



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

21.7.2

AUGUST 23, 2024

EFFECTIVE DATE

(10-01-2024)

PURPOSE

- (1) This transmits revised IRM 21.7.2, Business Tax Returns and Non-Master File Accounts, Employment and Railroad Tax Returns.

MATERIAL CHANGES

- (1) This IRM was revised to reflect the following changes:

SUBSECTION	CHANGE
IRM 21.7.2	Editorial changes made throughout.
IRM 21.7.2.3.3	Revised (2) text and added note containing information previously housed as part of IRM 21.7.2.5.10 which is being deleted. Deleted (3), (4), (5), and (7) to remove outdated information which is no longer needed. Subsequent paragraphs renumbered accordingly.
IRM 21.7.2.3.3(2)	Added wage base information in table for 2024 and removed information for 2014. IPU 23U1188 issued 12-18-2023
IRM 21.7.2.3.6(1)	Revised note to delete outdated information which is no longer needed.
IRM 21.7.2.4.1(3)	Deleted third, fourth and sixth bullets to remove outdated information which is no longer needed.
IRM 21.7.2.4.1.1(1)	Deleted first, third, sixth, seventh, and tenth rows of table and revised eleventh row of table to remove outdated information which is no longer needed.
IRM 21.7.2.4.1.2	Deleted subsection to remove outdated information which is no longer needed. Subsequent subsections renumbered accordingly.
IRM 21.7.2.4.1.3	Renumbered as IRM 21.7.2.4.1.2 due to deletion of preceding IRM subsection. Deleted first and third paragraphs, renumbered succeeding paragraphs, and revised previous second and fourth paragraph content to remove outdated information which is no longer needed.
IRM 21.7.2.4.3	Deleted subsection to remove outdated information which is no longer needed. Subsequent subsections renumbered accordingly.
IRM 21.7.2.4.5	Deleted subsection to remove outdated information which is no longer needed. Subsequent subsections renumbered accordingly.
IRM 21.7.2.4.6	Added new paragraph (18) at end of subsection with cross reference to new subsection IRM 21.7.2.4.6.13 which provides guidance for handling Forms 94XX with RICS/RIVO/IDT involvement. IPU 23U0849 issued 07-26-2023

SUBSECTION	CHANGE
IRM 21.7.2.4.6(3)	Subsection renumbered as IRM 21.7.2.4.4 due to deletion of two preceding subsections. Revised content to remove outdated information which is no longer needed.
IRM 21.7.2.4.6.1(1)	Subsection renumbered as IRM 21.7.2.4.4.1 due to deletion of two preceding subsections. Deleted note to remove outdated information which is no longer needed.
IRM 21.7.2.4.6.7	Subsection renumbered as IRM 21.7.2.4.4.7 due to deletion of two preceding subsections. Deleted (2) to remove outdated information which is no longer needed.
IRM 21.7.2.4.6.7.2	Subsection would otherwise have been renumbered as IRM 21.7.2.4.4.7.2 due to deletion of two preceding subsections but is being deleted to remove outdated information which is no longer needed. Subsequent IRM subsection renumbered as appropriate.
IRM 21.7.2.4.6.7.3	Subsection would otherwise have been renumbered as IRM 21.7.2.4.4.7.3 due to deletion of two preceding subsections but is being deleted to remove outdated information which is no longer needed. Subsequent IRM subsection renumbered as appropriate.
IRM 21.7.2.4.6.7.4	Subsection renumbered as IRM 21.7.2.4.4.2 due to earlier subsection deletions. Revised title and (1) text to remove outdated information which is no longer needed.
IRM 21.7.2.4.9.3.4	Updated instructions for Form 4442 generation in (5) and (8) to account for new Puerto Rico directorate. IPU 23U1090 issued 11-16-2023
IRM 21.7.2.4.6.6	Revised guidance in the tables in (3) and (4) to address claims involving non-refundable and refundable credits. IPU 23U0855 issued 07-28-2023
IRM 21.7.2.4.6.6(2)	Revised the reminder and added a caution with a cross reference to new subsection IRM 21.7.2.4.6.13 which provides guidance for handling Forms 94XX with RICS/RIVO/IDT involvement. IPU 23U0849 issued 07-26-2023
IRM 21.7.2.4.6.11	Clarified handling in (1) and (2) for certain case scenarios. IPU 23U0916 issued 08-29-2023
IRM 21.7.2.4.6.13	Added new subsection with guidance for handling Forms 94XX with RICS/RIVO/IDT involvement. IPU 23U0849 issued 07-26-2023
IRM 21.7.2.4.6.13(6)	Added exception in the last row of the table with regards to ERC claim withdrawal related cases. IPU 23U1063 issued 11-01-2023
IRM 21.7.2.4.7.6(2)	Subsection renumbered as IRM 21.7.2.4.5.6 due to deletion of two earlier subsections. Added caution relative to certain IRN usage. Deleted two notes and a reminder to remove outdated information which is no longer needed.
IRM 21.7.2.4.8.3(2)	Subsection renumbered as IRM 21.7.2.4.6.3 due to deletion of two earlier subsections. Deleted two notes and a reminder to remove outdated information which is no longer needed.

SUBSECTION	CHANGE
IRM 21.7.2.4.9.4(2)	Subsection renumbered as IRM 21.7.2.4.7.2 due to deletion of two earlier subsections. Deleted two notes and a reminder to remove outdated information which is no longer needed.
IRM 21.7.2.5.10	Deleted subsection to remove outdated information which is no longer needed. Former (3) content which remains current is now found in a note following IRM 21.7.2.3.3(2). Subsequent subsection renumbered accordingly.
IRM 21.7.2.5.10.1	Deleted subsection to remove outdated information which is no longer needed. Subsequent subsection renumbered accordingly.
IRM 21.7.2.5.10.2	Deleted subsection to remove outdated information which is no longer needed. Subsequent subsection renumbered accordingly.
IRM 21.7.2.5.13.1(1)	Subsection renumbered as 21.7.2.5.12.1 due to deletion of earlier subsection. Revised exception to reflect deletion of previously cross-referenced material.
IRM 21.7.2.5.13.2	Subsection renumbered as 21.7.2.5.13.2 due to deletion of earlier subsection. Deleted subsection to remove outdated information which is no longer needed.
IRM 21.7.2.5.16	Deleted subsection to remove outdated information which is no longer needed.
IRM 21.7.2.5.17	Deleted subsection to remove outdated information which is no longer needed. Subsequent subsection renumbered accordingly.
IRM 21.7.2.5.18	Deleted subsection to remove outdated information which is no longer needed. Subsequent subsection renumbered accordingly.
IRM 21.7.2.5.19	Deleted subsection to remove outdated information which is no longer needed. Subsequent subsection renumbered accordingly.
IRM 21.7.2.5.20	Deleted subsection to remove outdated information which is no longer needed. Subsequent subsection renumbered accordingly.
IRM 21.7.2.5.21	Deleted subsection to remove outdated information which is no longer needed. Subsequent subsection renumbered accordingly.
IRM 21.7.2.5.25	Subsection renumbered as 21.7.2.5.17 due to deletion of multiple earlier subsections. Revised content to remove outdated information which is no longer needed.
IRM 21.7.2.5.22(4)	Updated case assignment number. IPU 23U1090 issued 11-16-2023
IRM 21.7.2.6.4.2	Revised (3) text and deleted (4), (5), (6), and (9) to remove outdated information which is no longer needed. Subsequent paragraphs renumbered accordingly.
IRM 21.7.2.6.4.2(3)	Added Tier I wage base information in table for 2024 and removed information for 2014. IPU 23U1188 issued 12-18-2023
IRM 21.7.2.6.4.2(8)	Added Tier II wage base and tax rate information in table for 2024 and removed information for 2014. IPU 23U1188 issued 12-18-2023

SUBSECTION	CHANGE
IRM 21.7.2.6.5.1	Deleted (3) to remove outdated information which is no longer needed.
IRM 21.7.2.7(11)	Updated case assignment number. IPU 23U0768 issued 06-23-2023
IRM 21.7.2.7(11)	Added bullet with information on a partial transcription project and resulting changes to case assignment numbers. IPU 23U1063 issued 11-01-2023
IRM 21.7.2.7.2	Added new paragraph (5) at end of subsection with link to pertinent information on the irs.gov website. IPU 23U0943 issued 09-08-2023
IRM 21.7.2.7.2(5)	Revised paragraph (5) with additional links to pertinent information on the irs.gov website and to include guidance when resolving related phone contacts. IPU 23U0961 issued 09-15-2023
IRM 21.7.2.7.2(5)	Revised (5) text and deleted first note to account for changes in status of ERC claim processing efforts and irs.gov content. IPU 24U0303 issued 02-28-2024
IRM 21.7.2.7.3(1)	Deleted note to remove outdated information which is no longer needed.
IRM 21.7.2.7.6.3	Revised credit verification handling guidance in (8) and (11). IPU 23U0790 issued 06-30-2023
IRM 21.7.2.7.6.3	Revised guidance in (3), (8), and (11) to address handling of certain cases being released/returned to AM to be worked after RAAS analysis. IPU 24U0631 issued 05-10-2024
IRM 21.7.2.7.6.3(1)	Added caution regarding the status of ERC claims with a cross reference to IRM 21.7.2.7.2 which provides more information on resolving related phone contacts. IPU 23U0961 issued 09-15-2023
IRM 21.7.2.7.6.4	Deleted notes following (1) and (7) to remove outdated information which is no longer needed.
IRM 21.7.2.7.7	Added subsection with information about the new ERC claim withdrawal program. IPU 23U1039 issued 10-19-2023
IRM 21.7.2.7.7(6)	Revised to account for addition of handling instructions in succeeding subsections. IPU 23U1063 issued 11-01-2023
IRM 21.7.2.7.7.1	Added new subsection with guidance on ERC claim withdrawal request program receipts and case association actions. IPU 23U1063 issued 11-01-2023
IRM 21.7.2.7.7.1(1)	Text formerly found in (2) has been appended at the end of existing (1) content. New (2) content added to provide guidance on addressing freeze conditions which may be set when ERC withdrawal request cases are established. IPU 24U0416 issued 03-15-2024
IRM 21.7.2.7.7.2	Added new subsection with guidance on reviewing ERC claim withdrawal requests for unprocessable conditions. IPU 23U1063 issued 11-01-2023

SUBSECTION	CHANGE
IRM 21.7.2.7.7.2(3)	Revised URL specified in required closing letter text for each of the last 5 rows of the table. IPU 23U1145 issued 12-04-2023
IPU 24U0416 issued 03-15-2024 IRM 21.7.2.7.7.2(3)	Added caution with cross reference after the table in regards to addressing freeze conditions which may be set when ERC withdrawal request cases are established.
IRM 21.7.2.7.7.3	Added new subsection with guidance on reviewing ERC claim withdrawal requests for ineligible submissions. IPU 23U1063 issued 11-01-2023
IRM 21.7.2.7.7.3(4)	Added caution with cross reference after the table in regards to addressing freeze conditions which may be set when ERC withdrawal request cases are established. IPU 24U0416 issued 03-15-2024
IRM 21.7.2.7.7.4	Added new subsection with guidance on reviewing ERC claim withdrawal requests for special handling situations. IPU 23U1063 issued 11-01-2023
IRM 21.7.2.7.7.5	Added new subsection with guidance on closing actions for ERC claim withdrawal requests with open claims. IPU 23U1063 issued 11-01-2023
IRM 21.7.2.7.7.6	Added new subsection with guidance on handling and closing actions for ERC claim withdrawal requests with a returned refund check. IPU 23U1063 issued 11-01-2023
IRM 21.7.2.7.7.6(6)	Added caution with cross reference after the table in regards to addressing freeze conditions which may be set when ERC withdrawal request cases are established. IPU 24U0416 issued 03-15-2024
IRM 21.7.2.7.7.7	Added new subsection with guidance on handling miscellaneous incorrect receipts in AM associated with the ERC claim withdrawal request program. IPU 23U1063 issued 11-01-2023
IRM 21.7.2.7.8	Added new subsection with guidance on handling and closing actions for Form 94XX ERC claims meeting certain filtering criteria for no Forms W-2 filed and/or entity establishment dates. IPU 23U1138 issued 11-30-2023
IRM 21.7.2.7.9	Added new subsection with information about the ERC Voluntary Disclosure Program (ERC VDP). IPU 24U0130 issued 01-25-2024
IRM 21.7.2.7.10	Added new subsection with background information regarding certain compliance projects applicable to COVID-19 related employment tax credits. IPU 24U0576 issued 04-26-2024
IRM 21.7.2.7.10.1	Added new subsection with information about Letter 6327, Letter 6328, Letter 6348, Letter 6378, and Letter 6379 along with response handling. IPU 24U0576 issued 04-26-2024
IRM 21.7.2.7.10.2	Added new subsection with information about Letter 6362 and Letter 6362-A along with response handling. IPU 24U0576 issued 04-26-2024

SUBSECTION	CHANGE
IRM 21.7.2.7.10.3	Added new subsection with information about Letter 6507 and response handling. IPU 24U0576 issued 04-26-2024
IRM 21.7.2.7.10.4	Added new subsection with information about Letter 6530 and response handling. IPU 24U0576 issued 04-26-2024
IRM 21.7.2.7.10.5	Added new subsection with information about Letter 6531 and response handling. IPU 24U0576 issued 04-26-2024
IRM 21.7.2.7.10.6	Added new subsection with information about Letter 6552 and response handling. IPU 24U0576 issued 04-26-2024
IRM 21.7.2.7.10.7	Added new subsection with information about Letter 6554 and response handling. IPU 24U0576 issued 04-26-2024
IRM 21.7.2.7.10.8	Added new subsection with information about Letter 6577 and response handling. IPU 24U0576 issued 04-26-2024

EFFECT ON OTHER DOCUMENTS

IRM 21.7.2 dated August 22, 2023 (effective October 1, 2023) is superseded. The following IRM Procedural Updates (IPU) have been incorporated into this IRM: 23U0768 issued June 23, 2023, 23U0790 issued June 30, 2023, 23U0849 issued July 26, 2023, 23U0855 issued July 28, 2023, 23U0916 issued August 29, 2023, 23U0943 issued September 8, 2023, 23U0961 issued September 15, 2023, 23U1039 issued October 19, 2023, 23U1063 issued November 1, 2023, 23U1090 issued November 16, 2023, 23U1138 issued November 30, 2023, 23U1145 issued December 4, 2023, 23U1188 issued December 18, 2023, 24U0130 issued January 25, 2024, 24U0303 issued February 28, 2024, 24U0416 issued March 15, 2024, 24U0576 issued April 26, 2024 and 24U0631 issued May 10, 2024.

AUDIENCE

The primary users of this IRM are Taxpayer Services employees. The IRM is intended for Customer Account Service issues involving employment tax returns.

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21.7.2

Employment and Railroad Tax Returns

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 - 21.7.2.6.5 Forms CT-1 and CT-2 Procedures
 - 21.7.2.6.5.1 Form CT-1 Tax Adjustments
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21.7.2.7 COVID-19 Related Employment Tax Relief

21.7.2.7.1 Credit for Qualified Sick and Family Leave Wages

21.7.2.7.1.1 Credit for Qualified Sick and Family Leave Wages — Families First Coronavirus Response Act (FFCRA) Provisions

21.7.2.7.1.2 Credit for Qualified Sick and Family Leave Wages — COVID-related Tax Relief Act of 2020 Provisions

21.7.2.7.1.3 Credit for Qualified Sick and Family Leave Wages — The American Rescue Plan Act of 2021 (the ARP) Provisions

21.7.2.7.1.4 Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits

21.7.2.7.2 Employee Retention Credit (ERC)

21.7.2.7.2.1 Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions

21.7.2.7.2.2 Employee Retention Credit (ERC) — Taxpayer Certainty and Disaster Tax Relief Act of 2020 Provisions

21.7.2.7.2.3 Employee Retention Credit (ERC) — The American Rescue Plan Act of 2021 (the ARP) Provisions

21.7.2.7.2.4 Employee Retention Credit (ERC) — Infrastructure Investment and Jobs Act (Infrastructure Act) Provisions

21.7.2.7.2.5 First Quarter 2020 Form 941 — Employee Retention Credits and Notice 1447

21.7.2.7.3 COBRA Premium Assistance Credit — The American Rescue Plan Act of 2021 (the ARP)

21.7.2.7.4 Other COVID-19 Related Employment Tax Relief — Notice 2020-22, Notice 2020-23, and Notice 2020-35

21.7.2.7.5 Form 7200, *Advance Payment of Employer Credits due to COVID-19*

21.7.2.7.5.1 Form 7200 — Phone Inquiries

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21.7.2.7.5.3 Form 7200 — Guidance on Handling Paper Receipts

21.7.2.7.5.4 Reconciliation of Advance Payment Amounts for Aggregate Employment Tax Return Filers

21.7.2.7.6 COVID-19 Related Employment Tax Relief and Forms 94XX

21.7.2.7.6.1 Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken Before April 1, 2021

21.7.2.7.6.2 Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken After March 31, 2021

21.7.2.7.6.3 Form 94XX — Employee Retention Credit (ERC)

21.7.2.7.6.4 Form 94XX — COBRA Premium Assistance Credit

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21.7.2.7.7 ERC Claim Withdrawal Program

- 21.7.2.7.7.1 ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions
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- 21.7.2.7.7.6 Processing ERC Claim Withdrawal Requests with a Returned Refund Check
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 - 21.7.2.7.10.2 Letter 6362 and Letter 6362-A Replies
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 - 21.7.2.7.10.4 Letter 6530 Replies
 - 21.7.2.7.10.5 Letter 6531 Replies
 - 21.7.2.7.10.6 Letter 6552 Replies
 - 21.7.2.7.10.7 Letter 6554 Replies
 - 21.7.2.7.10.8 Letter 6577 Replies
- 21.7.2.8 Deferred Payment of Social Security Taxes for 2020
 - 21.7.2.8.1 Deferred Payment of Employer's Share of Social Security Taxes for 2020
 - 21.7.2.8.2 Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020
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 - 21.7.2.8.4 Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM
 - 21.7.2.8.5 Deferred Social Security Tax Amount — Guidance on Making Payments
 - 21.7.2.8.6 Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries
 - 21.7.2.8.6.1 Payments for Balance Due Modules with Recorded Deferral Amounts and Unassessed Accruals of Penalties or Interest
 - 21.7.2.8.7 Deferred Payment Modules — Misapplied Payments and Credit Transfers
 - 21.7.2.8.7.1 Moving Credits Into Modules with Recorded CRN 280 Amounts
 - 21.7.2.8.7.2 Moving Credits Out of Modules with Recorded CRN 280 Amounts
 - 21.7.2.8.7.3 Moving Credits Into/Out of Modules with New or Revised Deferral Requests
 - 21.7.2.8.8 Deferred Payment Modules — Manual Penalty Adjustments

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- 21.7.2.8.9 Processing New or Revised Social Security Tax Deferral Requests for 2020
 - 21.7.2.8.9.1 New Social Security Tax Deferral Request — Account Will be in Zero or Debit Balance When CRN 280 is Posted
 - 21.7.2.8.9.2 New Social Security Tax Deferral Request — Account Will be in Credit Balance When CRN 280 is Posted
 - 21.7.2.8.9.3 Revised Social Security Tax Deferral Request — Account Will be in Zero or Debit Balance When CRN 280 is Posted
 - 21.7.2.8.9.4 Revised Social Security Tax Deferral Request — Account Will be in Credit Balance When CRN 280 is Posted
 - 21.7.2.8.10 Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts
 - 21.7.2.8.11 First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447
 - 21.7.2.8.12 Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)
 - 21.7.2.8.13 Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts
 - 21.7.2.8.13.1 Form 94XX Tax Decreases or Credit Increases — Adjusted Employment Tax Returns and Deferred Social Security Tax Payment Amounts
 - 21.7.2.8.13.2 Form 94XX Tax Decreases or Credit Increases — Claims and Deferred Social Security Tax Payment Amounts
 - 21.7.2.8.13.3 Form 94XX Tax Increases or Credit Decreases — Adjusted Employment Tax Returns and Deferred Social Security Tax Payment Amounts
 - 21.7.2.8.13.4 Form 94XX — Wage Decreases on Accounts with Previously Recorded CRN 280 Social Security Tax Deferral Amounts

Exhibits

- 21.7.2-1 Acronyms and Abbreviations Used in This IRM
- 21.7.2-2 Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA Premium Assistance credit

21.7.2.1
(10-01-2012)
**Employment and
Railroad Tax Returns
Overview**

- (1) This section contains general information and procedures for correcting data recorded on Business Master File (BMF) accounts for employment tax returns and railroad retirement tax returns.
- (2) **Purpose:** To provide procedures for resolving taxpayer inquiries (paper and phone) and tax account issues regarding employment taxes and railroad retirement taxes.
- (3) **Audience:** The primary users of this IRM are Taxpayer Services (TS), Customer Account Services Customer Service Representatives (CSR) and Tax Examiners who are assigned employment tax and railroad retirement tax inventory.
- (4) **Policy Owner:** Director, Accounts Management
- (5) **Program Owner:** Policy and Procedures BMF (PPB) Business Adjustments, Accounts Management, Taxpayer Services (TS)
- (6) **Primary Stakeholders:** Taxpayer Services (TS), Small Business Self Employed (SBSE), and Large Business and International (LB&I)
- (7) **Program Goals:** Program goals for this type of work are included in the Accounts Management Program Letter as well as IRM 1.4.16, *Resource Guide for Managers - Accounts Management Guide for Managers*.

21.7.2.1.1
(10-01-2017)
Background

- (1) Employees in the Accounts Management (AM) organization respond to taxpayer inquiries (phone and paper) as well as claims, certain applications, internal requests, and transcripts.
- (2) IRM 21.7.2 provides guidance to AM employees assigned employment tax and railroad retirement tax inventory. Both telephone inquiries and paper correspondence can be worked using this information. Included is information for items reported on current forms:
 - Form 941, *Employer's QUARTERLY Federal Tax Return*
 - Form 941-X, *Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund*
 - Form 943, *Employer's Annual Tax Return for Agricultural Employees*
 - Form 943-X, *Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund*
 - Form 944, *Employer's ANNUAL Federal Tax Return*
 - Form 944-X, *Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund*
 - Form 945, *Annual Return of Withheld Federal Income Tax*
 - Form 945-X, *Adjusted Annual Return of Withheld Federal Income Tax or Claim for Refund*
 - Form CT-1, *Employer's Annual Railroad Retirement Tax Return*
 - Form CT-1X, *Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund*
 - Form CT-2, *Employee Representative's Quarterly Railroad Tax Return*

21.7.2.1.2
(10-01-2017)
Authority

- (1) In addition to all official guidance on general tax matters, the administration of the employment tax and railroad retirement tax matters discussed in this IRM are based primarily on tax law provisions found in Chapters 21 through 25, Subtitle C - Employment Taxes, of the Internal Revenue Code and related Regulations, Treasury Decisions, Revenue Procedures, Revenue Rulings, Notices, tax forms and instructions, and publications.
- (2) Accounts Management employees applying the procedures provided in this IRM to resolve tax matters related to employment tax and railroad retirement tax accounts act in accordance with policy statements and delegations of authority found in various applicable sections of IRM Part 1, Chapter 2.

21.7.2.1.3
(10-01-2020)
Roles and Responsibilities

- (1) IRM 1.1.13.7.3, *Accounts Management*, provides various guidance for Accounts Management employees including the following:
 - Identity Protection Strategy & Oversight (IPSO)
 - Policy & Procedures BMF (PPB)
 - Policy & Procedures IMF (PPI)
 - Reports- Equipment & Phones (REP)
 - Resources Mgmt Training (RMT)
 - Tech Asst & Stakeholder Comm (TASC)
 - Field Directors, Accounts Management (AM)
 - Accounts Management Operation Support (AMOS)
- (2) IRM 21.1.1, *Accounts Management and Compliance Services Overview*, provides guidance to employees assigned to the Accounts Management organization.
- (3) The Taxpayer Bill of Rights describes ten basic rights that all taxpayers have when dealing with the IRS. To help you understand what these rights mean to you and how they apply, read Publication 1, *Your Rights as a Taxpayer*, available at <https://www.irs.gov/pub/irs-pdf/p1.pdf>, or visit <https://www.irs.gov/taxpayer-bill-of-rights>.
- (4) 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. TAS provides assistance to taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that the IRS has not been able to resolve through normal channels or believe that an IRS system or procedure is not working as it should. See IRM 21.1.3.18, *Taxpayer Advocate Services (TAS) Guidelines*, for further information. There will also be times that, although you cannot completely resolve the issue within 24 hours, you have taken steps within 24 hours to resolve the taxpayer's issue. These cases also meet the definition of "same day". Do not refer these 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 referring cases to TAS, use Form 911, *Request for Taxpayer Advocate Service Assistance (and Application for Taxpayer Assistance Order)*, and forward to TAS in accordance with your local procedures.

21.7.2.1.4
(10-01-2017)
Program Management and Review

- (1) IRM 1.4.16, *Accounts Management Guide for Managers*, provides guidance for program management and review of programs assigned to Account Management.

21.7.2.1.5
(10-01-2019)
Program Controls

- (1) Goals, measures, and operating guidelines are listed in the yearly Program Letter.
- (2) 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*.

