provided from VA as a VA benefit recipient but was claimed as a dependent on another individual's tax year 2019 return.
(16) "NONFILER-VA 2021"	Taxpayer's SSN was provided from VA as a VA benefit recipient.

The final table lists TC 971 AC 199 MISC field descriptions used to identify adjustments related to EIP.

TC 971 AC 199 MISC Field	Description
(1) "nnnnnnnnREBADJ"	Amount of EIP based on an adjustment.
(2) "nnnnnnnnREVREB"	Amount of EIP reversed based on an adjustment.
(3) "nnnnnnnnADDRREBADJ"	Amount of EIP 2 based on an adjustment.
(4) "nnnnnnnnADDREVADJ"	Amount of EIP 2 reversed based on an adjustment.
(5) "nnnnnnnn2021AREBADJ"	Amount of EIP 3 based on an adjustment.
(6) "nnnnnnnn2021AREVADJ"	Amount of EIP 3 reversed based on an adjustment.

Exhibit 21.6.3-3 (11-09-2021)**TC 971 AC 199 MISC Field Descriptions for Advance Child Tax Credit (AdvCTC) Payments**

The first table below lists TC 971 AC 199 MISC Field Descriptions for AdvCTC payments.

Note: This information can be found on CC IMFOLE. This list may not include all MISC field indicators used for AdvCTC payment purposes.

TC 971 AC 199 MISC Field	Description
(1) "ADVCTCELIG2019 0 xx"	Tax Year 2019 return is eligible for Advance CTC. "0" indicates the taxpayer does not have a bypass condition that may delay the monthly payments. "xx" indicates the number of qualifying children included in the monthly payments.
(2) "ADVCTC ELIG2019 2 xx"	Tax Year 2019 return is eligible for Advance CTC. "2" indicates the taxpayer has a bypass condition that will delay the monthly payments. "xx" indicates the number of qualifying children included in the monthly payments.
(3) "ADVCTC ELIG2020 0 xx"	Tax Year 2020 return is eligible for Advance CTC. "0" indicates the taxpayer does not have a bypass condition that may delay the monthly payments. "xx" indicates the number of qualifying children included in the monthly payments.
(4) "ADVCTC ELIG2020 2 xx"	Tax Year 2020 return is eligible for Advance CTC. "2" indicates the taxpayer has a bypass condition that will delay the monthly payments. "xx" indicates the number of qualifying children included in the monthly payments.
(5) "ADVCTC INELIG2019"	Tax Year 2019 return is not eligible for Advance CTC.
(6) "ADVCTC INELIG2020"	Tax Year 2020 return is not eligible for Advance CTC.
(7) "NF1040QCTCxx"	Tax Year 2019 EIP Non-Filer return filed between April 10, 2020 and May 16 2020 did not have a number listed for Qualifying Child.

- When a taxpayer has provided bank account information through the Child Tax Credit Update Portal (CTCUP), the account is marked with a TC 971 AC 199 with "EF" in the last two positions of the MISC field.
- When a taxpayer has elected to receive a paper check through the CTCUP, the account is marked with either a TC 972 AC 199 with "EF" in the last 2 positions, or a TC 971 AC 199 MISC "PAPER-CHECKREQ".

The next table below lists TC 971 AC 199 MISC field descriptions used to identify an Adv CTC payment amount computed per individual.

Note: This information can be found on CC IMFOLE. This list may not include all MISC field indicators used for Adv CTC payment purposes.

Exhibit 21.6.3-3 (Cont. 1) (11-09-2021)

TC 971 AC 199 MISC Field Descriptions for Advance Child Tax Credit (AdvCTC) Payments

TC 971 AC 199 MISC Field	Description
(1) "nnnnnnnn kkkkCTCY19MM"	Advance CTC was computed and issued based on the tax year 2019 return. <ul style="list-style-type: none">• kkkk is the number of qualifying children included in the monthly payment.• MM is the month of the payment (07 = July, 08 = August, etc.)
(2) "nnnnnnnn kkkkCTCY20MM"	Advance CTC was computed and issued based on the tax year 2020 return. <ul style="list-style-type: none">• kkkk is the number of qualifying children included in the monthly payment.• MM is the month of the payment (07 = July, 08 = August, etc.)
(3) "\$\$\$\$ccREVCTMM"	Adv CTC payment has been returned. MM is the month that the payment was returned and reversed.