21.7.2.1.6
(08-22-2023)
**Terms/Definitions/
Acronyms**

- (1) Exhibit 21.7.2-1 **Acronyms and Abbreviation Used in the IRM** contains a list of abbreviations and acronyms used in this IRM.

21.7.2.1.7
(10-01-2017)
Related Resources

- (1) IRM 21.2.2-2, *Accounts Management Mandated IAT Tools*
- (2) Accounts Management *Case Management Guidelines* Job Aid

21.7.2.2
(10-01-2019)
**What Are Employment
Tax Returns?**

- (1) Form 941, Form 943 and Form 944 are filed by employers of individuals to report:
 - The amount of federal income tax withheld from the employees' wages
 - The employer's and employees' shares of social security and Medicare taxes
 - The amount of Additional Medicare Tax (AdMT) withheld from employees' wages (for tax periods after December 31, 2012)
 - The amount of any non-refundable Qualified Small Business Payroll Tax Credit for Increasing Research Activities

Note: Social security and Medicare taxes, including Additional Medicare Tax, are collectively referred to as FICA (Federal Insurance Contributions Act) taxes.

- (2) Form 945, *Annual Return of Withheld Federal Income Tax*, is filed to report backup withholding (BUWH) and income tax withheld from non-payroll items, such as:
 - Pensions
 - Annuities
 - IRAs (Individual Retirement Accounts)
 - Gambling winnings
- (3) Form CT-1, *Employer's Annual Railroad Retirement Tax Return*, is filed to report both the employer's and employees' shares of Railroad Retirement Tax Act (RRTA) tax including Additional Medicare Tax (AdMT) withheld from employees' wages (for tax periods after December 31, 2012).
- (4) Forms 94XX are used by employers to correct errors made in reporting employment taxes. These forms include Form 941-X, Form 943-X, Form 944-X, Form 945-X and Form CT-1X.

Note: These "X" forms replaced Form 941c, *Supporting Statement to Correct Information* and Form 843, *Claim for Refund or Request for Abatement*, for employers.

21.7.2.3
(10-01-2021)
**Employment Tax
Returns Research**

- (1) This section contains general research information applicable to employment taxes. Additional form and issue specific research information and procedures are contained throughout IRM 21.7.2.

Note: While line numbers from forms are provided throughout the IRM for easy reference, employees are responsible for taking the proper adjustment action based on the specific form version filed by the taxpayer.

- (2) Refer to the appropriate reference material to research technical issues.
- (3) Prior versions of this IRM may be researched on SERP as needed for obsolete procedures and issues. Prior year versions of IRM 21.7.2 not retained on SERP may be researched on the *IRS Publishing site*.

21.7.2.3.1
(05-29-2020)
**Employment Tax
Publications**

- (1) See Publication 51 (*Circular A*), *Agricultural Employer's Tax Guide*, for information on agricultural employees, including types of agricultural work subject to social security and Medicare taxes.
- (2) See the following publications for classes of employment and types of payments subject to social security and Medicare taxes:
 - Publication 15 (*Circular E*), *Employer's Tax Guide*
 - Publication 15-A, *Employer's Supplemental Tax Guide*
 - Publication 15-B, *Employer's Tax Guide to Fringe Benefits*
 - Publication 15-T, *Federal Income Tax Withholding Methods*
- (3) See Publication 926, *Household Employer's Tax Guide*, for information on household employment taxes.
- (4) See Publication 80, (*Circular SS*), *Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands* which summarizes responsibilities to collect, pay and report social security and Medicare taxes for employers whose principal place of business is in - or who have employees who are subject to income tax withholding for - the U.S. Virgin Islands, Guam, American Samoa, or the Commonwealth of the Northern Mariana Islands.

21.7.2.3.2
(10-01-2020)
**Income Tax Withholding
(Employment Tax
Returns)**

- (1) The amount of income tax withheld from wages is based on the following information shown on Form W-4, *Employee's Withholding Certificate*:
 - Filing Status
 - Number of jobs
 - Number of dependents
 - Any additional amount the employee requests to be withheld
 - Exempt status
- (2) With certain exceptions (such as household employment wages), all wages which are subject to FICA tax are also generally subject to income tax withholding. An employer is not required to withhold federal income tax from wages paid to a household employee. An employer should withhold federal income tax only if the household employee asks the employer to withhold it and the employer agrees. (See IRM 21.7.4.4.1.11, *Social Security Domestic Employment Reform Act and BMF Schedules H*.)
- (3) When unable to determine the proper tax correction on employment tax

returns, see IRM 21.7.2.4.4.3.2, *Withholding Tax Adjustment When Unable to Determine Proper Tax Correction*.

21.7.2.3.3
(10-01-2024)

**FICA Taxes (including
Additional Medicare Tax)**

- (1) The taxes under the Federal Insurance Contributions Act (FICA) are social security taxes and Medicare taxes (including Additional Medicare Tax).
- (2) Social security taxes are withheld at a combined tax rate of 12.4% (6.2% contributed by the employer and 6.2% contributed by the employee). However, social security taxes are withheld from wages and tips only up to a wage limit. The table below shows the social security wage limits from year to year.

Year	Maximum Amount of Wages
2015 — 2016	118,500
2017	127,200
2018	128,400
2019	132,900
2020	137,700
2021	142,800
2022	147,000
2023	160,200
2024	168,600

Note: Final regulations under IRC 3121(b)(10) (the “student exception”) clarified who can be considered a student for purposes of the student exception. The final regulations provide that an employee whose normal work schedule is 40 hours or more per week is considered a full-time employee and is not eligible for the student FICA exception (the “full-time employee” rule). This prevents medical residents from being considered students and therefore wages earned by medical residents are considered wages subject to FICA taxes. The final regulations are applicable with respect to services performed on or after April 1, 2005.

- (3) Medicare taxes are withheld on all wages and tips. There is no wage limit for Medicare taxes. The combined tax rate is 2.9% (1.45% contributed by employer and 1.45% contributed by employee).
- (4) See IRM 21.7.2.5.16, *IRC Section 132(f) Transportation Benefit Exclusion*, for information regarding exclusion of qualified transit benefits from income.
- (5) An Additional Medicare Tax (AdMT) is effective for tax periods beginning after December 31, 2012:
 - The AdMT tax rate is 0.9%.
 - Employers are required to withhold AdMT at the 0.9% tax rate from wages and tips paid to an employee in excess of \$200,000 for a calendar year beginning with the payroll period in which the threshold is exceeded and continuing each pay period until the end of the calendar year.

- AdMT is in addition to the 1.45% Medicare tax rate withheld from employee wages and tips.
- AdMT is only imposed on the employee. There is no employer share of AdMT.
- Amounts of AdMT withheld by the employer will be included on the employee's Form W-2.
- While employers begin withholding the AdMT as soon as wages paid to an employee exceed the \$200,000 threshold, the final amount owed or refunded is calculated as part of the individual's income tax return. Employers may **not** increase or decrease amounts of AdMT withheld from wages/tips paid to an employee based on an employee's expectation that they will owe more or less tax when filing their individual income tax return. Employees who expect to owe more AdMT than is withheld from their wages should make estimated tax payments and/or use Form W-4, *Employee's Withholding Allowance Certificate*, to request additional income tax withholding which will be applied against taxes shown on their individual tax return, including any AdMT liability.
- New lines were added to 2013 (and subsequent) employment tax returns for the purpose of reporting amounts of AdMT withheld by employers.
- IRN 074 was validated for Form 941, Form 943, and Form 944 to record adjustments to Taxable Wages & tips subject to Additional Medicare Tax withholding.
- IRN 112 is to be used to record adjustments to Additional Medicare Tax (along with other FICA tax corrections).
- Although employers are required to calculate, withhold and report AdMT in a manner similar to other FICA taxes, the tax treatment closely follows income tax withholding procedures. AdMT cannot be corrected after the close of a tax year unless the issue constitutes an administrative error, IRC Section 3509 rates are being applied, or as the result of an Examination. This is true even if AdMT was erroneously withheld. See IRM 21.7.2.4.4.3, *Income Tax Withholding, Backup Withholding, and Additional Medicare Tax Adjustments*, IRM 21.7.2.4.4.3.1, *Administrative Errors*, and IRM 21.7.2.5.4, *IRC Section 3509*, for more information.
- Information on AdMT is found throughout this IRM, in Publication 15, and instructions for employment tax forms. Additional information, including a "questions and answers" link to Frequently Asked Questions (FAQs), may also be found on the IRS website under the "Additional Medicare Tax" topic heading at: *Understanding Employment Taxes*.

21.7.2.3.3.1
(10-01-2015)

**Individuals Employed by
Parent or Spouse**

(1) FICA must be paid on services performed by:

- A child who is 18 or older employed by a parent in the course of the parent's business.
- A spouse in the course of the employer spouse's trade or business.
- A child who is 21 or older employed by a parent, whether or not in the course of the parent's business.

Note: For federal tax purposes, the term "spouse" includes an individual married to a person of the same sex if the individuals are lawfully married under state laws. See IRM 21.7.2.5.17, *DOMA (United States v. Windsor) Related Employment Tax Claims*, for more information.

21.7.2.3.3.2
(10-01-2015)
Employees Receiving or Paid Tips

- (1) Employees must report to their employer all cash, check, and debit and credit card tips received each month if their total tips for any 1 month from any one employer equals or exceeds \$20. The report to the employer is due by the 10th of the month following receipt of the tips.

Note: See Publication 531, *Reporting Tip Income*, and Publication 1244, *Employee's Daily Record of Tips and Report of Tips to Employer*. Publication 1244 includes Form 4070, *Employee's Report of Tips to Employer*, and Form 4070-A, *Employee's Daily Record of Tips*, which may be used for reporting purposes (substitute reporting forms are acceptable).

- (2) Employers must withhold income tax and the employee share of FICA taxes (or railroad retirement tax) on tips reported by employees from any non-tip wages or other funds made available by the employee for this purpose. Tips are also subject to Additional Medicare Tax, if, in combination with other wages or compensation paid by the employer, the total exceeds the \$200,000 withholding threshold. Employers must also pay the employer portion of FICA on all tips reported to them by employees.
- (3) Some employees may not have sufficient additional wages available to cover their share of the FICA tax on tips. In this case, adjustments to the portion uncollected from the employee must be reported on line 9, Form 941 or line 6, Form 944. The employer is still liable for the employer portion of FICA on the tips reported. The employer is not required to have supporting documentation for this reduction in tax. Also, employers must enter the amount of uncollected social security tax and Medicare tax (but not uncollected Additional Medicare Tax) on Form W-2, box 12, with codes "A" and "B".

Note: Employers do not withhold income tax or the employee share of FICA from allocated tips. Allocated tips are not reported on Form 941. Rather, allocated tips must be added to income on the employee's tax return (unless the employee has a daily tip record or other credible evidence that shows they did not receive the allocated tips shown on Form W-2).

21.7.2.3.3.3
(02-27-2013)
Reporting FICA to SSA

- (1) FICA information, including Additional Medicare Tax (AdMT) for calendar years beginning after December 31, 2012, is reported directly to the Social Security Administration (SSA) at the end of the year by the employer on Form W-3 along with Copy A of all Forms W-2 (or on the equivalent electronically filed forms).

21.7.2.3.3.3.1
(10-01-2014)
Agents — Filing Forms W-2

- (1) An employer may request that the IRS authorize an agent under IRC Section 3504 (Section 3504 Authorized Agent) to withhold, report and pay Federal employment taxes on behalf of the employer by filing a Form 2678, *Employer/Payer Appointment of Agent*. See IRM 21.7.2.3.7, *Section 3504 Agents*, for more information on agents.
- (2) The 3504 Authorized Agent can act as an agent for two or more employers, or can be an employer and act as an agent for another employer. If either situation applies, the agent has special reporting procedures on Form W-2.
 - The agent is instructed to enter its EIN in box b of Form W-2.
 - The agent files separate Forms W-2 reflecting the wages paid by each employer. However, each Form W-2 will have the agent's EIN in box b.

- In box c of Forms W-2, the agent should enter its name and address and “agent for”.
- Even though the agent’s EIN is shown in box b of Form W-2, the Forms W-2 are considered as being issued from separate employers and the employee may be eligible for a refund of excess social security and/or Tier 1 railroad retirement taxes.
- In addition, the employer’s EIN should be entered in box h of Form W-3.

21.7.2.3.4
(10-01-2019)
Deposits

- (1) Taxpayers who file Form 941, Form 943, Form 944, or Form 945 are required to pay the tax on these returns by making Federal Tax Deposits (FTDs) if the liability equals or exceeds the \$2500 threshold amount during the tax period for which the return is filed.

Exception: Employers who file Form 941 (only) are not required to make deposits during a quarter if all the following requirements are met:

- Their total tax liability for either the current quarter or the prior quarter is less than \$2,500, and
- They did not incur a \$100,000 next-day deposit obligation during the current quarter, and
- They fully pay the amount due with a timely filed return for the current quarter.

Note: See IRM 21.7.2.6.5.4, *Form CT-1 Deposits*, for deposit requirements for railroad retirement taxes reported on Form CT-1. Also see IRM 20.1.4.6, *De Minimis Exception to Deposit Requirements*.

- (2) All federal tax deposits are required to be made by means of Electronic Funds Transfer (EFT). See IRM 20.1.4.2.2.1, *Electronic Funds Transfer (EFT)*, for more information.
- (3) Penalties are imposed if deposits are made late, not made in sufficient amounts, made directly to the IRS (e.g., sending a check with a tax return or paying by credit card), or not made using EFT. See IRM 20.1.4, *Failure to Deposit Penalty*, for more information.
- (4) Input Computer Condition Code “J” if you are reprocessing a document and no FTD penalty is to be assessed. Edit the “J” in the bottom middle margin of the return. Do not “J” code the re-input document, unless IDRS is unable to correctly figure the penalty, or if reasonable cause is being allowed.
- (5) Research IDRS to determine if a CP 194, CP 207, or CP 207L was generated whenever tax or periodic liability information is being adjusted. If so, coordinate with the FTD Penalty Function, if necessary, to prevent erroneous FTD penalty assessments.
- (6) For more information on deposits and penalties, see:
- Publication 15 (*Circular E*), *Employer’s Tax Guide*
 - Publication 51 (*Circular A*), *Agricultural Employer’s Tax Guide*
 - IRM 20.1.4, *Failure to Deposit Penalty*
- (7) Balance due payments for Form 941, Form 943, Form 945 (including balances that are up to ten years past due) and Form 944 (including two prior years) can be made over the phone or by internet using a credit card. These

payments can be made through one of several authorized third-party service providers who will obtain card authorization during the transaction and provide a confirmation number as proof of payment. **Taxpayers currently required to make FTDs, must still make deposits via EFT. FTDs cannot be paid by credit card.** For specific information on business payments made by credit card, see IRM 21.2.1.48.6, *Credit or Debit Card Payments (Pay by Phone or Internet)*.

Note: Adjusted return payments may be made by credit card for the Form 941-X, Form 943-X, Form 944-X and Form 945-X (includes current year and two prior years).

21.7.2.3.5
(10-01-2018)
**Electronic Filing (e-File)
for Employment Tax
Returns**

- (1) See IRM 3.42.4, *IRS e-file for Business Tax Returns* for detailed information on electronic filing methods for business tax returns including employment tax returns.
- (2) As of January 2016, electronically filed employment tax returns are filed exclusively through Modernized e-File (MeF).
- (3) The following employment tax returns and associated schedules can be filed via MeF:

Parent Form	Attachment to Parent Form
Form 940/Form 940-PR	Schedule A (Form 940) Schedule R (Form 940)
Form 941/Form 941-SS/Form 941-PR	Schedule B (Form 941) Anexo B (Formulario 941-PR) Schedule D (Form 941) Schedule R (Form 941) Form 8974
Form 943/Form 943-PR	Form 943-A Schedule R (Form 941) Form 8974
Form 944	Form 945-A Schedule D (Form 941) Form 8974
Form 945	Form 945-A

- (4) Previous e-file programs which are now obsolete for employment tax returns include:
 - 941 TeleFile — Obsolete after the second quarter of 2005.
 - 941 e-file Program (Legacy) — Obsolete as of November 13, 2006.
 - Employment Tax e-file System — Obsolete as of December 1, 2015.
- (5) See IRM 3.42.4.9.2.1, *Researching e-file BMF Identification Codes*, if Filing Location Code (FLC), Document Code, or other coding information is needed for electronically filed employment tax returns.

21.7.2.3.6
(10-01-2024)
**Reporting Agents File
(RAF)**

- (1) The Reporting Agent File (RAF) is a database of taxpayers who have contracted with a Reporting Agent to perform certain actions on their behalf with regards to filing employment tax returns and/or paying taxes. The taxpayer signs Form 8655, *Reporting Agent Authorization*, (or an IRS approved substitute form) which authorizes the Reporting Agent to take all or some of the following actions on behalf of their client:

- File their Form 940 and Form 941 (and/or Form 944) electronically.
- Make EFTPS (Electronic Federal Tax Payment System) deposits and payments for them.
- File other forms on paper or electronically.
- Receive notices/correspondence and to discuss matters with the IRS associated with the tax returns/tax payments they made.

Note: The Reporting Agent also has the authority to file amended forms on paper for any form they filed electronically for the taxpayer.

- (2) See IRM 21.3.9, *Processing Reporting Agents File Authorizations*, and IRM 21.1.3.5, *Reporting Agents File (RAF) and Form 8655, Reporting Agent Authorization*, for more information.

21.7.2.3.7
(10-01-2012)
Section 3504 Agents

- (1) An employer may request that the IRS authorize an agent under IRC Section 3504 (Section 3504 Authorized Agent) to withhold, report and pay Federal employment taxes on its behalf. All provisions of law applicable to an employer apply jointly to both the agent and the employer. For example, a corporation may request that the IRS authorize another entity to handle its Federal employment tax obligations. For claims for refund of employment taxes made by the agent, treat the agent as an employer for purposes of employment tax deposits and payments made by the agent.

Note: Agents cannot obtain refunds of taxes paid for periods for which the agent was not authorized and therefore the taxes were paid under the employer's (or another agent's) EIN.

- (2) To request approval to act as a Section 3504 Authorized Agent for an employer, the agent files Form 2678, *Employer/Payer Appointment of Agent*, with the IRS.

Note: Processing information may be found in IRM 3.13.2.17, *Form 2678, Employer/Payer Appointment of Agent*.

- (3) Specific rules apply to a Section 3504 Authorized Agent acting on behalf of individuals who hire persons to provide home care services (home care service recipients). See IRM 21.7.2.4.9.3, *Household Employment Taxes and Section 3504 Agents*, for more information.

- (4) Under Treasury Regulations Section 31.3504-2, effective for wages paid after March 31, 2014, the IRS may designate a payer to perform acts of an employer (Section 3504 Designated Agent). A Section 3504 Designated Agent does not file Form 2678 with the IRS. Instead, the IRS may designate a payer as agent on behalf of an employer if the payer enters into a service agreement with the employer. All provisions of law applicable to an employer apply to both the Section 3504 Designated Agent and the employer.

Example: A corporation enters into a service agreement to perform an employer's Federal employment tax obligations, including the payment of wages and filing of employment tax returns but does not file a Form 2678 to become a Section 3504 Authorized Agent. The IRS may designate the corporation to perform acts of employer.

Note: A service agreement is an agreement between the payer and its client/ employer in which the payer: 1) asserts it is the employer of individuals performing services for the client; 2) pays wages to the individuals that perform services for the client; and 3) assumes responsibility to withhold, report and pay Federal employment taxes with respect to the wages it pays to the individuals that perform services for the client.

- (5) For claims for refund of employment taxes made by a Section 3504 Authorized Agent or Section 3504 Designated Agent, treat the agent as an employer for purposes of employment tax deposits and payments made by the agent. However, Section 3504 Authorized Agents and Section 3504 Designated Agents cannot obtain refunds of taxes paid for periods for which the agent was not authorized.

21.7.2.3.8
(10-01-2018)
**Certified Professional
Employer Organization
(CPEO) Program**

- (1) The Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014 (ABLE Act) was enacted on December 19, 2014, as part of The Tax Increase Prevention Act of 2014 (P.L. 113–295). Provision 206 of the ABLE Act required the IRS to establish a voluntary Professional Employer Organization (PEO) certification program.

Note: PEOs handle various payroll administration and tax reporting responsibilities for their business clients and are typically paid a fee based on payroll costs.

- (2) PEOs meeting eligibility requirements to be certified follow an online application process before being recorded by the IRS as a Certified Professional Employer Organization (CPEO).

Note: Callers inquiring as to certification requirements or with questions about the application process should be referred to information found on the IRS website at *Voluntary Certification Program for Professional Employer Organizations (CPEOs)*.

- (3) CPEOs use Form 8973, *Certified Professional Employer Organization/ Customer Reporting Agreement*, to report the beginning or end to service contracts with customers.

Note: Form 8973 processing information may be found in IRM 3.13.2.30, *Form 8973, Certified Professional Employer Organization/Customer Reporting Agreement - CPEO (Ogden Only)*.

- (4) CPEOs file aggregate employment tax returns reflecting wage and tax data for employee services provided to client/customer companies and are required to attach the appropriate Schedule R allocation schedule.
- (5) A CPEO is generally treated as the employer for employment tax purposes of any individual who performs services for a customer of the CPEO and is

covered by a contract described in section 7705(e)(2) between the CPEO and the customer (CPEO contract), but only for wages and other compensation paid to the individual by the CPEO.

21.7.2.3.9
(10-01-2013)
**Voluntary Classification
Settlement Program
(VCSP)**

- (1) The Voluntary Classification Settlement Program (VCSP) is a voluntary program described in *Announcement 2011-64* (updated in *Announcement 2012-45*) that provides an opportunity for taxpayers to reclassify their workers as employees for employment tax purposes for future tax periods with partial relief from federal employment taxes.
- (2) To participate in this voluntary program, the taxpayer must meet certain eligibility requirements, apply to participate in the VCSP by filing Form 8952, *Application for Voluntary Classification Settlement Program (VCSP)*, and enter into a closing agreement with the IRS.
 - Form 8952 includes a computation by the taxpayer of the settlement amount which is based in part on IRC 3509 tax rates. **However, this amount is not a tax and will not be assessed on any tax account.**
 - The *Instructions for Form 8952* caution the taxpayer against submitting payment with Form 8952. The amount determined to be due under VCSP is to be paid with their signed closing agreement and that will take place after their application for participation in the VCSP is considered and accepted. **Payments received from taxpayers accepted in the VCSP are not payments of tax and will not be posted to any tax account.**
- (3) Additional information, including Frequently Asked Questions (FAQs), may be found on the IRS website at: *Voluntary Classification Settlement Program*.
- (4) Telephone assistors should **not** attempt to assist callers with questions regarding this program. Instead, direct any caller making inquiries regarding the VCSP to the IRS website information which may be located by searching for “Voluntary Classification Settlement Program” or “VCSP” on irs.gov.

21.7.2.4
(10-01-2011)
**Employment Tax
Returns Procedures**

- (1) This section contains procedures for working common employment tax issues.

21.7.2.4.1
(10-01-2024)
**Item Reference Numbers
(IRNs) and Credit
Reference Numbers
(CRNs) — Employment
Taxes**

- (1) Use Item Reference Numbers (IRNs) to adjust tax, wages, and Credit Reference Numbers (CRNs) to adjust applicable credits on employment tax returns.
- (2) The current valid reference numbers for Form 941 adjustments are listed in the table below. Except where noted, the reference numbers also apply to Form 944 accounts.

Item Reference Number	Explanation
111	Total income tax withheld
004	Taxable social security wages

Item Reference Number	Explanation
005	Taxable social security tips
073	Taxable Medicare wages & tips
074	Taxable Wages & tips subject to Additional Medicare Tax withholding (valid for Forms 941/943/944 for tax periods beginning after December 31, 2012)
112	Total social security and Medicare tax (including Additional Medicare Tax for tax periods beginning after December 31, 2012)
114	Section 3121(q) Notice and Demand - Tax due on unreported tips Caution: IRN 114 is only valid for Forms 941 and only for tax periods 201103 and subsequent.
104	Special rates for federal income tax (IRC Section 3509)
105	Special rates for social security, Medicare tax, and Additional Medicare Tax (IRC Section 3509)
106	Current quarter's fractions of cents (Form 941)/ Current year's adjustments (Form 944)
107	Current quarter's sick pay (N/A for Form 944)
108	Current quarter's adjustment for tips and group life insurance (N/A for Form 944)
113	Total adjustments Reminder: IRN 113 must equal the sum of any IRN 104 through 108 changes (IRNs 104 through 110 for adjustments to returns 200812 and prior)
119	Qualified Small Business Payroll Tax Credit for Increasing Research Activities Note: For ease of reference, this credit is generally referred to as the "QSB Research Credit" throughout this IRM. Caution: IRN 119 is only valid for Form 941 tax periods 201706 and later or for Form 943 and Form 944 tax periods 201712 and later.
CREDIT REFERENCE NUMBER (CRN)	

Item Reference Number	Explanation
290	<p>Work Opportunity Credit for qualified tax-exempt organizations hiring qualified veterans.</p> <p>Caution: This credit is only allowed during the processing of Form 5884-C and Form 5884-D. See IRM 21.7.2.5.15, <i>Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans</i>, and <i>Form 5884-D, Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters</i>, for more information.</p>

Reminder: When adjusting an account, research any Computer Condition Codes (CCC “E” or “S”) which may indicate a taxpayer’s intent to receive a refund or credit elect. See *Section 3* of Document 6209, *IRS Processing Codes and Information*.

Caution: See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for information on IRN/CRN usage on tax accounts for 2020 and subsequent tax periods.

(3) The following is noted with regards to previous IRN usage with Form 941 (and Form 944 where applicable):

- See archived versions of this IRM if information is needed on IRN usage for returns posting prior to 2005.
- IRN 109 (Current year’s income tax withholding (Form 941)/Prior year’s income tax withholding (Form 944)) and IRN 110 (Prior quarter’s social security and Medicare taxes (Form 941)/Prior year’s social security and Medicare taxes (Form 944)) are not valid for tax periods after 200812.
- IRN 072 (Tips deemed to be wages (IRC Section 3121 (q))) should not be used for tax periods after 201012.

(4) See the following references for IRNs and CRNs applicable to other employment tax forms discussed in this IRM:

- For Form 943, see (2) in IRM 21.7.2.4.6.3, *Form 943-X, Adjusted Employer’s Annual Tax Return for Agricultural Employees or Claim for Refund (including Form 943-X(PR))*.
- For Form 945, see (6) in IRM 21.7.2.4.8, *Form 945, Annual Return of Withheld Federal Income Tax*.
- For Form CT-1, see (1) in IRM 21.7.2.6.5.1, *Form CT-1 Adjustments*.

Caution: See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for information on IRN/CRN usage on tax accounts for 2020 and subsequent tax periods.

21.7.2.4.1.1
(10-01-2024)

**TC 29X / Item Reference
Number (IRN) Valid
Adjustment Formulas —
Employment Taxes**

- (1) The table which follows provides guidance on mathematical validity checks governing Item Reference Number (IRN) usage with adjustments to employment tax returns on Command Code ADJ54:

Tax Form	Tax Periods	29X adjustment must equal
Form 941	Tax periods 201103 through 201703	The sum of IRNs 111, 112, 114, and 113.
Form 941	Tax periods 201706 and after	The sum of IRNs 111, 112, 114, and 113 less IRN 119.
Form 944	Tax periods 201112 through 201612	The sum of IRNs 111, 112, 114, and 113.
Form 944	Tax periods 201712 and after	The sum of IRNs 111, 112, 114, and 113 less IRN 119.
Form 943	Tax periods 201112 through 201612	The sum of IRNs 003 and 007.
Form 943	Tax periods 201712 and after	The sum of IRNs 003 and 007 less IRN 119.

Note: For any Form 941 or Form 944 adjustment, IRN 113 must equal the sum of IRNs 104 through 110.

Caution: For more detailed information on IRN 119 adjustments, see (8) in IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*.

Caution: See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for information on adjustment formulas on 2020 and subsequent tax periods.

21.7.2.4.1.2
(10-01-2024)

**IRN 185/110 — FICA Tax
Adjustments**

- (1) IRN 110 is used for adjustments related to federal agency wage payments as discussed in IRM 21.7.2.5.7.2.1, *Return Posted (TC 150), Account Not in TDA (Taxpayer Delinquent Account) Status (Wage Payments Made by Federal Agencies)*.
- (2) IRN 185 is used for MFT11/Form 943 (only) to record adjustments for third-party sick pay and for fractions of cents.

21.7.2.4.1.3
(10-01-2019)

**IRNs Do Not Equal TC
150**

- (1) If an adjustment to an employment tax account is required and the posted IRN amounts do not equal the TC 150, process as follows:
1. Input TC 290 .00 and correct the IRN amounts to agree with the posted TC 150. Use the appropriate Hold Code (usually Hold Code 4) with the adjustment to prevent any incorrect notices from being issued or to hold credit as needed.

2. Input any corrections necessary to complete required account actions with a second adjustment using a post delay code of one cycle.

Example: An employer files a Form 941-X reflecting a FICA tax decrease of \$500. The TC 150 posted for \$1,000.00 (all FICA tax) but the FICA reference line posted as \$1,040.00. First, input a TC 290 .00 with a \$40.00 decrease to IRN 112 and Hold Code 4. Then, on a second adjustment, input a \$500 decrease with TC 291 and IRN 112 along with a post delay code of one cycle.

Exception: Adjustments can be made without correcting the IRN(s) if the total of

postable check is bypassed). However, the IRNs must equal the TC 29X input on IDRS.

Example: The TC 150 for a Form 941 posted as \$39.00 (all FICA tax) and the FICA posted as \$35.00. The taxpayer has filed a Form 941-X reducing the tax to zero. Input a TC 291 for \$39.00 with IRN 112 for a \$39.00 decrease.

21.7.2.4.2 (10-01-2015) Sick Pay

- (1) Generally, sick pay is any amount paid under a plan to an employee-participant because of the employee's temporary absence from work due to disability, sickness, or injury. Sick pay may be paid by the employer or by a third party, such as an insurance company.
- (2) Generally, sick pay is subject to:
 - FICA taxes or railroad retirement taxes (including Additional Medicare Tax to the extent wages/tips (or RRTA compensation) paid to an employee exceed \$200,000 for a calendar year beginning after December 31, 2012)
 - Federal unemployment taxes
 - Income tax withholding (unless paid by a third party who is not the employer's agent)
- (3) Employers include total sick pay in taxable social security and Medicare wages (as well as wages/tips subject to Additional Medicare Tax when appropriate) paid on Form 941, on Form 944, or (rarely) on Form 943 as appropriate:
 - If payments are made by a third-party payor (e.g., an insurance company) and the third-party payor transfers the liability for the employer's share of tax back to the employer as provided in the regulations, the employer reports the sick pay as wages but then deducts the employee's share of social security and Medicare taxes paid by the third party on the appropriate adjustment line of Form 941, Form 944, or Form 943.
 - If the return is being filed by the third-party payor, the third-party payor reports the payments as wages but the employer's share of social security and Medicare taxes on the sick pay is deducted on the appropriate adjustment line of Form 941, Form 944, or Form 943.
- (4) See Publication 15-A, *Employer's Supplemental Tax Guide*, for more information on sick pay.

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- (5) Although sick pay can be reported on original employment tax returns, employers and reporting agents often choose to file an adjusted Form 94XX to report sick pay and the associated taxes and adjustment amounts. See the appropriate form specific processing instructions, found later in this IRM, when addressing a Form 94XX reporting a correction to sick pay amounts.
- (6) Substantiation is not required for sick pay adjustments reported on the appropriate adjustment line of an original employment tax return or a related Form 94XX adjusted return.
- (7) The appropriate Item Reference Numbers (IRNs) **must** be used when completing corrections to sick pay reporting:

Form Filed	Use IRNs
Form 941 (or Form 941-X)	004, 073, 074 (as appropriate), 112, 107 and 113
Form 944 (or Form 944-X)	004, 073, 074 (as appropriate), 112, 106 and 113
Form 943 (or Form 943-X)	004, 073, 074 (as appropriate), 007, and 185

Note: If appropriate, also use IRNs 003 or 111 (as applicable) to record corrections to federal income tax withheld on sick pay.

- (8) In some situations, employers may believe a Third-Party Payor (Insurance Company) has made payment of the employer's share of FICA taxes for them and they may request the third party's payment of the employee's share to be applied to the employer's tax account. In that situation:
 - Provide the employer with Publication 15-A.
 - Explain to the employer how the Third-Party Payor (Insurance Company) reports the **employee's** share of FICA (and any federal income tax) withheld from the employees' sick pay on their own employment tax return.
 - Explain to the employer that they remain liable to report and pay the **employer's** share of FICA taxes by including the wages on their employment tax return and *deducting* the employee's share of FICA reported and paid by Third-Party Payor on the appropriate adjustment line.

21.7.2.4.3
(04-28-2017)
Loose Employment Tax Schedules

- (1) Loose schedules are those that have inadvertently been detached from a return or received from taxpayers without sufficient information to indicate why they have been sent or to allow them to be associated with the proper return. These include, but are not limited to, Schedule B (Form 941), Form 945-A, Schedule D (Form 941), Schedule R (Form 941), and Form 8974, *Qualified Small Business Payroll Tax Credit for Increasing Research Activities*. See the subsections which follow for guidance on handling the most common loose employment tax schedule situations.

21.7.2.4.3.1
(01-20-2016)

Loose Schedule B (Form 941) or Other Record of Federal Tax Liability (ROFTL)

- (1) Upon receipt of a loose *Schedule B* (Form 941) or other loose ROFTL (such as Form 943-A or Form 945-A):

If	And	Then
The correct tax period cannot be determined		<p>Make two attempts to contact the taxpayer by phone (if a telephone number is available) to determine the correct tax period:</p> <ul style="list-style-type: none"> If the correct tax period can be determined, continue to process per the instructions in the following rows of this table. If unable to contact the taxpayer by phone, return the schedule and instruct the taxpayer to refile it with a newly signed copy of the related employment tax return.
The tax return for which the loose schedule was filed has not posted	Normal processing time for the original return has elapsed	Return the schedule and instruct the taxpayer to refile it with a newly signed copy of the related employment tax return.
The tax return for which the loose schedule was filed has not posted	Normal processing time for the original return has not elapsed	Suspend the case and allow for normal processing time. When the return posts, continue to process per the instructions in the following rows of this table.
The tax return for which the loose schedule was filed has posted	IDRS research indicates the loose schedule is a duplication or is unnecessary	Treat the loose schedule as classified waste.
The tax return for which the loose schedule was filed has posted	IDRS research indicates the loose schedule changes originally reported liability data	Follow procedures in IRM 20.1.4.21.2, <i>Revised Record of Federal Tax Liability (ROFTL) Provided</i> .

21.7.2.4.3.2
(10-01-2019)
Loose Schedule D (Form 941)

- (1) *Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations*, was introduced in 2005. Refer any loose forms received in Accounts Management to the CAWR (Combined Annual Wage Reporting) unit at the Philadelphia Compliance Campus, Drop Point 4-G08.151.

21.7.2.4.3.3
(10-01-2012)
Loose Schedule R (Form 941): Allocation Schedule for Aggregate Form 941 Filers

- (1) *Schedule R (Form 941): Allocation Schedule for Aggregate Form 941 Filers* (and continuation sheets as needed), must be completed and attached each time an aggregate Form 941 is filed by an approved agent (as defined by IRC 3504).

Note: To request authorization to act as a Section 3504 Authorized Agent for an employer, Form 2678, *Employer/Payer Appointment of Agent*, must be filed with the IRS. See IRM 21.7.2.3.7, *Section 3504 Agents*, IRM 21.7.2.4.9.3, *Household Employment Taxes and Section 3504 Agents*, and IRM 3.13.2.17, *Form 2678, Employer/Payer Appointment of Agent*, for more information.

- (2) Schedule R (Form 941) is used to allocate the aggregate information reported on Form 941 to each client. If there are more than 15 clients, continuation pages should be completed as necessary. Schedule R (Form 941) and any continuation pages must be attached to the aggregate Form 941, when filed. When a Form 941 is processed and a Schedule R (Form 941) is attached, a Schedule R Indicator (SRI) will be posted to MF.
- (3) If a taxpayer filed a Schedule R (Form 941) with their original return and needs to correct the previously filed Form 941, then a revised Schedule R (Form 941) should be submitted with the Form 941-X. However, when processing a Form 941-X for an aggregately filed Form 941 (regardless of whether a Schedule R

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Note: If a taxpayer is required to file a Schedule R (Form 941) and does not do so with their original return, they may submit another Form 941 with a Schedule R (Form 941) attached which may create a TRNS 193. If so, follow existing procedures in IRM 21.7.9, *BMF Duplicate Filing Conditions*.

- (4) The chart below indicates procedures for most Schedule R inquiries:

If	And	Then
Loose Schedule R is received	The original return has posted (regardless if a Schedule R indicator is present)	No additional action is needed. Note: If working a CII case, add a case note to identify what was received and close the CII case.

If	And	Then
Loose Schedule R is received	The original return has not posted and the original return processing time for Form 941 has not elapsed	Suspend loose schedule pending posting of original return.
Loose Schedule R is received	The original return has not posted and the original return processing time for Form 941 has elapsed	<p>Contact taxpayer, preferably by phone, to obtain a signed copy of the original return and suspend case for 40 days.</p> <p>a. If taxpayer replies with a copy of the original return, process accordingly.</p> <p>b. If the taxpayer does not reply, reject the Schedule R back to the taxpayer requesting the original Form 941 (and accompanying Schedule R) be filed.</p>

21.7.2.4.3.4
(04-27-2023)

**Loose Form 8974,
Qualified Small
Business Payroll Tax
Credit for Increasing
Research Activities**

- (1) See IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for additional information on Form 8974.

Note: For ease of reference, the “Qualified Small Business Payroll Tax Credit for Increasing Research Activities” is generally referred to as the “QSB Research Credit” throughout this IRM.

- (2) Form 8974 is required to be attached to either an original employment tax return or an adjusted/amended employment tax return as supporting documentation for claims and adjustments to the QSB Research Credit. However, AM may occasionally receive loose Forms 8974 (i.e., not attached to an employment tax form); this will generally result from:
1. The taxpayer incorrectly filed Form 8974 separate from any other document.
 2. The taxpayer is providing the Form 8974 in response to a request for missing information.
 3. The Form 8974 was inadvertently detached from an original return, an adjusted/amended employment tax form, or correspondence with which it was filed.

4. The Form 8974 was received in Submission Processing (SP) attached to an original employment tax form but there was no corresponding entry on Line 11 (Form 941). In that filing situation, SP has instructions to detach and route Forms 8974 to AM for handling.
- (3) When working a loose Form 8974, review the document and research the tax account for which it was filed to determine if the credit claimed was already processed or if there is another case document to which it should be associated (e.g., a Form 941-X case). Continue processing as follows:

If	And	Then
The loose Form 8974 was filed for an employment tax return period beginning before April 1, 2017 for Form 941 or before January 1, 2017 for Form 943 and Form 944.		Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.
The original employment tax return has not posted	The taxpayer does not have employment tax filing requirements	Reject the Form 8974 with Letter 916C. Advise the taxpayer in the letter that we cannot consider their Form 8974 because the credit must be taken on an original employment tax return and it does not appear that they file employment tax returns.
The original employment tax return has not posted	There is a TC 150 pending on the account in open reject status and it appears the loose Form 8974 was submitted in response to (or is related to) the reject condition	Close the case and route the Form 8974 to ERS as appropriate.
The original employment tax return has not posted	Normal processing time for the original employment tax return has not elapsed	Monitor the account for posting of the return or until normal processing time is elapsed.

If	And	Then
The original employment tax return has not posted	Normal processing time for the original employment tax return has elapsed	Reject the Form 8974 using Letter 4384C and inform the taxpayer they must file the appropriate original employment tax return with Form 8974 attached to claim the credit. Note: If the Form 8974 is missing information that would be required for its processing (see (4) in IRM 21.7.2.5.21.1, <i>Processing Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities</i> , for required verification items), identify the specific items requiring perfection in the rejection letter.
The amount of QSB Research Credit claimed on the loose Form 8974 is equal to the amount of credit previously allowed for the tax period identified.		If the Form 8974 was submitted in response to a missing information request on a previous Form 94XX case, take action to associate the new case to the previous case. Otherwise, take no further action and close the case.

If	And	Then
The loose Form 8974 reflects a decrease to a previously allowed credit amount (i.e., would result in a tax increase)		<ol style="list-style-type: none"> 1. Input a TC 290 adjustment in Blocking Series 15 for the amount of the QSB Research Credit change along with IRN 119 (for the same amount but as a negative). If appropriate, adjust the FTD penalty (see IRM 20.1.4.21.3, <i>Amended or Supplemental Return (Tax Decrease or Non-Interest-Free Tax Increase)</i>). 2. Issue Letter 4384C stating we processed the Form 8974 but that in the future changes to previously reported QSB Research Credit amounts must be corrected by filing an amended return (specify form) with Form 8974 attached.

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If	And	Then
The loose Form 8974 reflects an increase to a previously allowed credit amount or no credit was previously claimed (i.e., would result in tax decrease)	The loose Form 8974 is a late response to a Letter 21C requesting a missing Form 8974 in support of a QSB Research Credit entry on an original employment tax return which was subsequently disallowed during pipeline processing	<ul style="list-style-type: none"> • Treat the issue as a substantiated math error response and allow the amount claimed (not to exceed the amount requested on the original return) so long as the Form 8974 is complete for processing. (see (4) in IRM 21.7.2.5.21.1, <i>Processing Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities</i>, for required verification items. • Input a TC 291 adjustment in Blocking Series 15 for the amount of the QSB Research Credit change along with IRN 119 (for the same amount but as a positive).
The loose Form 8974 reflects an increase to a previously allowed credit amount or no credit was previously claimed (i.e., would result in tax decrease)		<ul style="list-style-type: none"> • Input a TC 291 adjustment in Blocking Series 15 along with IRN 119 (for the same amount but as a positive) to allow the credit. • Issue Letter 4384C stating we processed the Form 8974 but that in the future changes to previously reported QSB Research Credit amounts must be corrected by filing the appropriate X form (specify form) with Form 8974 attached.

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If	And	Then
The loose Form 8974 reflects an increase to a previously allowed credit amount or no credit was previously claimed (i.e., would result in tax decrease)		<p>Reject the Form 8974 using Letter 4384C and inform the taxpayer they must file the appropriate X form (identify the specific form to be used) to make the adjustment.</p> <p>Note: If the Form 8974 is missing information that would be required for processing (see (4) in IRM 21.7.2.5.21.1, <i>Processing Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities</i>, for required verification items), identify the specific items requiring perfection in the letter.</p>

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

21.7.2.4.4
(10-01-2024)
**Adjusted Employer's
Federal Tax Return or
Claim for Refund**

- (1) Requests for adjustments or claims for refund of previously reported employment taxes must be filed on the appropriate adjusted employer's federal tax return or claim for refund. These forms include:

- Form 941-X
- Form 943-X
- Form 944-X
- Form 945-X
- Form CT-1X

Note: These forms are collectively referred to as "Forms 94XX" throughout this IRM.

- (2) Category codes for these forms are shown in the following table.

Form Filed	Category Code
941-X or 941-X (PR)	941X
943-X or 943-X (PR)	943X
944-X, 944-X (PR) or 944X (SP)	944X
945-X	945X

Form Filed	Category Code
CT-1 X	CT1X

Note: These forms age 45 days from the IRS received date and are **not** subject to Policy Statement 21-3 (formerly P-6-12) criteria.

- (3) Employers are not permitted to use Form 843, *Claim for Refund and Request for Abatement*, to submit a claim for refund of employment taxes. Employers **may** still use Form 843 to request an abatement of penalties and/or interest.

Note: Employees who are unable to obtain reimbursement of over withheld social security and Medicare taxes from their employer may file Form 843 to obtain a refund. See IRM 21.7.2.4.4.2, *Excess Social Security and Medicare Tax Withheld — Employee Claims for Refund*, for additional information.

- (4) Procedures and requirements for use of Forms 94XX were published in Treasury Decision (T.D.) 9405 which provided revised regulations. Employers may use either a claim process or an adjustment process to make corrections:
- The adjustment process **must** be used by the employer to report all corrections for underreported amounts.
 - The adjustment process **may** be used by the employer to report corrections for overreported amounts **unless** the correction request is made within 90 days of the expiration of the period of limitations on credit or refund (meaning the Refund Statute Expiration Date or RSED).
 - The claim process **may** be used to report corrections for overreported amounts if the employer is requesting a refund or abatement and **must** be used when a correction request for overreported amounts is made within 90 days of the RSED.

Note: To assist taxpayers in deciding which process they should use (adjustment or claim for refund), a flowchart was developed and is part of the Forms 94XX or instructions.

- (5) If the employer selects the adjustment process by checking Box 1 in Part 1 of Form 94XX, the amount of any resulting overpayment will be applied as a credit to the tax period in which the adjustment form was filed.

Example: If an employer files a Form 941-X in February 2025 for an adjustment to their 202309 Form 941, the credit will be applied to their 202503 account.

Example: If an employer files a Form 943-X in February 2025 for an adjustment to their 202312 Form 943, the credit will be applied to their 202512 account.

Note: Overpayments arising from adjustments made under these procedures are subject to offset.

- (6) If the employer selects the claim process by checking Box 2 in Part 1 of Form 94XX, the amount of any resulting overpayment will be refunded to the employer from the period being adjusted along with any allowable overpayment interest.

Example: If an employer files a Form 941-X in March 2025 claiming a refund for an overpayment on their 202409 Form 941, the overpayment will be refunded from the 202409 account.

Example: If an employer files a Form 943-X in March 2025 claiming a refund for an overpayment on their 202412 Form 943, the overpayment will be refunded from the 202412 account.

Note: Overpayments arising from adjustments made under these procedures are subject to offset.

- (7) Per the regulations, employers who are making a correction for overreported amounts within 90 days of the expiration of the period of limitations on credit or refund (RSED) on the period being corrected, **must** submit a claim instead of an adjustment request. See IRM 21.7.2.4.4.5, *90 Day — Claim*, for more information on when to convert adjustment requests to claims and the form specific procedures found later in this IRM for handling instructions.

Example: If wages were paid on June 6, 2021, and an original employment tax return reporting those wages was filed on or by July 31, 2021, and the reported taxes were timely paid, then the period of limitations for assessment or for credit or refund would expire April 15, 2025. An adjusted return reporting an overpayment must be filed by January 17, 2025, the date which is 90 days before the expiration of the period of limitations on credit or refund. In this example, if the Form 94XX requesting correction via the adjustment process was filed after January 17, 2025, we would convert the adjustment request to a claim and inform the employer of that action.

- (8) Employers who need to make corrections for both underreported and overreported amounts on the same tax period have two filing options:

- *Use the adjustment process and report both the underreported and overreported amounts on one Form 94XX.* If this option is selected, the employer may net the corrections and either pay the net balance due with the Form 94XX or have the net overpayment applied to the tax period in which the correction was filed.
- *Use the adjustment process to report the correction for underreported amounts and use the claim process to report the correction for overreported amounts.* In this situation, the employer must file separate Forms 94XX to report the underreported amounts and the overreported amounts. The entire underreported amount must be paid by the time they file the Form 94XX. It cannot be netted with the overreported amount reported on the separate Form 94XX. See IRM 21.7.2.4.4.9, *One Form 94XX Filed but Two Forms 94XX were Required*, and IRM 21.7.2.4.4.10, *Processing Multiple Forms 94XX Filed for the Same Tax Period*, for more information.

Note: Employers making corrections for both underreported and overreported amounts on the same tax period within 90 days of the RSED **must** file separate Forms 94XX as discussed in the second bulleted item above. They

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(10) A set of certifications is included on Forms 94XX:

- Employers are required to certify that they have filed, or will file, Forms W-2, or Form W-2 c, as required.
- Employers must complete all certifications that apply to the type of return they are filing and the corrections being made.

(11) Treasury regulations require the employer to explain in detail the grounds and facts relied upon to support each correction. The taxpayer is instructed to describe the events that caused the underreported or overreported wages, administrative errors or payroll errors.

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(12) A TC 971 AC 010 systemically generates when any Form 94XX is scanned into the Correspondence Imaging Inventory (CII) system. The generation of this transaction code sets either a -A or an E- freeze on the tax module which **must** be addressed:

- **-A freeze:** Released with a 29X (or 30X) adjustment. See IRM 21.5.6.4.2, *-A Freeze*, and the appropriate Form 94XX processing instructions found later in this IRM for more information.
- **E- freeze:** Released by posting of TC 150 or TC 971 transaction. See IRM 21.5.6.4.9, *E- Freeze*, and IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted*, for more information.

Reminder: If a TC 971 AC 010 was not systemically posted **and** there is a TC 150 posted to the module, manually input a TC 971 AC 010 to set the -A freeze and post delay adjustment actions to ensure the resulting freeze is properly released.

Note: Also see the fourth paragraph of IRM 21.5.3.4.2, *Tax Decrease or Credit Increase*, when rejecting a Form 94XX.

(13) Blocking series "20" **must** be used when adjusting an account as a result of a Form 941-X, 943-X, 944-X, 945-X or CT-1X being filed.

Note: Blocking series 20 **must** also be used when adjusting accounts per instruc-

tions in IRM 21.7.2.4.4.7, *Exception Processing — Incorrect Filing, Including Forms Routed to AM from SP*.

Exception: Blocking series 98 (or blocking series 99 if the original return is attached) must be used when a Form 94XX is being fully disallowed, blocking series 18 (or blocking series 00 if the original return is attached) must be used when a Form 94XX is being partially disallowed, and blocking series 15 (or blocking series 00 if the original return is attached) must be used when a Form 94XX is being “no considered”. See IRM 21.5.3.4.6, *No Consideration and Disallowance of Claims and Amended Returns*, for additional information.

- (14) The AM clerical function (or other campus designated function or employees) should review any Form 94XX received during the last month of a tax period to identify those that are requesting overpayments be applied to the current tax period. Processing of these Forms 94XX should be expedited to prevent the issuance of an incorrect balance due notice to the taxpayer as a result of the original return posting for the current period before the credit arising from the Form 94XX can be applied.

Note: The Instructions for the “X” forms encourage employers requesting an overpayment to be credited to a current tax period using the adjustment process to file their Form 94XX prior to the last month of the current tax period.

- (15) For claims involving IRC 6020(b), see IRM 21.7.9.4.1.6, *Duplicate Filing Conditions Involving Returns Prepared Under IRC Section 6020(b)*.
- (16) See IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign Forms 94XX (and Form 5884-C/Form 5884-D) and handling guidance for missing signatures.
- (17) For handling guidance on address changes reported on Forms 94XX, see IRM 21.7.2.4.4.12, *Address Changes Reported on Form 94XX Amended/Adjusted Employment Tax Returns*.
- (18) For guidance on identifying and handling Forms 94XX with RICS/RIVO/IDT involvement, see IRM 21.7.2.4.4.13, *Forms 94XX with Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement*.

21.7.2.4.4.1
(10-01-2024)
**Employment Tax
Returns — Stand Alone
Forms**

- (1) Employers must file the appropriate adjusted employer’s federal tax return or claim for refund to request an adjustment or claim a refund of previously reported employment taxes. The following table shows which form must be filed based on the original employment tax return filed and provides a cross-reference to specific processing information.

Return originally filed	Form to File to make corrections	Cross-Reference
Form 941 or Form 941-SS	Form 941-X, <i>Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund</i>	IRM 21.7.2.4.5.6
Form 943	Form 943-X, <i>Adjusted Employer's Annual Tax Return for Agricultural Employees or Claim for Refund</i>	IRM 21.7.2.4.6.3
Form 944 and Form 944-SS	Form 944-X, <i>Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund</i>	IRM 21.7.2.4.7.4
Form 945	Form 945-X, <i>Adjusted Annual Return of Withheld Federal Income Tax or Claim for Refund</i>	IRM 21.7.2.4.8.1
Form 941-PR	Form 941-X (PR), <i>Adjusted QUARTERLY Federal Tax Return or Claim for Refund (Puerto Rican Version)</i>	IRM 21.7.2.4.5.6
Form 943-PR	Form 943-X (PR), <i>Adjusted Employer's Annual Tax Return for Agricultural Employees or Claim for Refund (Puerto Rican Version)</i>	IRM 21.7.2.4.6.3
Form 944-PR	Form 944-X (PR), <i>Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund (Puerto Rican Version)</i>	IRM 21.7.2.4.7.4
Form 944(SP)	Form 944-X (SP), <i>Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund (Spanish Version)</i>	IRM 21.7.2.4.7.4

Return originally filed	Form to File to make corrections	Cross-Reference
Form CT-1	Form CT-1X, <i>Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund</i>	IRM 21.7.2.6.5.10

- (2) Taxpayers must use the applicable form that corresponds to the return type they originally filed for the tax period they are correcting.

Example: Taxpayer was a Form 944 filer for 2023 but became a Form 941 filer for 2024. If the taxpayer is correcting tax period 2023, they must file a Form 944-X to make the correction, **not** a Form 941-X.

21.7.2.4.4.2
(10-01-2017)
**Interest-Free
Adjustments
(Employment Tax
Returns)**

- (1) Employers who discover (ascertain) they have reported and paid less FICA tax, income tax withholding, or railroad retirement tax (RRTA) than was due on an original tax return may qualify for an interest-free tax adjustment under IRC 6205 and Regulation 26 CFR 31.6205-1 provisions. FICA and RRTA taxes include Additional Medicare Tax (AdMT) withheld from employees' wages and compensation.

Note: These interest-free adjustment rules do not apply to the employee representative tax reported on Form CT-2.

Caution: Income tax withholding and Additional Medicare Tax can only be corrected for prior calendar years if there was an administrative error, IRC Section 3509 rates are being applied, or as the result of an Examination. See IRM 21.7.2.4.4.3.1, *Administrative Errors* and IRM 21.7.2.5.4, *IRC Section 3509*.

- (2) An error is considered ascertained when the employer has sufficient knowledge of the error to be able to correct it.
- (3) To qualify for an interest-free tax adjustment, the employer must file the appropriate Form 94XX reporting the correction by the due date of the tax return for the tax period in which the error was ascertained. The due date is determined based on the type of tax return the employer is correcting.

Example: On August 12, 2024, an employer discovers an error with the Form 941 they filed for the 202403 tax period. They must file a Form 941-X reporting the correction by October 31, 2024 in order to qualify for an interest-free tax adjustment.

Example: On June 10, 2024, an employer discovers an error with the Form 943 they filed for the 202312 tax period. They must file a Form 943-X reporting the correction by January 31, 2025 in order to qualify for an interest-free tax adjustment.

Example: On February 18, 2024, an employer who is currently a Form 944 filer for 2024 discovers an error on a Form 941 they filed for the 202303 tax period. They must file a Form 941-X by April 30, 2024 in order to qualify

for an interest-free tax adjustment. Although they are currently a Form 944 filer, it is the original tax form which must be corrected that controls the type of adjusted form they must file and its due date. The employer in this situation cannot file a Form 944-X to make the correction and does not have until January 31, 2025 to file the adjusted tax return.

- (4) Although employers have until the due date of the tax return for the tax period in which an error was ascertained to file the applicable Form 94XX reporting an underpayment adjustment, **regulations require employers to pay any underpayment of tax by the time the adjusted tax return is filed.** Otherwise, the correction will not qualify for a **completely** interest-free tax adjustment. See the table below for more information.

If	And	Then
The employer does not file the applicable Form 94XX by the due date of the tax return for the tax period in which the error was ascertained.		The adjustment will be input with a TC 290 transaction. Interest will be due as per normal underpayment interest rules.
The employer files the applicable Form 94XX by the due date of the tax return for the tax period in which the error was ascertained.	Fully pays the underpayment owed by the time the Form 94XX is filed.	The adjustment will be input with a TC 298 transaction. No interest will be due on the amount of the underpayment reported if it is paid by the time the Form 94XX is filed.
The employer files the applicable Form 94XX by the due date of the tax return for the tax period in which the error was ascertained.	Does not fully pay the underpayment owed by the time the Form 94XX is filed.	The adjustment will be input with a TC 298 transaction. Interest will be due on the amount of the underpayment from the interest computation date to the date payment is made.

Note: Generally, applicability of FTD penalties must be considered whether an increase is input with either a TC 290 or TC 298. This is discussed in greater detail in specific handling guidance found throughout this IRM .

- (5) When inputting a TC 298, the interest computation date is the IRS received

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archived copies of this IRM for information on how interest computation dates were determined on errors ascertained prior to January 1, 2009.

Example: An employer discovers an error on February 4, 2025 and the adjustment form has an IRS received date of March 4, 2025. Enter the TC 298 with an interest computation date of March 4, 2025.

Exception: If an employer files an “X” form that is received prior to the due date of the quarter being corrected, input the due date of the quarter being corrected as the interest computation date.

Example: An employer files a Form 941-X (underpayment) correcting the 202503 tax period on April 22, 2025. The interest computation date input should be April 30, 2025, **not** April 22, 2025.

Note: The computer also uses the interest computation date of the TC 298 for the FTP penalty start date if the underpayment is not paid when the Form 94XX is filed.

- (6) No underpayment can be reported as an interest-free adjustment after receipt of the earlier of either:
- Notice and Demand for payment
 - Notice of Employment Tax Determination Under IRC Section 7436.

21.7.2.4.4.3
(10-01-2015)

**Income Tax Withholding,
Backup Withholding,
and Additional Medicare
Tax Adjustments**

- (1) After the end of the year, adjustments (increases or decreases) to income tax withholding, backup withholding (BUWH), or Additional Medicare Tax (AdMT) can only be made if the adjustment is due to an administrative error, IRC Section 3509 rates are being applied, or as the result of an Examination. Even if income tax, BUWH, or AdMT was erroneously withheld, it cannot be adjusted in a subsequent year. Tax erroneously withheld does not constitute an administrative error.

Note: See IRM 21.7.2.4.4.3.1, *Administrative Errors*, and IRM 21.7.2.5.4, *IRC Section 3509*, for additional information.

- (2) For corrections to income tax withheld, BUWH, or AdMT, the employer must:
- Submit the applicable adjustment/claim form.
 - Check the applicable certification box(es).
 - Provide a detailed explanation for the adjustment request.
- (3) Although income tax withheld and AdMT cannot be changed after the close of the calendar year except for administrative errors, IRC Section 3509 rates being applied, or Examinations, changes to “Wages, tips and other compensation” and “Taxable wages and tips subject to Additional Medicare Tax withholding” can be reported by taxpayers on Forms 94XX to account for non-administrative errors. See the specific line instructions for those items in the appropriate Form 94XX instructions for more information (e.g., for Form 941-X, see the Line 6 and Line 13 instructions in *Instructions for Form 941-X*).
- “Wages, tips and other compensation” is not an adjustable field on employment tax accounts. See IRM 21.7.2.4.5.2, *Line 2, Form 941*, for more information.
 - “Taxable wages and tips subject to Additional Medicare Tax withholding” is an adjustable field (IRN 074) for Form 941, Form 943, and Form 944 (but not Form CT-1). Changes reported by taxpayers to “Taxable wages and tips subject to Additional Medicare Tax withholding” on Form 941-X, Form 943-X, and Form 944-X (but not Form CT-1X) should be made by via IRN 074 corrections even if an AdMT tax change is not reported or cannot be made as discussed in this IRM section.

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- (4) All general guidance in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, and form/situation specific guidance (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*) applies to Forms 94XX filed reporting corrections to income tax withheld, BUWH, and AdMT. However, the following table provides additional guidance on special considerations for adjustment requests for income tax withheld, BUWH, and AdMT.

If	And	Then
A Form 94XX is filed requesting an adjustment to income tax withheld or AdMT	The correction is being made at IRC 3509 rates	Process the adjustment as requested so long as the form is complete and processable. See IRM 21.7.2.5.4, <i>IRC Section 3509</i> for processing instructions.
A quarterly Form 941-X is filed requesting an adjustment (increase or decrease) to income tax withheld or AdMT	The Form 941-X indicates the error was discovered on or before December 31 of the year for which the adjustment is requested	Process the adjustment as requested so long as the form is complete and processable. Follow the general procedures in IRM 21.7.2.4.4, <i>Adjusted Employer's Federal Tax Return or Claim for Refund</i> , and the specific procedures applicable to the type of Form 94XX filed (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.5.6.2, <i>Form 941-X Tax Decrease — Claim</i>) to make any necessary account corrections.
A Form 94XX is filed requesting an adjustment (increase or decrease) to income tax withheld, BUWH, or AdMT	The explanation section indicates the correction requested is for an administrative error or the taxpayer checked box 4c or 5d in the certification section (does not apply to Form 945-X)	Process the adjustment as requested so long as the form is complete and processable. Follow the general procedures in IRM 21.7.2.4.4, <i>Adjusted Employer's Federal Tax Return or Claim for Refund</i> , and the specific procedures applicable to the type of Form 94XX filed (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.5.6.2, <i>Form 941-X Tax Decrease — Claim</i>) to make any necessary account corrections.

If	And	Then
A Form 94XX is filed (after December 31 of the year for which the adjustment is requested) requesting a decrease to income tax withheld, BUWH, or AdMT	The explanation section indicates the correction requested is not for an administrative error.	<p>Disallow the income tax withheld, BUWH, or AdMT portion of the claim and send Letter 105C or Letter 106C(as appropriate) per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>. The following language should be used in the disallowance letter open paragraph: <i>"Amounts reported as income tax withheld, backup withholding, or Additional Medicare Tax withheld in a prior year cannot be changed unless it is to correct an administrative error, Section 3509 applies, or as the result of an examination. An administrative error occurs if the amount you entered on your tax return is not the amount you actually withheld."</i></p> <p>Caution: If the taxpayer combined tax increases with the decrease being disallowed on a single Form 94XX, all normal procedures for securing missing information (e.g., ascertained dates, revised liability schedules (if required), etc.) must be applied before adjusting the account and issuing the disallowance letter.</p>
A Form 94XX is filed (after December 31 of the year for which the adjustment is requested) requesting a decrease to income tax withheld, BUWH, or AdMT	It cannot be determined from the explanation whether the correction requested is for an administrative error.	See IRM 21.7.2.4.4 (11) for information on

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If	And	Then
A Form 94XX is filed (after December 31 of the year for which the adjustment is requested) requesting an increase to income tax withheld, BUWH, or AdMT	The explanation section indicates the correction requested is not for an administrative error	<div><div>1. Process the adjustment as requested so long as the form is complete and processable. Follow the general procedures in IRM 21.7.2.4.4, <i>Adjusted Employer's Federal Tax Return or Claim for Refund</i>, and the specific procedures applicable to the type of Form 94XX filed (e.g., if filed on Form 941-X, follow IRM 21.7.2.4.5.6.3, <i>Form 941-X Tax Increase — Adjusted Employment Tax Return</i>) to make any necessary account corrections.</div><div>2. Send Letter 4384c and include the following language in the two open paragraphs: "We have processed your Form [specify]. However, amounts reported as income tax withheld, backup withholding, or Additional Medicare Tax withheld in a prior year cannot be changed unless it is to correct an administrative error or Section 3509 applies. An administrative error occurs if the amount you entered on your tax return is not the amount you actually withheld." "If the Form [specify] you filed included a correction to income tax withheld, backup withholding, or Additional Medicare Tax withheld in a prior year which was not the result of an administrative error, you may file a new Form [specify] to request a refund or credit of the tax reported in error."</div></div>
A Form 94XX is filed (after December 31 of the year for which the adjustment is requested) requesting an increase to income tax withheld, BUWH, or AdMT	It cannot be determined from the explanation whether the correction requested is for an administrative error	See IRM 21.7.2.4.4 (11) for information on

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Reminder: See IRM 21.7.2.4.4.3.1, *Administrative Errors*, for additional information when applying the guidance provided in the table above.

21.7.2.4.4.3.1
(10-01-2015)

Administrative Errors

- (1) Administrative errors are mistakes in reporting which do not change the amount of income tax, BUWH, or Additional Medicare Tax (AdMT) actually withheld from wages or payments.

Example: An employer withheld income tax of \$7,500 from employee wages and reported the \$7,500 figure on the employees' Forms W-2. However, due to an error in addition, the employer reported \$7,900 in withholding on their Forms 941 for the year. The employer files a Form 941-X seeking a refund of \$400. This situation would constitute an administrative error.

Example: An employer withheld income tax of \$3,600 from employee wages and reported the \$3,600 figure on the employees' Forms W-2. However, due to a transposition error, the employer reported \$6,300 in withholding on their Forms 941 for the year. The employer files a Form 941-X seeking a tax abatement of \$2,700. This situation would constitute an administrative error.

Example: An employer withheld Additional Medicare Tax (AdMT) of \$1,200 from employee wages and reported the \$1,200 figure on the employees' Forms W-2. However, due to a transposition error, the employer reported \$2,100 in AdMT on their Forms 941 for the year. The employer files a Form 941-X seeking a tax abatement of \$900. This situation would constitute an administrative error.

- (2) Income tax withholding, BUWH, and Additional Medicare Tax (AdMT) cannot be corrected after the close of a tax year unless the issue constitutes an administrative error, IRC Section 3509 rates are being applied (IRM 21.7.2.5.4, *IRC Section 3509*), or as the result of an Examination. This is true even if income tax, BUWH, or AdMT was erroneously withheld.

Example: An employer withheld \$3,700 in income taxes from an employee's wages instead of \$3,400 due to an error in recording the number of allowances the employee could claim. The employer issued a Form W-2 to the employee showing the withholding figure of \$3,700. The employer subsequently files a Form 941-X requesting a refund of the \$300 erroneously withheld. This situation would **not** constitute an administrative error and the claim would not be allowable.

Example: An employer withheld \$800 in Additional Medicare Tax (AdMT) from an employee's wages instead of \$600 due to an error in determining when the employee reached the \$200,000 wage/tip threshold for AdMT withholding. The employer reported \$800 in AdMT withholding on their Form 941 and issued a Form W-2 to the employee which reported the AdMT withheld figure of \$800. The employer subsequently files a Form 941-X requesting a refund of the \$200 erroneously withheld and reported on their Form 941. This situation would **not** constitute an administrative error and the claim would not be allowable.

- (3) A situation in which income tax, BUWH, or Additional Medicare Tax (AdMT) was withheld and reported on a payment (such as a lump sum distribution) mailed to an individual who did not have the ability or legal right to receive the payment in the year the tax was withheld also constitutes an administrative error:

- a. This rule applies if a payment was returned as undeliverable in the subsequent year.
 - b. Income tax, BUWH, or Additional Medicare Tax (AdMT) withheld and the payment received by the individual must both be reported in the year the individual actually receives the payment.
- (4) See IRM 21.7.2.4.4.3, *Income Tax Withholding, Backup Withholding, and Additional Medicare Tax Adjustments*, for adjustment procedures relating to income tax withheld, backup withholding, and AdMT, including situations where wage changes can be reported for nonadministrative errors.

21.7.2.4.4.3.2
(10-01-2014)
**Withholding Tax
Adjustment When
Unable to Determine
Proper Tax Correction**

- (1) In some cases, Accounts Management cannot determine the proper tax to correct, even after taxpayer contact. Rather than adjusting FICA tax, which is held in a trust account and accrues interest, adjust income tax withholding.
- (2) Process as follows:
 - 1. Input TC 29X using IRN 003 or 111, whichever is applicable.
 - 2. Advise taxpayer of the action taken by phone, letter, or notice.

21.7.2.4.4.4
(10-01-2015)
**Social Security and
Medicare Tax
Adjustments**

- (1) Social security and Medicare tax adjustments can be made for both current and prior years providing the statute is still open.
- (2) Employers making corrections to previously reported social security and Medicare taxes **must** file the applicable "X" form to either file an adjusted employment tax return or claim for refund.
- (3) Employers are no longer permitted to use Form 843, *Claim For Refund and Request for Abatement*, to submit a claim for refund of employment taxes. However, **employees** who are unable to obtain a refund from their employer may file Form 843 to obtain a refund. See IRM 21.7.2.4.4.2, *Excess Social Security and Medicare Tax Withheld — Employee Claims for Refund*, for additional information.
- (4) For a tax decrease, the employer must check the applicable certification box(es).

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Caution: Although employers are required to calculate, withhold and report Additional Medicare Tax (AdMT) in a manner similar to other FICA taxes, the tax treatment closely follows income tax withholding procedures. AdMT cannot be corrected after the close of a tax year unless the issue constitutes an administrative error, IRC Section 3509 rates are applied, or as the result of an Examination. This is true even if AdMT was erroneously withheld. See IRM 21.7.2.4.4.3, *Income Tax Withholding, Backup Withholding, and Additional Medicare Tax Adjustments*, for more information (including situations where wage changes can be reported for nonadministrative errors) as well as IRM 21.7.2.4.4.3.1, *Administrative Errors*, and IRM 21.7.2.5.4, *IRC Section 3509*.

21.7.2.4.4.1
(04-28-2017)
**Refund or Credit of
Employer's Portion of
FICA**

- (1) For a refund or credit of **ONLY** the employer portion of FICA tax, a **certification must be present** on the appropriate Form 94XX indicating the employer has attempted to locate the employee(s) involved to repay or reimburse them in the amount of the overcollection, or to obtain their consent to the filing of the claim, but that the attempt was unsuccessful or the employee(s) would not provide consent.

Exception: This certification requirement does not apply if the only change being made is to the amount of QSB Research Credit claimed. While the allowable amount of any QSB Research Credit is limited to the employer's share of social security tax, there are no employee tax implications which result from adjustments to the QSB Research Credit. See IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities* for guidance on processing QSB Research Credit adjustment requests.

Reminder: Additional Medicare Tax (AdMT) is only imposed on the employee. There is no employer share of AdMT.

- (2) If the employer has not attempted to locate the employee(s) involved, close the case as per guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C advising the employer:
 - They must send a letter to each former employee's last known address advising them of their right to repayment.
 - For claims of overcollected FICA tax for prior years, the letter to the employee must also include a statement that if the individual wishes to be repaid, they must return a written statement to the employer stating the employee has not claimed a refund or credit of the amount of the over-collection, or, if so, such claim has been rejected, and stating the employee will not claim refund or credit of such amount on their individual income tax return.

Note: Letter 916C must be sent even if phone contact was made to explain the reason the claim cannot be processed.

- (3) If the employer follows the procedure described in (2) above and then files a new Form 94XX with the proper certification, the employer is entitled to an adjustment of the **employer's share (only)** of FICA tax with respect to any employees that could not be found or would not provide consent. Process the claim as appropriate.

21.7.2.4.4.2
(02-06-2019)
**Excess Social Security
and Medicare Tax
Withheld — Employee
Claims for Refund**

- (1) Treasury Regulations Section 31.6402(a)-2(b) provides that employees may file claims for refund of excess social security and Medicare tax collected in error when the employer has not repaid or reimbursed the employee, nor has the employee authorized employer to file a claim for refund. These claims will generally be filed on Form 843, *Claim For Refund and Request for Abatement*.

Caution: The procedures in this IRM subsection do **not** apply to excess Additional Medicare Tax (AdMT) withheld by an employer. If a claim is received for excess AdMT, disallow the claim as per the instructions in row 6 or row 7 (as appropriate) of the table in (3) below. Instruct the claimant in the

105C disallowance letter that any excessive withholding of AdMT must be claimed on a Form 1040 or Form 1040-X with attached Form 8959, *Additional Medicare Tax*.

(2) Upon receipt of a claim:

1. Review the employer's Form 941 account for the last quarter of the year in which FICA wages were paid. If necessary, review the employee's Form 1040 to verify claim information.

Reminder: Use online research tools whenever possible. Do not request tax returns from Files unless necessary.

2. The employee must include a statement from the employer indicating the employee has not authorized the employer to file a claim, nor had the employee been repaid or reimbursed by the employer for the amount overwithheld. Verify whether the required statement is attached to the Form 843.

(3) Continue processing the claim using the table below:

If	Then
The claim filed by the employee involves excess FICA withheld by more than one employer	The employee must claim the excess FICA withheld as a credit on their individual tax return. See IRM 21.6.3.4.2.4, <i>Excess Social Security and RRTA Tier I Tax Credits</i> , for more information. Return the claim to the employee using Letter 916C, <i>Claim Incomplete for Processing; No Consideration</i> . Instruct the employee that they must claim the excess FICA withheld by filing either a Form 1040, <i>U.S. Individual Income Tax Return</i> , or Form 1040-X, <i>Amended U.S. Individual Income Tax Return</i> , (depending on whether they have already filed an original tax return for the tax year in question).
A statement from the employer is not received	Return the claim to the employee using Letter 916C, <i>Claim Incomplete for Processing; No Consideration</i> , requesting they obtain the required statement. See (2) step 2 above.
There is no indication the employee has contacted the employer for reimbursement of the excess FICA withheld	Encourage the employee to obtain a refund from the employer.
The employee is unable to obtain a statement from the employer	The employee must make the statement to the best of their knowledge and belief. Note: The employee statement must include an explanation of why the employee was unable to obtain a statement from the employer.

If	Then
A claim is correctly filed with the employer's statement attached	<p>1. Input a TC 291 with HC 2 for the amount of the decrease using IRN 004 (and IRN 073 if appropriate) for the wage amount and IRN 112 for the tax amount on the last Form 941 tax account for the tax year involved.</p> <p>Exception: If there are not enough wages recorded on the last quarter of the tax year (as originally filed or as previously adjusted) to accommodate the current adjustment, adjust the latest quarter(s) within the same calendar year reflecting sufficient recorded wages to accommodate the current adjustment.</p> <p>2. Prepare Form 5792, <i>Request for IDRS Generated Refund</i>, and compute interest from the Form 941 due date or payment date, whichever is later. Enter TC 770 for amount of allowable interest figured at non-corporate rates. See IRM 20.2.4, <i>Overpayment Interest</i> and IRM 20.2.10.5.7, <i>Employee FICA Tax or RRTA Tax Withheld</i>.</p> <p>Reminder: All procedures in IRM 21.4.4, <i>Manual Refunds</i>, must be followed, including input of a TC 971 Action Code 037 to cross-reference the employee's SSN.</p> <p>3. Attach a copy of the claim to the refund document and route it to the Accounting Function.</p> <p>4. Attach the employee's claim to the adjustment document.</p>

If	Then
A claim must be disallowed	<ol style="list-style-type: none"> 1. Input TC 290 .00 in BS 98/99 (99 if electronically filed with a TRPRT print) on the individual employee's IMF tax account for the tax period which includes the period of time for which the claim is filed. 2. Send Letter 105C, <i>Claim Disallowed</i>, to the employee.
A claim must be disallowed and the individual employee's IMF tax return has not yet posted	<ol style="list-style-type: none"> 1. Send Letter 105C, <i>Claim Disallowed</i>, to the employee. 2. Push code the claim and a copy of the denial letter using TC 930. 3. After the tax return posts, the disallowed claim and original return is returned to the originator for input of the TC 290 for .00, BS 98/99 (99 if electronically filed with a TRPRT print).

Note: There are no special documentation requirements for employee FICA claims related to amounts paid to same-sex spouses which are not taxable as a result of the DOMA (*United States v. Windsor*) decision. Do **not** request a copy of a claimant's marriage certificate or information regarding the locality in which a marriage ceremony took place. See IRM 21.7.2.5.17, *DOMA (United States v. Windsor) Related Employment Tax Claims*, for information on the court decision as it relates to employment taxes.

- (4) These procedures also apply to Indian Fishing Claims citing IRC 7873 filed by individuals claiming a refund of FICA taxes on Form 843. Processing of these claims is centralized in Accounts Management (AM) at the Ogden campus. Route Indian Fishing Claims filed by individuals on Form 843 received in other operations/sites as follows:

- Route paper cases to:
Internal Revenue Service
MS 6755
1973 North Rulon White Blvd
Ogden, UT 84404
- For cases already scanned into CII, reassign to the Ogden Campus IDRS number 0445105039 or 0444105039.

21.7.2.4.4.5
(10-01-2022)
90 Day — Claim

- (1) If a taxpayer files an adjusted employment tax return within 90 days of the expiration of the period of limitations on credit or refund (Refund Statute Expiration Date or RSED), the adjustment request must be converted to a claim for refund. In general, the RSED expires three years from when the original tax return is filed, or two years from when the tax is paid, whichever is later. For employment tax returns reporting FICA taxes and federal withholding, IRC 6513 provides for special time frames for when returns are deemed filed and payments are deemed made. Tax returns and payments received on or before April 15 of the year following the calendar year for which the tax was to be reported are deemed received on April 15 of that following year. See IRM

25.6.1, *Statute of Limitations Processes and Procedures*, for additional guidance on statute considerations. The following table provides examples of when to convert adjustment requests to claims when a tax return was timely filed and all tax timely paid.

Form	Tax Period	Received Date of Original Return (timely)	Statute Expiration Date	Convert to Claim for Refund if IRS Received Date of Form 94XX is
941	202112	01-31-2022	04-15-2025	01-15-2025 or subsequent
943	202112	01-31-2022	04-15-2025	01-15-2025 or subsequent
944	202112	01-31-2022	04-15-2025	01-15-2025 or subsequent
945	202112	01-31-2022	04-15-2025	01-15-2025 or subsequent
CT-1	202112	02-28-2022	02-28-2025	12-1-2024 or subsequent

21.7.2.4.4.6
(07-28-2023)

Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted

- (1) Occasionally, a Form 941-X, Form 943-X, Form 944-X, Form 945-X, or Form CT-1X is received for a tax period for which no original return (TC 150) is posted.
- (2) In such cases, research the taxpayer's account for the missing tax return. This research should include reviewing the taxpayer's account for misapplied tax returns and unposted or rejected tax returns. If a missing return is located, take action to process or reprocess it to the proper tax account and then process the adjusted tax return as appropriate.

Reminder: If the adjusted employment tax return was scanned into Correspondence Imaging Inventory (CII) system, the tax module will reflect an E-freeze which **must** be addressed prior to closing the case. For additional information on E-freezes, see IRM 21.5.6.4.9, *E-Freeze*.

Caution: See IRM 21.7.2.4.4.13, *Forms 94XX with Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement*, for information on identifying cases with RICS/RIVO/IDT involvement and associated handling **before** applying the guidance found in (3) and (4) below.

- (3) If the missing return is not located, process as per instructions in the following table:

If	And	Then
The adjusted return was intended for another tax period for which there is a posted TC 150.		<ol style="list-style-type: none"> 1. Follow procedures in IRM 21.7.9.4.10.2, <i>TC 976 Return Posted to Incorrect TIN/ Tax Period, Account for Which It was Intended Contains the Original Return (TC 150)</i>, to resolve the E-freeze. 2. Adjust the correct account as appropriate.
An adjusted return was filed for an incorrect MFT (e.g., employer is Form 941 filer but files a Form 944-X).	The adjusted return reports a tax decrease or credit increase	<ol style="list-style-type: none"> 1. Generate Letter 4384C to the taxpayer explaining their adjusted return cannot be processed and inform them of the proper form to be filed. 2. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input.
An adjusted return was filed for an incorrect MFT (e.g., employer is Form 941 filer but files a Form 944-X).	The adjusted return reports a tax increase or credit decrease	<ol style="list-style-type: none"> 1. Follow procedures in IRM 21.7.9.4.10.2, <i>TC 976 Return Posted to Incorrect TIN/ Tax Period, Account for Which It was Intended Contains the Original Return (TC 150)</i>, to resolve the E-freeze and adjust the correct account as appropriate. 2. Generate Letter 4384C explaining that the adjustment has been made, but in the future they must file the appropriate "X" form (identify the specific form to be used) to make corrections.
Less than 60 days have passed from the return due date for the tax period for which the adjusted return was filed		<ol style="list-style-type: none"> 1. Monitor for the posting of the original return through the 60th day following the return due date. 2. If the original return posts, process the adjustment as requested on the Form 94XX as appropriate. Otherwise, continue processing per the following rows of this table.

If	And	Then
More than 60 days have passed since the return due date for the tax period for which the adjusted return was filed	The Form 94XX is a claim for non-refundable and/or refundable credits only (i.e., the Form 94XX reports no other taxable wage figures or other tax figures)	<ol style="list-style-type: none"> 1. Reject the Form 94XX. Indicate in the rejection letter that we cannot process the 94XX because we have no record of having received an original employment tax return. Advise the taxpayer to file an original return incorporating the changes reported on the Form 94XX. 2. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input. <p>Note: When rejecting the Form 94XX, follow IRM 21.5.3.4.2, <i>Tax Decrease or Credit Increase Processing</i>, and (9) in IRM 21.5.1.5.6, <i>Incomplete CII claims</i>, for the correct input of TC 971-270.</p>
More than 60 days have passed since the return due date for the tax period for which the adjusted return was filed	The adjusted employer's tax return is intended to be an original return (e.g., Column 2 of the Form 94XX is blank or contains zero figures)	<ol style="list-style-type: none"> 1. Contact the taxpayer (make two attempts to contact the taxpayer by phone if a telephone number is available) to obtain a signed copy of an original return including the corrected information along with any required schedules. 2. Suspend the case for 40 days. 3. Continue processing as per the table in (4) below for response and non-response cases.
More than 60 days have passed since the return due date for the tax period for which the adjusted return was filed	The adjusted employer's tax return is not intended to be an original return (e.g., Column 2 figures are not blank or zero)	<ol style="list-style-type: none"> 1. Contact the taxpayer (make two attempts to contact the taxpayer by phone if a telephone number is available) to obtain a signed copy of their original return along with any required schedules. Advise the taxpayer to provide proof of timely filing if that information is available. 2. Suspend the case for 40 days. 3. Continue processing as per the table in (4) below for response and non-response cases. <p>Exception: If the only change reported on the Form 94XX is to Line 6 wages (equivalent to Line 2 on Form 941), input a TC 971 AC 002 to release the E- freeze (if a TC 971 AC 010 was previously input) and close the case without contacting the taxpayer.</p>

Caution: When rejecting Forms 94XX, extreme care must be taken to ensure that only the material relative to the taxpayer(s) to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.25, *Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors*, for additional information.

- (4) Process response and non-response cases as per instructions in the following table:

If	And	Then
Taxpayer responds with copy of original return	There is no proof of timely filing	Continue processing as per the following rows of this table. However, if the copy of the return provided by the taxpayer is routed to be processed, it must be processed using the response received date as the return received date. Do not code the return to suppress penalties or interest.
Taxpayer responds with copy of original return	There is proof of timely filing	Continue processing as per the following rows of this table. However, if the copy of the return provided by the taxpayer is routed to be processed, edit the return to reflect the timely received date and attach the supporting documentation.
Taxpayer responds with copy of original return	The wage and tax figures reported match the initial figures (Column 2) of the Form 94XX.	<ol style="list-style-type: none"> 1. Process the copy of the return provided by the taxpayer as the original return (see first two rows of this table discussing proof of timely filing) and monitor for its posting. 2. When the original return posts, process the adjusted return as appropriate.
Taxpayer responds with copy of original return	The wage and tax figures reported match the corrected figures (Column 1) on the Form 94XX.	<ol style="list-style-type: none"> 1. Attach the Form 94XX to the back of the return provided by the taxpayer. Edit (in green) a line across the applicable 94XX form and notate “Do Not Detach” in the margin. 2. Process the return provided by the taxpayer as the original return (see first two rows of this table discussing proof of timely filing). 3. Ensure all applicable deposits are correctly applied. 4. If a TC 971 AC 010 was previously input, input a TC 971 AC 002 to prevent a duplicate filing condition from generating when the return posts.

If	And	Then
Taxpayer responds with copy of original return	The wage and tax figures reported don't match initial or corrected figures on Form 94XX and Form 94XX reflects a tax decrease or credit increase.	<ol style="list-style-type: none"> 1. Research for other unprocessed Forms 94XX for the same tax period. If not found, process the copy of the return provided by the taxpayer as the original return (see first two rows of this table discussing proof of timely filing). 2. Reject the Form 94XX and indicate that we are processing their original return but cannot process the 94XX because the figures don't match. 3. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input.
Taxpayer responds with copy of original return	The wage and tax figures reported don't match initial or corrected figures on Form 94XX and Form 94XX reflects a tax increase or a credit decrease	<ol style="list-style-type: none"> 1. Research for other unprocessed Forms 94XX for the same tax period. If not found, process the copy of the return provided by the taxpayer as the original return and monitor for posting (see first two rows of this table discussing proof of timely filing). 2. When the original return posts, assess tax (TC 290 or TC 298 as appropriate) per the figures in Column 1 or Column 4 of the Form 94XX (whichever will result in the highest recorded tax). 3. Generate a letter to inform the taxpayer of the action taken.

If	And	Then
Taxpayer does not respond	The Form 94XX does not report any changes to non-refundable or refundable credits	<ol style="list-style-type: none"> 1. Prepare a “dummy” return using the corrected information from the “X” form. Do not code the return to suppress penalties or interest. On the signature line, indicate “Dummy Return - Do not correspond for signature”. 2. Attach the Form 94XX to the back of the “dummy” return. Edit (in green) a line across the applicable 94XX form and notate “Do Not Detach” in the margin. 3. Process the “dummy” return as the original. 4. To the extent possible based on available information, ensure all applicable deposits are correctly applied. 5. If a TC 971 AC 010 was previously input, input a TC 971 AC 002 to prevent a duplicate filing condition from generating when the “dummy” return posts. <p>Note: Processing of the “dummy” return in this situation is not considered reprocessing. Do not attach Form 13596 when routing the “dummy” return to be processed.</p>

If	And	Then
Taxpayer does not respond	<p>The Form 94XX reports a mix of wage/tax items and either or both non-refundable/refundable credits</p> <p>Reminder: Forms 94XX reporting credit only changes for which no original return was filed are rejection criteria as per guidance in the table in (3) above.</p>	<ol style="list-style-type: none"> 1. Prepare a “dummy” return using the corrected information from the “X” form. <ul style="list-style-type: none"> • Do not enter any non-refundable or refundable credits from the Form 94XX on the dummy return. Only enter wage and tax items from the Form 94XX on the dummy return. As needed, recompute mathematical calculation lines and make appropriate entries on the dummy return to account for any credits not being allowed with the dummy return. • Do not code the return to suppress penalties or interest. • On the signature line, indicate “Dummy Return - Do not correspond for signature”. 2. Attach the Form 94XX to the back of the “dummy” return. Edit (in green) a line across the applicable 94XX form and notate “Do Not Detach” in the margin. 3. Process the “dummy” return as the original. 4. To the extent possible based on available information, ensure all applicable deposits are correctly applied. 5. If a TC 971 AC 010 was previously input, input a TC 971 AC 002 to prevent a duplicate filing condition from generating when the “dummy” return posts. 6. Send the taxpayer Letter 4384C informing them that since we did not receive a reply to our request for a copy of their original return, we are processing their Form 94XX (specify form type) as an original return but could not allow any credits claimed. Advise the taxpayer that they should file a new Form 94XX (specify form) with a copy of their original return attached if they disagree with our action. <p>Note: Processing of the “dummy” return in this situation is not considered reprocessing. Do not attach Form 13596 when routing the “dummy” return to be processed.</p>

Note: To prevent unpostable conditions UPC 381 RC 2 and UPC 305 RC 4, edit the deposits claimed line (e.g., Line 11 for Forms 941) on returns being sent

to be processed per instructions provided above to match the total credits posted to the tax module if the posted credit amount exceeds the amount claimed on the return.

Caution: Before processing a copy of a missing return provided by the taxpayer, always research the account again to verify an originally filed return was not misapplied or not processed. If found, process or reprocess the original return whenever possible rather than the copy provided by the taxpayer.

Note: Except as otherwise discussed in this IRM, taxpayers who have not filed an original return are not entitled to an interest free adjustment under the Regulations.

21.7.2.4.4.7
(10-01-2024)
**Exception Processing —
Incorrect Filing,
Including Forms Routed
to AM from SP**

- (1) The appropriate Form 94XX **must** be used to report corrections to previously reported employment taxes. However, taxpayers continue to occasionally file the incorrect return to correct errors. The guidance in the following subsections was developed to address the most common incorrect filing situations.

Note: When adjusting these accounts, **do not** use NSI 1. See IRM 21.7.1.4.2, *Notice Suppression Indicator (NSI)*.

Reminder: When following these procedures, use blocking series (BS) 20. See IRM 21.7.2.4.4 (13) for more information.

21.7.2.4.4.7.1
(10-01-2014)
**Form 94X (2009 or
subsequent revision)
with Form 94XX
Attached**

- (1) These procedures apply to Form 941-X, 943-X, 944-X, 945-X and/or CT-1X.
- (2) **Form 941 and Form 941-X received in Submission Processing (SP):** SP will verify the adjustment on Form 941-X is not being claimed on the original Form 941.
- (3) If an adjustment is taken on the original return, SP will:
 - Enter CCC “X” on the original return.
 - Send CP 102 to taxpayer explaining their adjustment request is being sent to Accounts Management (AM); and,
 - Prepare Form 3465 and route Form 941-X and copy of Form 941 to AM with a notation “941X to AM” and adjustment not processed.
- (4) If adjustment is not taken on the original, SP will prepare Form 3465 and route Form 941-X and a copy of Form 941 to AM with a notation “941X to AM” and adjustment not processed.
- (5) Once received, follow the general procedures in IRM 21.7.2.4.4, *Adjusted Employer’s Federal Tax Return or Claim for Refund*, and the specific procedures applicable to the type of Form 94XX filed (e.g., if the 941-X received is a tax decrease - claim for refund, follow IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*) to make any necessary account corrections.
- (6) Send the taxpayer Letter 4384C informing them the Form 941-X was processed but should be filed separately from their original Form 941.

- 21.7.2.4.4.7.2
(10-01-2024)
"Amended"/"Supplemental"
Form 94X
- (1)

These procedures apply to Forms 941, 943, 944, 945 and/or CT-1 marked as "amended", or "supplemental".
- (2)

Tax increase (or credit decrease): In this particular situation, the Form 94X that was filed by the taxpayer will be processed in the same manner as if the appropriate Form 94XX had been filed.

- See the general procedures in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, and the specific procedures applicable to the type of Form 94XX which should have been filed (e.g., if an amended or supplemental Form 941 is received reporting a tax increase, follow IRM 21.7.2.4.5.6.3, *Form 941-X Tax Increases - Adjusted Employment Tax Return*).
 - Use Blocking Series 20 for the adjustment.
 - Send Letter 4384C (or other letter as appropriate) explaining that the adjustment indicated on the amended/supplemental return has been made, but in the future they must file the appropriate **X** form (identify the specific form to be used) to make the adjustment.

Reminder: Adjust the tax period of the Form 94X.

(3) **Tax decrease (or credit increase):**

If	Then
	<div><div>1.</div><div>Process the decrease as a claim using Blocking Series 20 and the appropriate Hold Code. See the general procedures in IRM 21.7.2.4.4, <i>Adjusted Employer's Federal Tax Return or Claim for Refund</i>, and the specific procedures applicable to the type of Form 94XX which should have been filed (e.g., if an amended or supplemental Form 941 reporting an under tolerance decrease, follow IRM 21.7.2.4.5.6.2. <i>Form 941-X Tax Decrease - Claim</i>).</div></div> <div><div>2.</div><div>Send Letter 4384C (or other letter as appropriate) explaining that the adjustment indicated on the amended/supplemental return has been made, but in the future they must file the appropriate X form (identify the specific form to be used) to make the adjustment.</div></div>

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If	Then
	<p>Reject the return (claim) using Letter 4384C and inform the taxpayer they must file the appropriate X form (identify the specific form to be used) to make the adjustment.</p> <p>Reminder: When rejecting the return, follow IRM 21.5.3.4.2, <i>Tax Decrease or Credit Increase Processing</i>, and (9) in IRM 21.5.1.5.6, <i>Incomplete CII claims</i>, for the correct input of TC 971-270 and release of the applicable freeze code (use Blocking Series 15 if inputting a TC 290 .00 to release the -A freeze in this situation).</p> <p>Note: Extreme care must be taken to ensure that only the material relative to the taxpayer(s) to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.25, <i>Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors</i>, for additional information.</p>

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21.7.2.4.4.7.3
(10-01-2014)
**Incorrect Form 94XX
Version Filed**

- (1) Forms 941-X, 943-X and 944-X have undergone a series of successive modifications due to legislative changes. However, prior versions of Forms 941-X, 943-X and 944-X will continue to be available to the public and lines for expired or expiring tax items have been removed from newer versions of the forms. Accordingly, Accounts Management will occasionally receive adjustment requests submitted on versions of Form 94XX that do not correspond to the tax year for which the adjustment request pertains. **Do not** reject adjustment requests filed on prior versions of Form 94XX unless it is not possible to determine the correct adjustment action. Review page 2 of Form 94XX, Part 4 of Form 94XX, and any attachments to determine if information missing from Part 3 was provided in written form and process as follows:

If	And	Then
The missing information was provided in written form		Make the requested correction using general procedures in IRM 21.7.2.4.4, <i>Adjusted Employer's Federal Tax Return or Claim for Refund</i> , and per specific procedures for the form filed (e.g., Form 941-X claim filed, follow procedures in IRM 21.7.2.4.5.6.2, <i>Form 941-X Tax Decrease — Claim</i>).

If	And	Then
The missing information was not provided in written form	The Form 94XX reflects tax increases or credit decreases	make two attempts to contact the taxpayer by phone to obtain the missing information if a telephone number is available. If the missing information is provided, make the requested correction as per the first row of this table. Otherwise, assess tax based on the available information and issue Letter 4384C to explain the missing information and action taken. Also see IRM 21.5.3.4.1, <i>Tax Increase or Credit Decrease Processing</i> .
The missing information was not provided in written form	The Form 94XX reflects tax decreases or credit increases	two attempts to contact the taxpayer by phone to obtain the missing information if a telephone number is available. If the missing information is provided, make the requested correction as per the first row of this table. Otherwise, reject the Form 94XX using Letter 4384C and identify the missing information in the letter. Also see IRM 21.5.3.4.2, <i>Tax Decrease or Credit Increase Processing</i> .

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Caution: When rejecting Forms 94XX, extreme care must be taken to ensure that only the material relative to the taxpayer(s) to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.25, *Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors*, for additional information.

- 21.7.2.4.4.8
(10-01-2012)
**Adjustment Credit
Claimed — Refunded in
Error**
- (1) Sometimes a taxpayer claims a credit on a current employment tax form based on a prior tax period adjustment and overpayment.

(2) For example:

a. An adjustment was made to a prior quarter Form 941 which resulted in an overpayment.

b. The taxpayer filed a Form 941 for the current quarter taking the overpayment as a credit.

c. The current quarter Form 941 posted after a refund had been issued from the prior tax period.

d. The taxpayer returned the refund check and requested it be applied to the balance due on the current tax period.

- (3) The table below provides guidance for handling most situations where an employer returns a refund check issued from an employment tax account and requests reapplication of the credit:

If	And	Then
The overpayment was created by the filing of a Form 94XX (filed either as a claim or as an adjusted return)	The credit is being applied to the tax period in which the Form 94XX was filed	Apply the credit to the account designated by the taxpayer using a TC 830/710 as per the appropriate adjusted return procedures. For example, if Form 941-X was filed, follow the directions in Step 2 of IRM 21.7.2.4.5.6.1 (7) to determine the appropriate credit availability date.
The overpayment was created by the filing of a Form 94XX (filed either as a claim or as an adjusted return)	The credit is being applied to a tax period earlier than that in which the Form 94XX was filed	Apply the credit to the account designated by the taxpayer using a TC 820/700 with the appropriate credit availability date. See IRM 21.5.8.4.2, <i>Determining Correct Credit Transfer Format</i> , and IRM 20.2.4.3, <i>Availability Dates for Overpayments</i> , for more information.
The overpayment was created by the filing of a Form 94XX as a claim	The credit is being applied to a tax period later than that in which the Form 94XX was filed	<ol style="list-style-type: none"> 1. Apply the credit to the account designated by the taxpayer using a TC 820/700 with the appropriate credit availability date. See IRM 21.5.8.4.2, <i>Determining Correct Credit Transfer Format</i>, and IRM 20.2.4.3, <i>Availability Dates for Overpayments</i>, for more information. 2. Manually calculate and allow overpayment interest with a TC 770 and transfer the overpayment interest using TC 850/730 if appropriate. See IRM 20.2.4.6.1, <i>Interest on Offsets</i>, for more information.
The overpayment was created by the filing of a Form 94XX as an adjusted return	The credit is being applied to a tax period later than that in which the Form 94XX was filed	<ol style="list-style-type: none"> 1. Follow the directions in the first row of this table to apply the overpayment to the tax period in which the Form 94XX was filed except freeze the credit on the receiving module. 2. Follow the directions in the last row of this table to apply the credit (if available) from the module the credit was applied to in Step 1 above to the account designated by the taxpayer.

If	And	Then
The overpayment was created by any issue other than the filing of a Form 94XX (missed credit elect, penalty abatement, simple tax overpayment, etc.)	The credit is being applied to the same tax period or an earlier tax period	Apply the credit to the account designated by the taxpayer using a TC 820/700 with the appropriate credit availability date. See IRM 21.5.8.4.2, <i>Determining Correct Credit Transfer Format</i> , and IRM 20.2.4.3, <i>Availability Dates for Overpayments</i> , for more information.
The overpayment was created by any issue other than the filing of a Form 94XX (missed credit elect, penalty abatement, simple tax overpayment, etc.)	The credit is being applied to the immediately following tax period for the same MFT	Apply the credit using a TC 830/710. See (4) of IRM 21.5.8.4.2, <i>Determining Correct Credit Transfer Format</i> , for more information.
The overpayment was created by any issue other than the filing of a Form 94XX (missed credit elect, penalty abatement, simple tax overpayment, etc.)	The credit is being applied to a tax period later than that on which the overpayment exists but not to the immediately following tax period for the same MFT	<ol style="list-style-type: none">1. Apply the credit to the account designated by the taxpayer using a TC 820/700 with the appropriate credit availability date. See IRM 21.5.8.4.2, <i>Determining Correct Credit Transfer Format</i>, and IRM 20.2.4.3, <i>Availability Dates for Overpayments</i>, for more information.2. Manually calculate and allow overpayment interest with a TC 770 and transfer the overpayment interest using TC 850/730 if appropriate. See IRM 20.2.4.6.1, <i>Interest on Offsets</i>, for more information.

Exception: Normal offset rules apply to overpayments addressed in the table above. If there is an outstanding balance due on a tax period earlier than that to which the taxpayer is requesting an overpayment to be applied, apply the credit to the earliest outstanding balance due(s) instead and inform the taxpayer of the action taken.

Reminder: Credit must be available on the module to complete a credit transfer with a debit TC 820 or TC 830 transaction code. Otherwise, the credit transfer will unpost.

- 21.7.2.4.4.9
(10-01-2015)
**One Form 94XX Filed
but Two Forms 94XX
were Required**
- (1)

Employers who need to make corrections for both underreported and overreported amounts on the same tax period **cannot** combine the correction requests on a single Form 94XX when either of the following applies:
 - A refund of the overreported tax is requested using the claim process.

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Reminder: Taxpayers may net underreported and overreported amounts on one Form 94XX when the adjustment process is selected and the Form 94XX is filed more than 90 days prior to the RSED.

- (2) Process single Form 94XX filing situations where it appears two Forms 94XX were required as follows:

If	And	Then
The Form 94XX was filed more than 90 days prior to the RSED	Box 2 is checked for the claim process	<ol style="list-style-type: none"> 1. Net the corrections reported into a single adjustment and process as an adjusted employment tax return. Consider general procedures in IRM 21.7.2.4.4, <i>Adjusted Employer's Federal Tax Return or Claim for Refund</i>, and process as per the appropriate specific adjusted employment tax return procedures for the type of form filed (e.g., Form 941-X reporting net increase, follow procedures in IRM 21.7.2.4.5.6.3, <i>Form 941-X Tax Increases — Adjusted Employment Tax Return</i>). 2. If the net tax change is a decrease and credit will be applied to the tax period in which the Form 94XX was filed, issue Letter 4384C to inform the taxpayer we converted their claim to an adjusted employment tax return and indicate the quarter to which the credit is being applied.

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If	And	Then
The Form 94XX was filed within 90 days of the RSED (with either Box 1 for the adjusted employment tax return process or Box 2 for the claim process checked)	The ASED is expired and the net tax change reported on the Form 94XX is an increase	Forward the Form 94XX to the Statute function as per instructions in (1) of IRM 21.5.3.4.1, <i>Tax Increase or Credit Decrease Processing</i> .

21.7.2.4.4.10
(10-01-2015)

**Processing Multiple
Forms 94XX Filed for the
Same Tax Period**

- (1) The IRS often receives multiple Forms 94XX filed by taxpayers for a particular tax period. These may be filed over a period of time for different tax adjustment issues or at the same time due to the requirement to file separate Forms 94XX when using the adjustment process to report corrections for underreported amounts and the claim process to report corrections of overreported amounts.
- (2) The following general guidance should be considered when processing multiple Forms 94XX cases:
 - Generally, separately filed Forms 94XX cannot be combined into a single adjustment. A separate adjustment must be input for each Form 94XX filed by the taxpayer to report corrections.
 - Separately filed Forms 94XX should generally be processed in received date order whenever possible.
 - Unless there are unusual circumstances in play, it is generally advantageous to process Forms 94XX in the order in which the taxpayer intended. This can usually be determined by reviewing the beginning and ending figures reported on the Forms 94XX.
 - Taxpayers cannot net tax on separately filed Forms 94XX reporting underreported amounts and overreported amounts to determine amounts of required payments. To avoid penalties and/or interest, the entire underreported amount must be paid by the time they file the Form 94XX. If the taxpayer does not fully pay the amount of the increase reported by the time they file the Form 94XX, any overpayment arising from the separately filed claim will be offset against the tax due but does not constitute the payment required with the Form 94XX reporting the tax increase. The amount of the tax increase not paid with the Form 94XX may be subject to an FTD penalty whether the adjustment is input as a TC 290 (see IRM 20.1.4.21.3, *Amended or Supplemental (Tax Decrease or Non-Interest-Free Tax Increase)*) or as a TC 298 (see IRM 20.1.4.21.5, *Adjusted Returns (Forms 941-X, 943-X, 944-X, and CT-1X)*). Other systemically generated penalties (FTF and/or FTP) and interest may also apply.
 - Current and expected module balances must be considered when processing multiple Form 94XX cases to ensure taxpayers do not receive incorrect refunds or balance due notices. Use hold codes as appropriate. For example, if processing a decrease which will result in an overpayment and then an increase for which no payment has been received, use Hold Code 1 on the first adjustment to hold the overpayment until the increase posts.

Caution: Extreme care must be exercised to prevent barred assessments or erroneous abatements from occurring when employers file Forms 94XX

reporting both underreported amounts and overreported amounts. Unique statute of limitations issues may be encountered. It may be necessary in some circumstances to have a Statute function initiate a manual assessment of the underreported amount before processing the adjustment for the overreported amount. It should be particularly noted that a Refund Statute Expiration Date (RSED) for a tax account may remain open after the Assessment Statute Expiration Date (ASED) has expired. See IRM 25.6.1, *Statute of Limitations Processes and Procedures*, for additional guidance on handling statute imminent cases.

21.7.2.4.4.11
(08-29-2023)

**Signature Requirements
for Form 94XX
Amended/Adjusted
Employment Tax
Returns**

- (1) Forms 94XX must be signed in order to be considered processable. The table that follows provides guidance on who may sign Forms 94XX:

If	Then
Form 94XX filed by a corporation	Any of these officers may sign the Form 94XX: <ul style="list-style-type: none"> • President • Vice President • Other principal officer with authority to sign Note: The signature on the Form 94XX is evidence that the officer is authorized to sign.
Form 94XX filed by a partnership or Limited Liability Company (LLC) treated as a partnership (i.e., entity has MFT 06 filing requirements)	Any partner, member or authorized officer may sign. Note: The signature on the Form 94XX is evidence that the individual is authorized to sign.
Form 94XX filed by a sole-proprietor	The owner may sign. Note: The signature on the Form 94XX is evidence that the individual is authorized to sign. However, if the person signing is obviously not the owner (e.g., legible signature/name entered clearly does not match entity record), address the signature as per the rows below for Forms 94XX signed under a power of attorney and/or by a Reporting Agent as appropriate.
Form 94XX filed by a single-member Limited Liability Company (LLC) treated as a disregarded entity for federal income tax purposes (i.e., account has no income tax return filing requirement)	The owner/member of the LLC may sign or a principal officer duly authorized to sign Note: The signature on the Form 94XX is evidence that the individual is authorized to sign.
Form 94XX filed by an exempt organization	Any of these officers may sign: <ul style="list-style-type: none"> • Executive Director • Director/President • Vice President • Treasurer • Assistant Treasurer • Chief Accounting Officer • Any other officer with authority to sign Note: The signature on the Form 94XX is evidence that the officer is authorized to sign.
Form 94XX filed by a trust or estate	The fiduciary must sign. Note: The signature on the claim is evidence that the officer is authorized to sign.

If	Then
Form 94XX signed under a power of attorney	<p>Check Command Code CFINK to verify an authorization has been recorded for the individual signing the Form 94XX and authority to sign returns was granted.</p> <p>Note: If a Form 2848 is attached, consider the signature on the Form 94XX to be valid if there is an entry on Line 5a granting authority to sign returns. If the authorization has not been recorded, take action to forward the Form 2848 to the CAF operation as appropriate.</p> <p>Reminder: Signature authority cannot be granted via the filing of Form 8821 or via third party designation on original returns.</p>
Form 94XX signed by a Reporting Agent (i.e., “attorney in fact”, “agent”, or other title indicating individual who signed acts for a Reporting Agent firm)	<p>Check Command Code RFINK to verify an authorization has been recorded.</p> <p>Note: Reporting Agent authorizations on Form 8655 are made at the company/firm level. If there is a record of a Reporting Agent on RFINK, the signature on the Form 94XX is evidence that the individual has authority to sign for the Reporting Agent.</p>

Note: Form 5884-C and Form 5884-D signature requirements are the same as for Form 94XX.

- (2) The following table provides guidance on handling common Form 94XX signature problems:

If	And	Then
The Form 94XX is not signed	There are other conditions present which make the Form 94XX unprocessable	Reject the Form 94XX using Letter 4384C and identify all items required to perfect the filing. Advise the taxpayer to resubmit a signed, complete Form 94XX.

If	And	Then
The Form 94XX is not signed but is otherwise processable	The Form 94XX reports a net tax increase or credit decrease	<ol style="list-style-type: none"> 1. Process the adjustment requested (as appropriate) and close the case. 2. Correspond for the missing signature (and any other missing information) using Letter 143C. Advise the taxpayer in the letter that we completed the changes requested on their Form 94XX (specify form type). See IRM 21.5.3.4.1, <i>Tax Increase or Credit Decrease Processing</i>, for more information. <p>Note: Letter 143C responses will be treated as a new case.</p>
The Form 94XX is not signed but is otherwise processable	The Form 94XX reports a net tax decrease or credit increase	Reject the Form 94XX using Letter 4384C and advise the taxpayer to resubmit a complete, signed Form 94XX.
The Form 94XX indicates the person who signed did so as per a power of attorney but there is no authorization recorded granting signature authority (could not be verified via CC CFINK) and there is no Form 2848 attached granting signature authority	The Form 94XX reports a net tax increase or credit decrease	<ol style="list-style-type: none"> 1. Process the adjustment requested (as appropriate) and close the case. 2. Correspond for the taxpayer's signature (and any other missing information) using Letter 143C. Advise the taxpayer in the letter that we completed the changes requested on their Form 94XX (specify form type) but that we have no record the person who signed was authorized to do so. See IRM 21.5.3.4.1, <i>Tax Increase or Credit Decrease Processing</i>, for more information. <p>Note: Letter 143C responses will be treated as a new case.</p>
The Form 94XX indicates the person who signed did so as per a power of attorney but there is no authorization recorded granting signature authority (could not be verified via CC CFINK) and there is no Form 2848 attached granting signature authority	The Form 94XX reports a net tax decrease or credit increase	Reject the Form 94XX using Letter 4384C. Advise the taxpayer in the letter that we have no record the person who signed the form was authorized to do so and request that they resubmit a complete Form 94XX (specify form type) signed by an individual authorized to do so for their business or organization.

If	And	Then
The Form 94XX indicates the person who signed did so as a Reporting Agent (i.e., “attorney in fact”, “agent”, or other title indicating individual who signed acts for a Reporting Agent firm) but there is no authorization recorded (could not be verified via CC RFINK)	The Form 94XX reports a net tax increase or credit decrease	<ol style="list-style-type: none"> 1. Process the adjustment requested (as appropriate) and close the case. 2. Correspond for the taxpayer’s signature (and any other missing information) using Letter 143C. Advise the taxpayer in the letter that we completed the changes requested on their Form 94XX (specify form type) but that we have no record the person who signed was authorized to do so. See IRM 21.5.3.4.1, Tax Increase or Credit Decrease Processing, for more information. <p>Note: Letter 143C responses will be treated as a new case.</p>
The Form 94XX indicates the person who signed did so as a Reporting Agent (i.e., “attorney in fact”, “agent”, or other title indicating individual who signed acts for a Reporting Agent firm) but there is no authorization recorded (could not be verified via CC RFINK)	The Form 94XX reports a net tax decrease or credit increase	Reject the Form 94XX using Letter 4384C. Advise the taxpayer in the letter that we have no record the person who signed the form was authorized to do so and request that they resubmit a complete Form 94XX (specify form type) signed by an individual authorized to do so for their business or organization.

Note: Rev. Proc. 2005-39 provides guidance on the use of facsimile signatures when filing Form 94X series employment tax returns. **Do not** reject Forms 94XX or correspond for a missing signature if the Form 94XX was signed by means of a rubber stamp, mechanical device, or computer software program.

Note: When rejecting a Form 94XX, follow IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*, and (9) in IRM 21.5.1.5.6, *Incomplete CII claims*, for the correct input of TC 971-270.

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

21.7.2.4.4.12
(05-10-2023)

**Address Changes
Reported on Form 94XX
Amended/Adjusted
Employment Tax
Returns**

- (1) As per the instructions for Forms 94XX and guidance in Rev. Proc. 2010-16, the IRS will record changes of addresses reported on processable Forms 94XX. If the address shown on a Form 94XX is different than that shown on ENMOD, update the address via CC BNCHG.
- (2) The following conditions and exceptions must be considered before making an address change:
 - **Do not** update the address of record based on the filing of a Form 94XX if the Form 94XX is not signed. See IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for more information on who may sign Forms 94XX.
 - If an address change was recorded after the filing date of the Form 94XX (verify by reviewing the address change cycle (ADR-CHG-CY) field on ENMOD), **do not** update the address of record.
 - If the account shows a Z Freeze, review IRM 21.3.5-1, Referral IRM Research List, for referral guidance.
 - If the amended return involves a Fiduciary Name Change or an Address Change on Form 1041, see IRM 21.7.1.4.9, Fiduciary Name/Address Change.
 - If an abbreviation is necessary, IRM 21.7.13.7.3.8.2, Street Address Abbreviations, provides the mandatory street address abbreviations. However, it is not necessary to correct existing abbreviation errors unless accessing the entity for other address corrections.
 - Employers may authorize a Reporting Agent to file and **sign** employment tax returns on their behalf, including Forms 94XX, via the filing of Form 8655, Reporting Agent Authorization. However, Reporting Agents do not have authority to **request** address changes for their clients.

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Reminder: Any address change made on a BMF entity with open employment tax filing requirements generates a CP 148A and a CP 148B notifying the taxpayer of the action. See IRM 21.7.2.5.19, *CP 148A and CP 148B - Dual Notice of Address Change*, for more information.

- (3) If an address change was reported on Form 94XX but is not being completed (e.g., due to missing signature), send any required closing letter to the address of record. If you are not completing a requested address change **and** are not rejecting the Form 94XX, advise the taxpayer to file a file a Form 8822-B, *Change of Address or Responsible Party - Business*, when closing the case.

21.7.2.4.4.13

(11-01-2023)

Forms 94XX with Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement

- (1) This subsection provides handling guidance for Form 94XX (or duplicate filed employment tax returns being processed as a Form 94XX) when there is Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) involvement.
- (2) BMF IDT is defined as creating, using, or attempting to use a business's identifying information to obtain a tax benefit without authority. BMF IDT can involve the use of a business's information to file fraudulent returns to support Individual Master File (IMF) IDT or to obtain refunds from BMF accounts. An individual's stolen personal information can also be used to obtain an Employer Identification Number (EIN) which is used to file false BMF tax returns and income documents. BMF accounts include the following entity types: sole proprietorship, corporation, partnership, estate, trust, exempt organization, or government entity.
- (3) BMF IDT inquiries are complex and require extensive research. BMF taxpayers are often not aware their identities have been compromised until a notice is received from the IRS. The taxpayer may contact the IRS after receiving an unexpected notice regarding an inactive EIN, a recently-established EIN they have no knowledge about, or an IRS notice showing the business name was changed.
- (4) If you suspect BMF IDT on a case, refer to IRM 25.23.11.4, *Business Master File (BMF) ID Theft Research*, and IRM 25.23.11.6, *Business Master File (BMF) Identity Theft Inquiries*.
- (5) For any cases involving potential identity theft with RICS involvement, refer to IRM 25.23.11.6.3, *BMF Returns Selected for RICS Review*, for additional guidance. The following indicators (not all inclusive) may be seen on accounts:
 - TC 971 AC 711
 - TC 973
 - Open RICS control assigned to 1481055555 with activity showing potential IDT
 - Unreversed TC 971 AC 522 with MISC field "WI RICS CLSIDT"
 - AMS shows Letter 6042C response and a determination
 - Sort name line includes "POTENTIAL FAB EIN" or "Identity Theft"
 - TC 971 AC 524 on module
- (6) The following table provides guidance on handling common Form 94XX case scenarios with RICS/RIVO/IDT involvement:

If	And	Then
-R Freeze		See (2) in IRM 21.5.6.4.35, <i>-R Freeze</i> , for guidance on identifying RIVO involvement on cases with -R freezes and IRM 21.5.6.4.35.3, <i>-R Freeze Overview for Accounts With Return Integrity Verification Operations (RIVO) Involvement</i> , for associated handling guidance.

If	And	Then
E- Freeze	Open RIVO control, TC 971 AC 711, and TC 973 on module	Do not process the amended return/ duplicate return as the original. Refer to IRM 25.23.11.6.3, <i>BMF Returns Selected for RICS Review</i> , for procedures on suspending and monitoring the case until a RICS determination is made.
TC 150 and “not IDT” determination has been made	TC 971 AC 712 or TC 971 AC 713 on module	Refer to IRM 25.23.11.6.3, <i>BMF Returns Selected for RICS Review</i> , for procedures applicable to TC 971 AC 712 or TC 971 AC 713 scenarios.
IDT or Fabricated EIN determination has been made	AMS states IDT determination made or Unreversed TC 971 AC 522 (MISC contains IDTCLM, IDTDOC or CLSIDT) on module or Sort name line includes “POTENTIAL FAB EIN” or “Identity Theft”, TC 971 AC 524 on module	<ol style="list-style-type: none"> 1. Prepare Form 14566, <i>BMF Identity Theft Referral</i>. (See <i>Exhibit 25.23.11-1, Accounts Management Form 14566 Instructions</i>, for information on completing the form.) 2. Send the completed Form 14566 via secure email to the AM BMF IDT liaison at *W&I AM BMF IDT. If COVID related credits are claimed on the Form 94XX, include in subject line of the secure email the specific COVID related credit (i.e., “Sick and Family - Form 14566” or “ERC – Form 14566”). Exception: If sending an email as per this instruction and the case involves an ERC claim withdrawal request, enter “ERC - WD - Form 14566” in the subject line of the email. 3. Update the CII History Notes as follows: “Potential BMF IDT - Case referral to AM BMF IDT” 4. Suspend the case and monitor for a response from BMF IDT confirming whether they will accept the case. Do not close the case until a response is received.

21.7.2.4.5
(02-27-2013)
**Form 941, Employer’s
QUARTERLY Federal Tax
Return**

- (1) Employers who are required to withhold income tax on wages, social security tax, Medicare tax, or Additional Medicare Tax (for tax periods ending after December 31, 2012) must file Form 941 quarterly to report both the employer share and employee share of such taxes.

Exception: Certain eligible taxpayers report employment taxes annually on Form 944, *Employer’s ANNUAL Federal Tax Return*, instead of quarterly on

Form 941. See IRM 21.7.2.4.7, *Form 944, Employer's ANNUAL Federal Tax Return*, for more information.

- (2) The taxable period and due dates for Form 941 are always the same. (See below.)

Quarter Covered	Quarter Ending	Due Date
January, February, March	March 31	April 30
April, May, June	June 30	July 31
July, August, September	September 30	October 31
October, November, December	December 31	January 31

Note: The return due date for Form 941 is extended 10 days if timely deposits are made which full pay the amount of tax reported.

- (3) Form 941 has the tax year in the title. Taxpayers must be encouraged to use the correct form to ensure proper processing.

21.7.2.4.5.1
(11-21-2011)
Seasonal Employers

- (1) Seasonal employers are Form 941 filers who do not report a tax liability every quarter because they do not pay wages every quarter. They are relieved from filing tax returns for the quarters in which they have no liability.
- (2) Taxpayers who meet this criteria must check the seasonal employer box on Form 941 to establish or maintain this status.
- (3) At least one return must be filed each year.
- (4) Many seasonal employers also meet the criteria for filing Form 944, *Employer's ANNUAL Federal Tax Return*. However, seasonal employers not eligible to participate in the Form 944 program, or who have opted out of the Form 944 program, must continue to follow the instructions above. See IRM 21.7.2.4.7, *Form 944, Employer's ANNUAL Federal Tax Return*, for more information on Form 944 eligibility criteria and participation requirements.

21.7.2.4.5.2
(10-01-2015)
Line 2, Form 941

- (1) The amount from Line 2, Form 941, Wages, tips and other compensation, is identified on MF by the field name "TOTAL-COMP". It is:
- **Not** an adjustable field.
 - For research purposes **only**.
 - May be used to verify whether a taxpayer mistakenly entered this amount on Form 941-X for the purpose of computing adjustments to taxable wages.
- (2) If the only change reported on a Form 941-X is to total wages and tips (line 6 of Form 941-X), then input a TC 290 \$.00 with blocking series 20 to release the -A freeze. If there are other changes in addition to corrections to total wages and tips, adjust accordingly.

21.7.2.4.5.3
(10-01-2014)

Multiple Quarters Filed on Form 941

- (1) Sometimes an employer combines the wages for two or more quarters and reports them on a single Form 941.

Example: An employer files a Form 941 for the 202012 quarter with full payment. The Form 941 includes a notation or attached statement which indicates the employer is reporting wages and tax for the entire year.

- (2) Submission Processing (SP) has procedures in IRM 3.11.13.6, *Unprocessable Conditions*, to address this situation when identified during initial return processing.
- (3) If taxpayer contact (or a referral from SP) is received identifying a multiple quarter Form 941 filing situation, process as follows:

If	And	Then
The multiple quarter Form 941 has been posted		<p>Advise the taxpayer (use the appropriate "C" letter if working paper correspondence) to take the following actions:</p> <ol style="list-style-type: none"> 1. File a correct original Form 941 for each tax period (specify in the letter) for which wages/tax was incorrectly included on the multiple quarter Form 941. 2. File a Form 941-X to correct the tax period to which the multiple quarter Form 941 was processed (specify in the letter) and to attach a breakdown of the federal tax deposits or other payments which should be applied to the respective tax periods previously included on the multiple quarter Form 941.

If	And	Then
The multiple quarter Form 941 has not been posted	There is no indication the multiple quarter Form 941 will post (i.e., not in ERS/Rejects or was previously deleted)	<p>Advise the taxpayer (use the appropriate "C" letter if working paper correspondence) to take the following actions:</p> <ol style="list-style-type: none"> 1. File a correct original Form 941 for each tax period (specify in the letter) for which tax was incorrectly reported on the multiple quarter Form 941. 2. Submit a breakdown of the federal tax deposits or other payments which should be applied to the respective tax periods previously included on the multiple quarter Form 941. <p>Exception: If the multiple quarter Form 941 includes a breakdown of the federal tax deposits or other payments which should be applied to the respective tax periods, do not request the breakdown described in 2) above. Instead, initiate credit transfers to reapply credits as appropriate before closing the case.</p>
The multiple quarter Form 941 has not been posted	There is an indication that the multiple quarter Form 941 will post (i.e., return is in ERS/Rejects)	Monitor for posting or deletion of the return and then process as appropriate per the preceding rows in this table.

21.7.2.4.5.4
(10-18-2022)

Negative Tax Liability on Form 941

- (1) For errors discovered prior to January 1, 2009, taxpayers were instructed to adjust a prior period on a current period's return. Therefore, taxpayers could submit a tax return reporting a credit that reduced the net tax liability below zero. This would result in the current period's tax liability being recorded as a negative amount (i.e., the TC 150 posted with a negative figure).
- (2) Current programming allows for a tax adjustment to be input to reduce an existing liability below zero. However, if the tax liability is being reduced to a negative amount, any FTD penalty must be manually adjusted. See IRM 20.1.4.23, *Manual Adjustments*.

Caution: Do not reduce net module tax (sum of TC 150 and all TC 29X/30X transactions) to a negative amount on any tax period beginning on or after January 1, 2009.

- (3) The programming which allowed the posting of negative TC 150 amounts for employment tax accounts continued to be supported until June 28, 2021. Beginning June 28, 2021, programming was altered to set the TC 150 tax settlement to zero (i.e., \$0.00) if an employment tax return attempts to post reflecting a negative tax liability; all other transcribed tax data on the return is generally recorded as filed. Accordingly, this may lead to account situations wherein the tax recorded (i.e., zero) does not match the corresponding tax data reference fields. This generally occurs when an employer claims excessive nonrefundable COVID credits or excessive nonrefundable QSB Research Credit. When adjusting these accounts, it will generally be necessary to correct reference lines to match tax (i.e., zero) before completing any other tax adjustment. See IRM 21.7.2.4.1.3, *IRNs Do Not Equal TC 150*, for more information.

Caution: Prior to the programming change discussed above, some employers filed incorrect tax returns reporting excessive nonrefundable credits which were processed as filed and posted as negative TC 150 transactions. Careful consideration must be given when adjusting accounts reflecting a negative TC 150. Contact the IRM author through the campus P&A Staff for guidance if you are unable to determine correct actions to resolve a negative TC 150 case encountered in AM work.

21.7.2.4.5.5
(10-01-2013)
**Form 941 Discrepancy
— Taxpayer Files Form
941-X**

- (1) A taxpayer may disagree with a notice of additional tax assessment due to an error or discrepancy on Form 941 citing any of the following as possible cause(s):
 - Transposition of figures
 - Entry made on wrong line
 - Omission of allowable adjustment
 - Error in computation of tax
 - Erroneous withholding tax or wages reported on Form 941
- (2) A Form 941-X is required to correct information previously reported on Form 941 unless the taxpayer's response meets oral statement authority for BMF as described in (2) of IRM 21.7.1.4, *Business Master File (BMF) /Non-Master File (NMF) Adjustment Procedures*.

21.7.2.4.5.6
(10-01-2024)
**Form 941-X, Adjusted
Employer's QUARTERLY
Federal Tax Return or
Claim for Refund
(including Form 941-X
(PR))**

- (1) Form 941-X (or Form 941-X (PR)) is filed to correct income tax withholding and/or FICA tax information (including Additional Medicare Tax for tax periods beginning after December 31, 2012) previously reported on Form 941 or Form 941-SS (or Form 941 (PR)). Taxpayers can choose to file either:
 - An adjusted employment tax return, or
 - A claim
- (2) Use the applicable reference numbers to adjust tax, wages, and credits on employment tax returns. The following table shows the valid reference numbers for Form 941-X.

Item Reference Number (IRN)	Explanation
111	Federal income tax withheld from wages, tips, and other compensation (line 7 of Form 941-X - column 4).
004	Taxable social security wages (line 8 of Form 941-X - column 3 plus line 20 of Form 941-X - column 3).
005	Taxable social security tips (line 11 of Form 941-X - column 3).
073	Taxable Medicare wages and tips (line 12 of Form 941-X - column 3 plus line 21 of Form 941-X - column 3).
074	Taxable Wages & tips subject to Additional Medicare Tax withholding (line 13 of Form 941-X - column 3 plus line 22 of Form 941-X - column 3) (valid for tax periods beginning after December 31, 2012).
112	Total social security, Medicare tax, and (for tax periods beginning after December 31, 2012) Additional Medicare Tax.
114	Section 3121(q) Notice and Demand — Tax due on unreported tips (line 14 of Form 941-X - column 4). Only for MFT 01 tax periods 201103 and after.
104	Income tax withheld figured at IRC Section 3509 tax rate on Special addition to wages for federal income tax (line 19 of Form 941-X - column 4).
105	Social security, Medicare taxes, and (for tax periods beginning after December 31, 2012) Additional Medicare taxes figured at IRC Section 3509 tax rates on Special addition to wages for social security taxes, Special addition to wages for Medicare taxes, and Special addition to wages for Additional Medicare Tax (total of lines 20, 21, and 22 from Form 941-X - column 4).

Item Reference Number (IRN)	Explanation
106/107/108	Tax adjustments (line 15 of Form 941-X - column 4). See IRN 113 and Note below table.
113	Total adjustments (total of lines 15, 19, 20, 21, and 22 of Form 941-X - column 4). See IRN 106/107/108 above and Note below table. Reminder: IRN 113 must be used when adjusting IRNs 104 through 108.
119	Qualified Small Business Payroll Tax Credit for Increasing Research Activities (line 16 of Form 941-X - column 4). Note: For ease of reference, this credit is generally referred to as the “QSB Research Credit” throughout this IRM. Caution: For Form 941, IRN 119 is only valid for tax periods 201706 and later.

Note: Use Item reference numbers 106, 107, and 108 to adjust any corrections a taxpayer may have for lines 7, 8, and 9 on Form 941. If Form 941-X does not specify what is actually being corrected, use IRN 107 for total amount on line 13 - column 4. See IRM 21.7.2.4.1, *Item Reference numbers (IRNs) and Credit Reference Numbers (CRNs) - Employment Taxes*, for additional information on IRNs.

Caution: Form 941-X is revised on a regular basis and line numbers for particular adjustment items occasionally change. However, there is no requirement for the taxpayer to use the most current version of Form 941-X. Although line numbers are provided in the table above for easy reference, employees are responsible for ensuring the proper adjustment action is taken based on the form version filed by the taxpayer.

Note: Although CRN 290 is valid for MFT 01, this credit cannot be claimed or adjusted by filing a Form 941-X. This credit is only allowed during the processing of Form 5884-C and Form 5884-D. See IRM 21.7.2.5.15, *Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans, and Form 5884-D, Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters*, for more information.

Caution: See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and*

Forms 94XX, for information on IRN/CRN usage on tax accounts for 2020 and subsequent tax periods.

21.7.2.4.5.6.1
(05-10-2023)

**Form 941-X Tax
Decreases — Adjusted
Employment Tax Return**

- (1) These tax decreases involve income tax withholding and/or FICA tax (including Additional Medicare Tax for tax periods beginning after December 31, 2012).
- (2) Verify all required items on Form 941-X are complete, such as:
 - Name, address, and EIN
 - Type of return being corrected
 - Quarter being corrected
 - Calendar year being corrected
 - Box 1 in Part 1 is checked
 - Box 3 and the applicable certification is checked on line 4a, 4b or 4c in Part 2 (if required; see exception criteria in (3) below).
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).
- (3) If a certification box is not checked, make two attempts to secure the information by phone if a telephone number is available. Otherwise, follow procedures in IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*. Use Letter 4384C to reject the claim and identify the missing information in the letter.

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Exception: A line 4 certification is only required if the Form 941-X reflects changes to one or more lines 6 through 15.

Exception: See (9) in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*.

Caution: When contacting the taxpayer or authorized representative, follow taxpayer authentication guidelines in IRM 21.1.3, *Operational Guidelines Overview*. The individual contacted by phone must be authorized to prepare taxpayer's employment tax returns. Document the case history with the date, time, name of individual contacted, and information obtained from the individual.

Note: If the taxpayer checked both the adjustment certification(s) and the claim certification(s) boxes, process as an adjusted employment tax return.

Note: If the certification box checked in Part 2 is inconsistent with the process selected in Part 1, continue processing the Form 941-X based on the information provided in Part 1.

- (4) If a taxpayer files an adjusted employment tax return within 90 days of the expiration of the period of limitations, the adjustment must be converted to a claim for refund and the taxpayer must be notified. Take the following actions:

1. Notate the Form 941-X with the following text: "90 day - Claim".
 2. Process the Form 941-X per procedures in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*, and refer to IRM 21.7.2.4.4.5, *90 Day — Claim*, for additional information.
 3. Generate Letter 4384C to the taxpayer explaining the adjustment has been converted to a claim.
- (5) A decrease in tax may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A) — General*, for additional information.
- (6) Math verify adjustments to income tax, social security tax, Medicare tax, and

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also see IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for additional processing and verification requirements.

- (7) Process adjusted employment tax returns as follows:
1. Input TC 291, HC 1, BS 20 and the appropriate IRNs for the amount of decrease.

Note: Overpayments arising from adjustments made under these procedures are subject to offset. Omit Hold Code 1 with the adjustment and allow the computer to systemically offset the credit if it will be fully absorbed by an outstanding balance due. Otherwise, if conditions prevent the computer from completing the offset, or if only part of the credit needs to be offset, manual offsets using TC 820/TC 700 transactions will be required.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*.
 2. Transfer the applicable overpayment using TC 830/710 to the period in which the Form 941-X was filed.

Caution: To prevent either debit or credit interest from generating, use the later of the return due date of the tax period being adjusted or the availability date of the overpayment as the transaction date of the TC 830 and use the due date of the return the credit is being applied to as the transaction date of the TC 710. See (4) in IRM 21.5.8.4.2, *Determining Correct Credit Transfer Format*, for more information.
 3. If the entire credit is not available to be transferred, generate Letter 4384C to the taxpayer. Explain why the entire amount was not allowable (for example, there was a balance due on the tax period being adjusted or the credit is being offset to a balance due on another tax period).
- (8) If the taxpayer's filing requirement has changed from Form 944 to Form 941 or vice versa, the credit will be transferred to the filing requirement that was active for the period in which the adjusted return was filed.

21.7.2.4.5.6.2
(05-10-2023)

**Form 941-X Tax
Decrease — Claim**

- (1) These tax decreases involve income tax withholding, and/or FICA tax (including Additional Medicare Tax for tax periods beginning after December 31, 2012).
- (2) Verify all required items on Form 941-X are complete, such as:
 - Name, address, and EIN
 - Type of return being corrected
 - Quarter being corrected
 - Calendar year being corrected
 - Box 2 in Part 1 is checked
 - Box 3 and the applicable certification is checked on line 5a, 5b, 5c or 5d in Part 2 (if required; see exception criteria in (3) below).
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).
- (3) If a certification box is not checked, make two attempts to secure the information by phone if a telephone number is available. Otherwise, follow procedures in IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*. Use Letter 4384C to reject the claim and identify the missing information in the letter.

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Exception: A line 5 certification is only required if the Form 941-X reflects changes to one or more lines 6 through 15.

Exception: See (9) in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*.

Caution: When contacting the taxpayer or authorized representative, follow taxpayer authentication guidelines in IRM 21.1.3, *Operational Guidelines Overview*. The individual contacted by phone must be authorized to prepare taxpayer's employment tax returns. Document the case history with the date, time, name of individual contacted, and information obtained from the individual.

Note: If the taxpayer checked both the adjustment certification(s) and the claim certification(s) boxes, process as an adjusted employment tax return as per guidance in IRM 21.7.2.4.5.6.1, *Form 941-X Tax Decreases — Adjusted Employment Tax Return*.

Note: If the certification box checked in Part 2 is inconsistent with the process selected in Part 1, continue processing the Form 941-X based on the information provided in Part 1.

Exception: Claims filed without consent: Unless one of the exceptions above applies, if the taxpayer has not checked a box on line 5 and states (in the explanation **or** in response to our contact) they are not required to

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secure applicable certifications. In certain situations, taxpayers may not have repaid or reimbursed their employees or obtained their consents prior to filing a claim (Form 941-X). However, they must certify they have repaid or reimbursed their employees or obtained consents **before** the IRS can accept the claim. See *Instructions for Form 941-X* for more information.

- (4) A decrease in tax may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A) — General*, for additional information.
- (5) Math verify adjustments to income tax withholding, social security tax,

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QSB Research Credit, also see IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for additional processing and verification requirements.

- (6) Input TC 291, BS 20 and the appropriate IRNs for the amount of the decrease.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*.

21.7.2.4.5.6.3
(05-10-2023)
**Form 941-X Tax
Increases — Adjusted
Employment Tax Return**

- (1) These tax increases involve income tax withholding and/or FICA tax (including Additional Medicare Tax for tax periods beginning after December 31, 2012).
- (2) Verify all required items on Form 941-X are complete, such as:
 - Name, address, and EIN
 - Type of return being corrected
 - Quarter being corrected
 - Calendar year being corrected
 - Box 1 in Part 1 is checked
 - Box 3 is checked in Part 2
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).

Note: See (3) and (4) of IRM 21.5.3.4.1, *Tax Increase or Credit Decrease Process-*

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- (3) Check for the date the taxpayer discovered the error. If not entered on page 1, review the explanation to see if it was entered there.

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telephone number is available, make two attempts to contact the taxpayer by

phone to obtain the information. If the ascertained date cannot be obtained by phone, input the adjustment as a TC 290.

Exception: If you receive a Form 941-X for the immediately preceding quarter prior to the due date for the current quarter (for example, a Form 941-X reporting a tax increase for the third quarter of 2024 received on or before January 31, 2025), it is not necessary to contact the taxpayer for an ascertained date. In that situation, input a TC 298 with the applicable interest computation date. See IRM 21.7.2.4.4.2, *Interest-Free Adjustments (Employment Tax Returns)*, for more information.

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(4) Math verify adjustments to income tax withholding, social security tax,

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QSB Research Credit, also see IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for additional processing and verification requirements.

(5) Use the table below to make your adjustment(s).

If	Then
The Form 941-X was filed by the ascertained date (due date of the return for the period in which the taxpayer discovered the reporting error)	Input TC 298 and BS 20 with the correct interest computation date (INTCMP-DT). See IRM 21.7.2.4.4.2, <i>Interest-Free Adjustment (Employment Tax Returns)</i> , and example below for additional information.
The Form 941-X was not filed by the due date of the return for the return period in which the error was ascertained or “date you discovered errors” was blank or the date error was discovered was not furnished in Part 4	Input TC 290 with BS 20.

Example: An employer discovers an error on February 5, 2025 and files a Form 941-X which is received by the IRS on March 4, 2025 for the MFT 01 202412 tax period. The interest computation date would be March 4, 2025.

(6) Adjust the FTD penalty when using either a TC 290 (see IRM 20.1.4.21.3, *Amended or Supplemental (Tax Decrease or Non-Interest-Free Tax Increase)*) or a TC 298 (see IRM 20.1.4.21.5, *Adjusted Returns (Forms 941-X, 943-X, 944-X, and CT-1X)*).

Note: See IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*, when using a TC 298 or TC 290 and an amended ROFTL was provided with the adjusted return.

- (7) If payment for the additional tax reported on the Form 941-X is not reflected on the tax period being adjusted, research the taxpayer's account for the missing credit and, if located, transfer the payment as appropriate.

21.7.2.4.6
(02-09-2022)
**Form 943, Employer's
Annual Federal Tax
Return for Agricultural
Employees**

- (1) Form 943, *Employer's Annual Federal Tax Return for Agricultural Employees*, must be filed to report income tax withheld and employer and employee FICA taxes (including Additional Medicare Tax for tax periods beginning after December 31, 2012) on farm workers.
- (2) Agricultural employers with household employees who work in a private home on a farm operated for profit can either:
 - a. File Schedule H with their Form 1040 series return and report the household employees' portion of wages and taxes, or
 - b. Include the wages and taxes with farm employees on Form 943.
- (3) Form 943 is an annual return due on or before January 31 following the close of the calendar year.

Exception: The return due date for Form 943 is extended 10 days if timely deposits are made which full pay the amount of tax reported.

- (4) The Form 943 threshold for making deposits is \$2,500. Taxpayers follow either semi-weekly or monthly deposit schedules determined by the Form 943 lookback period. See IRM 20.1.4.8.2, *Lookback Periods for Employment Tax*.
- (5) Forms 943 are recorded on MFT 11 and the tax class is 1.
- (6) See (2) of IRM 21.7.2.4.6.3, *Form 943-X, Adjusted Employer's Annual Tax Return for Agricultural Employees or Claim for Refund (including Form 943-X (PR))*, for valid IRNs and CRNs used to adjust Form 943 accounts. Also see the table in (1) of IRM 21.7.2.4.1.1, *TC 29X / Item Reference Number (IRN) Valid Adjustment Formulas — Employment Taxes*, for valid Form 943 adjustment formulas.

Caution: See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for information on IRN/CRN usage on tax accounts for 2020 and subsequent tax periods.

21.7.2.4.6.1
(10-01-2020)
**Wages Subject to FICA
and Income Tax
Withholding**

- (1) All cash wages paid to farm workers are subject to FICA (including Additional Medicare Tax to the extent wages and tips paid to an employee exceed \$200,000 for a calendar year beginning after December 31, 2012) and income tax withholding during the year, if either of the two tests below is met:
 - a. Cash and non-cash wages paid during the year to all farm workers totals \$2,500 or more.
 - b. Annual cash wages of \$150 or more are paid to a farm worker (this test is applied separately to each farm worker).

- (2) Cash wages paid to a farm worker who receives less than \$150 during the year are not subject to FICA and income tax withholding, even if the total paid to all employees exceeds \$2,500 or more, if the farm worker:
- Is employed as a hand-harvest laborer
 - Is paid piece-rates in an operation usually paid on a piece-rate basis in the region of employment
 - Commutes daily from their permanent home to the farm, and
 - Had been employed in agriculture less than 13 weeks in the preceding calendar year

Note: Amounts paid to these farm workers, however, count toward the \$2,500 or more test for determining the social security and Medicare liability regarding other farm workers.

- (3) Cash wages paid to a household worker are not counted in the \$2,500 test and are not subject to FICA taxes unless the worker is paid cash wages at least equal to the threshold established by the Social Security Domestic Employment Reform Act of 1994 (SSDERA) for that particular year. Wage thresholds may be found in Pub 926, *Household Employer's Tax Guide*, for the year in question.
- (4) Foreign agricultural workers may be temporarily admitted into the United States on H-2A visas:
- Compensation paid to H-2A agricultural workers are not subject to social security or Medicare taxes. However, compensation paid to H-2A agricultural workers is counted towards the tests discussed in (1) and (2) above.
 - Employers are not required to withhold federal income tax from compensation paid to an H-2A visa agricultural worker. However, if both the employer and employee agree, federal income tax may be withheld from compensation and those amounts would be reportable on Form 943.
 - H-2A agricultural workers are eligible to obtain a Social Security Number (SSN) from the Social Security Administration (SSA) and should provide that information to the agricultural employer. An H-2A agricultural worker who fails to provide the employer with their Taxpayer Identification Number (TIN) may be subject to backup withholding (BUWH) which would be reportable on Form 945.
 - Employers must report compensation of \$600 or more paid to an H-2A agricultural worker in a calendar year for agricultural labor on Form W-2, *Wage and Tax Statement*.
 - Additional information may be found on the IRS website at: *Foreign Agricultural Workers on H-2A Visas*.

21.7.2.4.6.2
(10-01-2015)
**Incorrect Type of Return
Filed — Forms 941 and
943**

- (1) Taxpayers occasionally report employment taxes related to agricultural employees on quarterly Forms 941 instead of on an annual Form 943 as required.
- (2) When a taxpayer files Forms 941 for one or more quarters of a tax year but should have filed an annual Form 943, take the following actions to resolve the accounts:

If	And	Then
Taxpayer has filed Form 943	Previously reported employment taxes related to agricultural employees on Form 941	Advise the taxpayer (use the appropriate "C" letter if working paper correspondence) to file a Form 941-X for each quarter in which they incorrectly reported employment taxes related to agricultural employees on Form 941 and attach a statement detailing the amounts of any federal tax deposits or other payments which should be reapplied to their Form 943 tax account.
Taxpayer has not yet filed Form 943	Previously reported employment taxes related to agricultural employees on Form 941	Advise the taxpayer (use the appropriate "C" letter if working paper correspondence) to take the following actions: <ol style="list-style-type: none"> 1. File a Form 943 reflecting the correct tax for the year 2. File a Form 941-X for each quarter in which they incorrectly reported employment taxes related to agricultural employees on Form 941 and attach a statement detailing the amounts of any federal tax deposits or other payments which should be reapplied to their Form 943 tax account.

21.7.2.4.6.3
(10-01-2024)

Form 943-X, Adjusted Employer's Annual Tax Return for Agricultural Employees or Claim for Refund (including Form 943-X (PR))

- (1) Form 943-X (or Form 943-X (PR)) is filed to correct income tax withholding and/or FICA tax information (including Additional Medicare Tax for tax periods beginning after December 31, 2012) previously reported on Form 943 or Form 943 (PR). Taxpayers can choose to either file:

- An adjusted employment tax return, or
- A claim

- (2) Item Reference Numbers (IRNs) valid for Form 943-X are:

Item Reference Number (IRN)	Explanation
004	Total wages subject to social security tax (line 6 of Form 943-X - column 3 plus line 17 of Form 943-X - column 3).
073	Taxable Medicare wages and tips (line 9 of Form 943-X - column 3 plus line 18 of Form 943-X - column 3).

Item Reference Number (IRN)	Explanation
074	Taxable Wages & tips subject to Additional Medicare Tax withholding (line 10 of Form 943-X - column 3 plus line 19 of Form 943-X - column 3). Valid for tax periods beginning after December 31, 2012.
007	Total social security, Medicare tax, and (for tax periods beginning after December 31, 2012) Additional Medicare Tax (combined figures in column 4 of Form 943-X - lines 6, 9, 10, 17, 18, and 19).
003	Federal income tax withheld (line 11 of Form 943-X - column 4 plus line 16 of Form 943-X - column 4).
185	Tax adjustments (line 12 of Form 943-X - column 4). For tax periods after 200812, IRN 185 is only used on Form 943 adjustments for fractions of cents and third-party sick pay.
119	<p>Qualified Small Business Payroll Tax Credit for Increasing Research Activities</p> <p>Note: For ease of reference, this credit is generally referred to as the “QSB Research Credit” throughout this IRM.</p> <p>Caution: For Form 943, IRN 119 is only valid for tax periods 201712 and later.</p>

Caution: See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for information on IRN/CRN usage on tax accounts for 2020 and subsequent tax periods.

Caution: Form 943-X is revised on a regular basis and line numbers for particular adjustment items occasionally change. However, there is no requirement for the taxpayer to use the most current version of Form 943-X. Although line numbers are provided in the table above for easy reference, employees are responsible for ensuring the proper adjustment action is taken based on the form version filed by the taxpayer.

Caution: Although CRN 290 is valid for MFT 11, this credit cannot be claimed or adjusted by filing a Form 943-X. This credit is only allowed during the processing of Form 5884-C and Form 5884-D. See IRM 21.7.2.5.15,

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

21.7.2.4.6.3.1
(05-10-2023)

**Form 943-X Tax
Decreases — Adjusted
Employment Tax Return**

- (1) These tax decreases involve income tax withholding and/or FICA tax (including Additional Medicare Tax for tax periods beginning after December 31, 2012).
- (2) Verify all required items on Form 943-X are complete, such as:
 - Name, address, and EIN
 - Calendar year being corrected
 - Box 1 in Part 1 is checked
 - Box 3 and the applicable certification is checked on line 4a, 4b or 4c in Part 2 (if required; see exception criteria in (3) below).
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).
- (3) If a certification box is not checked, make two attempts to secure the information by phone if a telephone number is available. Otherwise, follow procedures in IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*. Use Letter 4384C to reject the claim and identify the missing information in the letter.

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Exception: A line 4 certification is only required if the Form 943-X reflects changes to one or more lines 6 through 12.

Exception: See (9) in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*.

Caution: When contacting the taxpayer or authorized representative, follow taxpayer authentication guidelines in IRM 21.1.3, *Operational Guidelines Overview*. The individual contacted by phone must be authorized to prepare taxpayer's employment tax returns. Document the case history with the date, time, name of individual contacted, and information obtained from the individual.

Note: If the taxpayer checked both the adjustment certification(s) and the claim certification(s) boxes, process as an adjusted employment tax return.

Note: If the certification box checked in Part 2 is inconsistent with the process selected in Part 1, continue processing the Form 943-X based on the information provided in Part 1.

- (4) If a taxpayer files an adjusted employment tax return within 90 days of the expiration of the period of limitations, the adjustment must be converted to a claim for refund and the taxpayer must be notified. Take the following actions:

1. Notate the Form 943-X with the following text: "90 day - Claim".
 2. Process the Form 943-X per procedures in IRM 21.7.2.4.6.3.2, *Form 943-X Tax Decreases — Claim*, and refer to IRM 21.7.2.4.4.5, *90 Day — Claim*, for additional information.
 3. Generate Letter 4384C to the taxpayer explaining the adjustment has been converted to a claim.
- (5) A decrease in tax may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A)*, for additional information.
- (6) Math verify adjustments to income tax withholding, social security tax,

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adjustment to the QSB Research Credit, also see IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for additional processing and verification requirements.

- (7) Process adjusted employment tax returns as follows:
1. Input TC 291, HC 1, BS 20 and the appropriate IRNs for the amount of decrease.

Note: Overpayments arising from adjustments made under these procedures are subject to offset. Omit Hold Code 1 with the adjustment and allow the computer to systemically offset the credit if it will be fully absorbed by an outstanding balance due. Otherwise, if conditions prevent the computer from completing the offset, or if only part of the credit needs to be offset, manual offsets using TC 820/TC 700 transactions will be required.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*.
 2. Transfer the applicable overpayment using TC 830/710 to the period in which the Form 943-X was filed.

Caution: To prevent either debit or credit interest from generating, use the later of the return due date of the tax period being adjusted or the availability date of the overpayment as the transaction date of the TC 830 and use the due date of the return the credit is being applied to as the transaction date of the TC 710. See (4) in IRM 21.5.8.4.2, *Determining Correct Credit Transfer Format*, for more information.
 3. If the entire credit is not available to be transferred, generate Letter 4384C to the taxpayer. Explain why the entire amount was not available (for example, there was a balance due on the tax period being adjusted or the credit is being offset to a balance due on another tax period).

21.7.2.4.6.3.2
(05-10-2023)
**Form 943-X Tax
Decreases — Claim**

- (1) These tax decreases involve income tax withholding and/or FICA (including Additional Medicare Tax for tax periods beginning after December 31, 2012).
- (2) Verify all required items on Form 943-X are complete, such as:
 - Name, address, and EIN
 - Calendar year being corrected
 - Box 2 in Part 1 is checked
 - Box 3 and the applicable certification is checked on line 5a, 5b, 5c or 5d in Part 2 (if required; see exception criteria in (3) below).
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).
- (3) If a certification box is not checked, make two attempts to secure the information by phone if a telephone number is available. Otherwise, follow procedures in IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*. Use Letter 4384C to reject the claim and identify the missing information in the letter.

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Exception: A line 5 certification is only required if the Form 943-X reflects changes to one or more lines 6 through 12.

Exception: See (9) in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*.

Caution: When contacting the taxpayer or authorized representative, follow taxpayer authentication guidelines in IRM 21.1.3, *Operational Guidelines Overview*. The individual contacted by phone must be authorized to prepare taxpayer's employment tax returns. Document the case history with the date, time, name of individual contacted, and information obtained from the individual.

Note: If the taxpayer checked both the adjustment certification(s) and the claim certification(s) boxes, process as an adjusted employment tax return as per guidance in IRM 21.7.2.4.6.3.1, *Form 943-X Tax Decreases — Adjusted Employment Tax Return*.

Note: If the certification box checked in Part 2 is inconsistent with the process selected in Part 1, continue processing the Form 943-X based on the information provided in Part 1.

Exception: Claims filed without consent: Unless one of the exceptions above applies, if the taxpayer has not checked a box on line 5 and states (in the explanation **or** in response to our contact) they are not required to

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secure applicable certifications. In certain situations, taxpayers may not have repaid or reimbursed their employees or obtained their consents prior to filing a claim (Form 943-X). However, they must certify they

have repaid or reimbursed their employees or obtained consents **before** the IRS can accept the claim. See *Instructions for Form 943-X* for more information.

- (4) A decrease in tax may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A)*, for additional information.
- (5) Math verify adjustments to income tax, social security tax, Medicare tax, and

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adjustment to the QSB Research Credit, also see IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for additional processing and verification requirements.

- (6) Input TC 291, BS 20 and the appropriate IRNs for the amount of the decrease.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*.

21.7.2.4.6.3.3
(05-10-2023)
**Form 943-X Tax
Increases — Adjusted
Employment Tax Return**

- (1) These tax increases involve income tax withholding and/or FICA tax (including Additional Medicare Tax for tax periods beginning after December 31, 2012).
- (2) Verify all required items on Form 943-X are complete, such as:
 - Name, address, and EIN
 - Calendar year being corrected
 - Box 1 in Part 1 is checked
 - Box 3 is checked in Part 2
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).

Note: See (3) and (4) of IRM 21.5.3.4.1, *Tax Increase or Credit Decrease Process-*

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- (3) Check for the date the taxpayer discovered the error. If not entered on page 1, review the explanation to see if it was entered there.

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telephone number is available, make two attempts to contact the taxpayer by phone to obtain the information. If the ascertained date cannot be obtained by phone, input the adjustment as a TC 290.

Exception: If you receive a Form 943-X for the immediately preceding tax year prior to the due date for the current tax year (for example, a Form 943-X reporting a tax increase for tax year 2024 received on or before

January 31, 2025), it is not necessary to contact the taxpayer for an ascertained date. In that situation, input a TC 298 with the applicable interest computation date. See IRM 21.7.2.4.4.2, *Interest-Free Adjustments (Employment Tax Returns)*, for more information.

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- (4) Math verify adjustments to income tax withholding, social security tax,

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adjustment to the QSB Research Credit, also see IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for additional processing and verification requirements.

- (5) Use the table below to make your adjustment(s).

If	Then
The Form 943-X was filed by the due date of the return for the period in which the taxpayer discovered the reporting error	Input TC 298, BS 20, and the appropriate IRNs with the correct interest computation date (INTCMP-DT). See IRM 21.7.2.4.4.2, <i>Interest-Free Adjustments (Employment Tax Returns)</i> , and example below for additional information.
The Form 943-X was not filed by the due date of the return for the return period in which the error was ascertained or “date you discovered errors” was blank or the date error was discovered was not furnished in Part 4	Input TC 290 and the appropriate IRNs with BS 20.

Example: An employer discovers an error on February 5, 2025 and files a Form 943-X which is received by the IRS on March 4, 2025 for the MFT 11 202412 tax period. The interest computation date would be March 4, 2025.

- (6) Adjust the FTD penalty when using either a TC 290 (see IRM 20.1.4.21.3, *Amended or Supplemental (Tax Decrease or Non-Interest-Free Tax Increase)*) or a TC 298 (see IRM 20.1.4.21.5, *Adjusted Returns (Forms 941-X, 943-X, 944-X, and CT-1X)*).

Note: See IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*, when using a TC 298 or TC 290 and an amended ROFTL was provided with the adjusted return.

21.7.2.4.7
(10-01-2019)

**Form 944, Employer's
ANNUAL Federal Tax
Return**

- (7) If payment for the additional tax reported on the Form 943-X is not reflected on the tax period being adjusted, research the taxpayer's account for the missing credit and, if located, transfer the payment as appropriate.

- (1) Form 944 is the annual employment tax return for small employers. Instead of filing quarterly tax returns (Form 941), certain eligible employers file an annual tax return (Form 944).
- (2) Form 944 is processed under MFT 14 and the tax class is "1". The first tax year for which Form 944 could be filed was 2006.

Caution: MFT 14 is also the MFT for Non-Master File (NMF) Form 8613, *Return of Excise Tax on Undistributed Income of Regulated Investment Companies*. When generating a "C" letter from a Form 944 account, make sure the letter contains the correct form number.

- (3) The same filing, paying, and depositing options available for Form 941 are also currently available for Form 944.
- (4) All penalties and interest applicable to Form 941 also apply to Form 944, including FTD penalties. Federal tax deposits are required for Form 944 filers who report tax of \$2,500 or more.
- (5) To qualify for the Form 944 program one of the following situations must apply:
- The taxpayer is a new employer who expects to have \$1,000 or less in employment tax liability for the calendar year.
 - The taxpayer is an existing employer who expects to have \$1,000 or less in employment tax liability for the calendar year, contacts the IRS to request to file Form 944 (rather than Form 941), and receives written notice from the IRS to file Form 944.
 - The taxpayer was required to file Form 944 for the prior year and reported \$1,000 or less in total tax liability.

Note: Domestic employers will generally have \$1,000 or less in employment tax liability if they pay wages of \$5,000 or less in a year. Employers in U.S. possessions will generally have \$1,000 or less in employment tax liability if they pay wages of \$6,536 or less in a year.

- (6) Taxpayers may either self-identify during EIN assignment or they can contact the IRS to request consideration (opt in) for the Form 944 program.
- (7) Generally, existing employers must contact the IRS by phone not later than April 1 of the current year, or send a written request postmarked by March 15th to opt in the Form 944 program. If the due date falls on a Saturday, Sunday, or legal holiday, the last day employers may call the IRS or have their written correspondence postmarked is the next business day following that Saturday, Sunday, or legal holiday.
- (8) Eligible new employers can notify the IRS on Form SS-4, *Application for Employer Identification Number*, that they would like to file Form 944 by checking the box on line 14 of this form. Alternately, they can opt in by contacting the IRS by phone not later than the first day of the month that the first required Form 941 for the current year is due or in written correspondence postmarked on or before the 15th day of the month before the first required

Form 941 is due. If the due date falls on a Saturday, Sunday, or legal holiday, the last day employers may call the IRS or have their written correspondence postmarked is the next business day following that Saturday, Sunday, or legal holiday.

- (9) Rev. Proc. 2009-51 allows employers to opt out of the Form 944 program for **any** reason so long as their request is timely made. Employers must contact the IRS by phone not later than April 1 of the current year, or send a written request postmarked by March 15th to opt out of the Form 944 program. If the due date falls on a Saturday, Sunday, or legal holiday, the last day employers may call the IRS or have their written correspondence postmarked is the next business day following that Saturday, Sunday, or legal holiday.
- (10) See IRM 21.7.2.4.7.2, *Form 944 Program — Opt-In and Opt-Out Inquiries*, for guidance on handling opt-in and opt-out inquiries. Current procedures for addressing other taxpayer inquiries regarding the Form 944 program (including associated letters and notices), as well as for processing Form 944 adjustment requests, are also found in the following subsections.

21.7.2.4.7.1
(10-01-2016)
Form 944 Cache

- (1) Form 944 filing requirements are recorded and controlled by data contained in the “Form 944 Cache”. The “Form 944 Cache” is researched on the second page of CC BMFOLE and consists of a row of calendar years and a row of cache values corresponding to each calendar year. The Form 944 Cache displays the current calendar year, the following calendar year, and the preceding eight calendar years. Valid Form 944 Cache values are as follows:
 - **“blank”**: The employer is required to file Forms 941 for the calendar year, or no filing requirement determination has yet been made for the calendar year in question.
 - **“1”**: The employer is required to file Form 944 for the calendar year in question.
 - **“2”**: The employer is required to file Form 944 for the current calendar year but will be required to file Form 941 in the following calendar year. A cache value of “2” automatically updates to a cache value of “1” at the end of the current calendar year.

Example: If CC BMFOLE for an employer reflects a *F944 CACHE YRS*: 2019 = “blank”, 2020 = “1”, 2021 = “1”, and 2022 = “2”, then the employer was required to file Forms 941 for 2019, Forms 944 for 2020 through 2022, and will be required to file Forms 941 for 2023.

- (2) Forms 941 will not post to a calendar year for which the Form 944 Cache reflects a value of “1” or “2”. And, a Form 944 will not post to a calendar year for which the Form 944 Cache reflects a “blank” value. This is true regardless of the filing requirement displayed on CC ENMOD or CC BMFOLE which should reflect *current* filing requirements. It is therefore **imperative** that the Form 944 Cache on page 2 of BMFOLE be researched any time a taxpayer inquiry is received regarding Form 944 versus Form 941 filing requirements.

Note: Form 944 Cache data is also displayed on CC ENMOD. However, it is **not recommended** that CC ENMOD be used for research purposes because the data is displayed as a string of values without a clear indication of corresponding calendar years.

(3) Throughout the following subsections there are instructions to change filing requirements when appropriate. Those references are in regards to changing Form 944 Cache values to reflect a Form 944 filing requirement or Form 941 filing requirement (as appropriate) for a particular calendar year via CC BNCHG rather than changing the separate filing requirement indicators which will display on CC ENMOD and CC BMFOLE. Changing filing requirement indicators without changing the Form 944 Cache value will have no impact on what type of return, Form 941 or Form 944, that the computer will allow to post to a given calendar year.

- See the description of CC BNCHG element “F944-YR/IND” in *Exhibit 2.4.9-13, BMF CC BNCHG General Format*, for the input format of Form 944 Cache value changes.
- The year for which the Form 944 Cache value is being changed must be input along with an indicator of “1” to turn on Form 944 requirements or “9” to turn off Form 944 requirements (as appropriate).
- If the Form 944 Cache value of more than one year needs to be corrected, separate CC BNCHG inputs must be completed for each year.

21.7.2.4.7.2
(10-01-2018)

**Form 944 Program —
Opt-In and Opt-Out
Inquiries**

(1) See (5) through (9) in IRM 21.7.2.4.7, *Form 944, Employer’s ANNUAL Federal Tax Return*, for a general discussion of Form 944 program eligibility requirements and opt-in/opt-out guidance. The chart below provides specific procedures for handling most opt-in and opt-out inquiries.

If	And	Then
Taxpayer with Form 944 filing requirements wishes to file Form 941 for the current year (opt-out) for any reason	The taxpayer contact is on or before April 1 or is in correspondence postmarked by March 15th	Change the filing requirement from Form 944 to Form 941 and issue Letter 3007C to confirm filing requirement change.
Taxpayer with Form 944 filing requirements wishes to file Form 941 for the current year (opt-out) for any reason	The taxpayer contact is after April 1 or is in correspondence postmarked after March 15th	<p>Instruct the taxpayer as follows:</p> <ol style="list-style-type: none"> 1. They must file Form 944 for the current year. 2. If their Form 944 for the current year reports tax of \$1,000 or more, they will be notified that they are no longer eligible to file Form 944. 3. They should contact us again after the close of the current year but before April 1 if they want to opt-out of filing Form 944 for the following year. <p>Exception: If the taxpayer is a new employer, see the last row of this table.</p>

If	And	Then
Taxpayer states they are not required to file an employment tax return (no employees, etc.)	An employment tax filing requirement is open	Close the open employment tax filing requirement. Note: You must verify the date the last wages were paid.
Existing Form 941 filer (or existing taxpayer with no current employment tax filing requirement) wants to file Form 944	The taxpayer contact is on or before April 1 or is in correspondence postmarked by March 15th	Review the taxpayer's Form 941 accounts for the current and preceding tax years. <ul style="list-style-type: none"> • If the tax reported for the preceding year is \$1,000 or less, change filing requirement from Form 941 to Form 944 and issue Letter 3007C to confirm filing requirement change. • If the tax reported for the preceding year is more than \$1,000, inform the taxpayer that they must file Form 941 for the current year and can request to file Form 944 for the following year if they meet eligibility requirements and contact us after the close of the year but before April 1. Note: If the tax for the preceding year was slightly over \$1,000 and account analysis indicates a decreasing tax liability, the first bullet above can be followed. However, use caution when considering this action.
Existing Form 941 filer (or existing taxpayer with no current employment tax filing requirement) wants to file Form 944	The taxpayer contact is after April 1 or is in correspondence postmarked after March 15th	Instruct the taxpayer as follows that they must file Form 941 for the current year and to contact us again after the close of the current year but before April 1 if they want to file Form 944 for the following year.

If	And	Then
Taxpayer states they are a new employer and believe their liability will not exceed \$1,000 for the year and want to file Form 944	It is any time during the year	Research CC ENMOD. If CC ENMOD shows no filing requirement prior to the current year, establish filing requirements for Form 944 (delete Form 941 filing requirements if applicable) and issue Letter 3007C to taxpayer.
The taxpayer is a new employer that received a CP 575 stating they have Form 944 filing requirements and wants to file Form 941 instead because they expect to exceed the \$1,000 threshold for the year		Change the filing requirement from Form 944 to Form 941 and issue Letter 3007C to confirm filing requirement change.

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Caution: Any time the filing requirements are changed per the above instructions, it is necessary to consider all payments previously made for the current tax year. If payments have been applied to MFT 01 for tax that will be reported on MFT 14, or if payments have been applied to MFT 14 for tax that will be reported on MFT 01, transfer those payments to the appropriate tax account and tax period.

Note: Do not change the filing requirement to Form 944 for any taxpayer that has a tax period in the preceding tax year which is in Master File status 02 or 03 (TDI status).

Reminder: Always research the “Form 944 Cache” when addressing taxpayer contacts regarding Form 944 filing requirements. See IRM 21.7.2.4.7.1, *Form 944 Cache*, for more information on researching the “Form 944 Cache” and changing filing requirements to and from Form 944.

- (2) If the taxpayer requests immediate confirmation of a filing requirement change made per the instructions in (4) above and the taxpayer will accept a hand written faxed document, notate on approved IRS fax cover sheet and sign statement indicating the taxpayer’s request for filing requirement change has been made. Make sure the filing requirement change is made prior to closing the call.

Caution: If faxing an acknowledgement, refer to IRM 11.3.1.14, *Facsimile (FAX), Electronic Facsimile (E-FAX), and IRS Internal Enterprise Electronic Facsimile (EEFAX) Transmission of Tax Information*, for proper faxing guidance.

- (3) Chief Counsel has determined that Reporting Agents (RA) are **not** permitted to request to “opt out” of the Form 944 program on behalf of their clients. **Do not** change filing requirements based on a request from an RA **unless** the RA also has a valid Power of Attorney (POA) (i.e., Form 2848) either on file or that can be faxed to us. Third-Party PIN designees are also **not** authorized to “opt out” of the Form 944 program for the taxpayer.

21.7.2.4.7.3
(05-26-2016)

**Form 944 — CP Notices
and Letters**

- (1) There are three CP notices that may be issued to employers informing them of changes to their filing requirements based on the taxes reported on their most recently processed Form 944.

- CP 250A — See IRM 21.7.2.4.7.3.1, *CP 250A*
- CP 250B — See IRM 21.7.2.4.7.3.2, *CP 250B*
- CP 250C — See IRM 21.7.2.4.7.3.3, *CP 250C*

- (2) There are also three “C” letters used for Form 944 filing requirement issues:

- Letter 3007C — Issued when changing filing requirement to or from Form 944. Instructions for sending and considering this Letter 3007C are found throughout these procedures for Form 944 issues and in IRM 21.7.2.4.7.3.4, *Taxpayer Files Form 944 or Form 941 in Error — Letter 4148C/4086C/3007C Responses*.
- Letter 4148C — Issued when a taxpayer files a Form 941 but is instead required to file Form 944. See IRM 21.7.2.4.7.3.4, *Taxpayer Files Form 944 or Form 941 in Error — Letter 4148C/4086C/3007C Responses*.
- Letter 4086C — Issued when a taxpayer files a Form 941 but is instead required to file Form 944. See IRM 21.7.2.4.7.3.4, *Taxpayer Files Form 944 or Form 941 in Error — Letter 4148C/4086C/3007C Responses*.

Reminder: Always research the “Form 944 Cache” when addressing taxpayer contacts regarding Form 944 filing requirements. See IRM 21.7.2.4.7.1, *Form 944 Cache*, for more information on researching the “Form 944 Cache” and changing filing requirements to and from Form 944.

21.7.2.4.7.3.1
(10-01-2014)
CP 250A

- (1) CP 250A is issued to taxpayers who filed Form 944 with a total reported tax liability of more than \$1,000 on line 7 **and** the Form 944 was posted in cycle 09 or earlier.
- (2) The notice instructs the taxpayer that they are no longer eligible to file Form 944 and that Form 941 must be filed quarterly for the current year. The notice also informs the taxpayer that they may be required to make federal tax deposits as appropriate.
- (3) The *Form 944 Cache* on CC BMFOLE will continue to reflect a value of “1” for the prior tax year when a CP 250A is issued to show they were eligible to file Form 944 for that tax year. However, the current year Cache value will be blank and the filing requirements will be changed to Form 941 to show that the taxpayer is no longer eligible for the Form 944 program.
- (4) Follow the chart below for inquiries from taxpayers who received CP 250A.

If	Then
The taxpayer states they want to remain in the Form 944 program and will not exceed the \$1,000 threshold in the current year	<p>Verify with the taxpayer that they will in fact have a total tax liability of \$1,000 or less for the current year. If the explanation provided is reasonable, allow the taxpayer to remain in the Form 944 program.</p> <ol style="list-style-type: none"> 1. Change the filing requirement to Form 944. 2. Issue Letter 3007C to the taxpayer for verification of filing requirement change. 3. Instruct the taxpayer of their deposit requirements. <p>Note: Taxpayers may have exceeded the \$1,000 threshold for many reasons (for example, the taxpayer corrected an administrative error from a prior year or a unique situation occurred in the preceding tax year that will not recur in the current year). However, if doubt exists do not allow the taxpayer to change back to Form 944 filing requirements for the current year.</p>
The taxpayer states they want to remain in the Form 944 program even though they will again exceed the threshold in the current year	Instruct the taxpayer that they are not eligible for the Form 944 program and must file Form 941 for the current year.

Reminder: Always research the “Form 944 Cache” when addressing taxpayer contacts regarding Form 944 filing requirements. See IRM 21.7.2.4.7.1, *Form 944 Cache*, for more information on researching the “Form 944 Cache” and changing filing requirements to and from Form 944.

21.7.2.4.7.3.2
(12-02-2014)
CP 250B

- (1) CP 250B is issued to taxpayers who filed Form 944 with a total reported tax liability on line 7 of more than \$1,000 **and** the Form 944 was posted in cycles 10 through 49.
- (2) The notice instructs the taxpayer that:
 - They must file Form 944 for the current year.
 - They may be required to make federal tax deposits as appropriate for the current year.
 - They will not be eligible to file Form 944 for the following tax year and that Form 941 must be filed quarterly for the following tax year.

Note: Taxpayers that receive CP 250B in the current year will also receive a CP 250C later in the year reminding them that they must file Form 941 quarterly for the following year. See IRM 21.7.2.4.7.3.3, *CP 250C*, for more information.

- (3) The *Form 944 Cache* on CC BMFOLE will initially reflect a value of “2” when a CP 250B is issued because a Form 944 posted in cycles 10 through 49 and the tax reported exceeds the \$1,000 threshold. This cache value allows the computer to correctly identify taxpayers who should be sent CP 250C at the

end of the year. Once the CP 250C is issued, the cache value will update for the year in which the CP 250B was issued from “2” to “1”.

Example: Taxpayer filed Form 944 for 202012 which posted after cycle 09 (in 2021) and reported a tax liability of more than \$1,000 (taxpayer will receive CP 250B). The “Form 944 Cache” for tax year 2021 is set to “2” when the 2020 return posts and will remain that value until the end of the year when Master File generates a CP 250C reminder notice to the taxpayer regarding their Form 941 filing requirement for 2019. At that time, the “2” cache value for 2018 will change to a “1” and the taxpayer’s filing requirement will be changed to Form 941 for tax year 2021.

(4) Follow the chart below for inquiries from taxpayers who received CP 250B.

If	And	Then
Taxpayer states they wish to file Form 941 for the current year	It is April 1 or prior (or postmarked on or before March 15th for written responses)	Allow the taxpayer to file Form 941 for the current year. 1. Change the filing requirement to Form 941. 2. Issue Letter 3007C to the taxpayer for verification of filing requirement change. 3. Inform taxpayer of their deposit requirements and Form 941 due dates. 4. Verify that all applicable deposits are transferred to the Form 941 account.
Taxpayer states they wish to file Form 941 for the current year	It is after April 1 (or postmarked after March 15th for written responses)	Instruct the taxpayer they must file Form 944 for the current year and that they will be required to file Form 941 quarterly for the following year.
Taxpayer contacts us in the current year and states they wish to remain in the Form 944 program for the following tax year		Inform the taxpayer that we cannot consider their request until they file their Form 944 for the current year. Instruct the taxpayer to contact us again once they have filed their Form 944 for the current year but not later than April 1 of the following year.
Taxpayer contacts us in the year following the issuance of the CP 250B and states they wish to remain in the Form 944 program for that year	The taxpayer reported a tax liability of \$1,000 or less on the Form 944 filed for the year in which the CP 250B and it is April 1 or prior (or postmarked on or before March 15th for written responses)	Allow the taxpayer to remain in the Form 944 program. 1. Change the filing requirement for the current year to Form 944. 2. Issue Letter 3007C to the taxpayer for verification of filing requirement change. 3. Instruct the taxpayer of their deposit requirements.

If	And	Then
Taxpayer contacts us in the year following the issuance of the CP 250B and states they wish to remain in the Form 944 program for that year	The taxpayer reported a tax liability of more than \$1,000 on the Form 944 filed for the year in which the CP 250B was issued or it is after April 1 (or postmarked after March 15th for written responses)	Instruct the taxpayer that they are not eligible for the Form 944 program for the current year and must file Form 941.

Note: If the due date falls on a Saturday, Sunday, or legal holiday, the last day employers may call the IRS or have their written correspondence postmarked is the next business day following that Saturday, Sunday, or legal holiday.

Reminder: Always research the “Form 944 Cache” when addressing taxpayer contacts regarding Form 944 filing requirements. See IRM 21.7.2.4.7.1, *Form 944 Cache*, for more information on researching the “Form 944 Cache” and changing filing requirements to and from Form 944.

Note: If you receive an inquiry from a taxpayer stating they filed their Form 944 and it exceeds the \$1,000 threshold and the return has not posted, **do not** change the filing requirement. Allow the Form 944 to post and the taxpayer will either receive a CP 250A or CP 250B, depending on when the 944 posts. Instruct the taxpayer to respond to the notice at that time.

21.7.2.4.7.3.3
(10-01-2014)
CP 250C

- (1) CP 250C is generated in cycle 52 and is issued to taxpayers who:
 - Received a CP 250B earlier in the year; or,
 - Filed a Form 944 reporting more than \$1,000 in total tax liability which posted after cycle 49 of the current calendar year. (Due to the timing involved, these taxpayers will receive a CP 250C but not a CP 250B.)
- (2) The notice instructs the taxpayer that they are no longer eligible to file Form 944 and that Form 941 must be filed quarterly for the current year. The notice also informs the taxpayer that they may be required to make federal tax deposits as appropriate.
- (3) Follow the chart below for inquiries from taxpayers who received CP 250C.

If	And	Then
The taxpayer states they want to remain in the Form 944 program for the current year	It is April 1 or prior	Follow the procedures for CP 250A responses provided in the table in IRM 21.7.2.4.7.3.1 (4).
The taxpayer states they want to remain in the Form 944 program for the current year	It is after April 1	Instruct the taxpayer that they are not eligible for the Form 944 program and must file Form 941 for the current year.

Reminder: Always research the “Form 944 Cache” when addressing taxpayer contacts regarding Form 944 filing requirements. See IRM 21.7.2.4.7.1,

Form 944 Cache, for more information on researching the “Form 944 Cache” and changing filing requirements to and from Form 944.

21.7.2.4.7.3.4
(11-16-2023)
**Taxpayer Files Form 944
or Form 941 in Error —
Letter
4148C/4086C/3007C
Responses**

- (1) If a taxpayer files a Form 941 in a calendar year in which they are designated as a Form 944 filer, the Form 941 unposts (Unpostable Code (UPC) 329 Reason Code (RC) 6). Similarly, if a taxpayer files a Form 944 for a year in which they are designated to file Form 941, the Form 944 will unpost (also UPC 329 RC 6).

Reminder: See IRM 21.7.2.4.7.1, *Form 944 Cache*, for information on researching the taxpayer’s filing requirement.

- (2) BMF Entity Unpostables uses an IAT tool to resolve these unposted returns. In most situations, the IAT tool resolves the unpostable based on recorded Form 944 Cache data as of when the tool is run:
- If the 944 Cache was updated to match the form filed after it unposted and before the tool is run, the tool will take action to accept the return as filed.
 - On the other hand, if the unposted return is not compatible with the 944 Cache value, the tool generally initiates action to delete the return and generates a letter informing the taxpayer of the correct return to be filed for the tax year in question.

Note: The IAT tool in question includes programming to reapply tax deposits appropriately for those unpostable cases on which it is run.

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inquiries addressed in IRM 21.7.2 procedures is generally to advise the taxpayer as to the correct tax return to be filed based on the current filing requirement reflected in the Form 944 Cache as of when the inquiry is worked. Procedures which follow below also allow for changes to filing requirements based on taxpayer responses to letters issued by the IAT tool in the limited circumstances described.

- (4) The IAT tool used by Entity Unpostables is programmed to issue the following letters:
- **Letter 4148C** is used by the tool to inform taxpayers who filed Form 941 in error that they must file Form 944 annually.
 - **Letter 4086C** is used by the tool to inform taxpayers who filed Form 944 in error that they must file Form 941 quarterly.

- **Letter 3007C** may also be used by the tool in certain circumstances to inform taxpayers who filed either Form 941 or Form 944 that their return

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(5) If you receive an inquiry concerning **Letter 4148C**, follow the procedures below:

If	And	Then
The entity reflects a TC 000 with a transaction date in the range of January 1, 2015 through September 19, 2016		See (8) below.

If	And	Then
<p>Taxpayer states that they opted out of the Form 944 program by the April 1st deadline</p> <p>Note: Taxpayer must have submitted a written request and/or made contact via phone and the request was not processed. Accept the taxpayer's word.</p>	<p>The filing requirement was not changed to Form 941 and the 944 Cache is set to the current year and request is received in the current year</p> <p>Example: Taxpayer is required to file Form 944 in 2021 and the request is received in 2021.</p>	<p>Allow the taxpayer to continue to file Form 941.</p> <ol style="list-style-type: none"> 1. Request the originally filed return from Files using the DLN (Document Locator Number) of the unpostable/rejected TC 150. If you are not able to secure the originally filed return, request a signed copy of the originally filed Form 941 from the taxpayer, via fax. (See NOTE below table.) 2. Change the filing requirement to Form 941. 3. Send Letter 3007C to confirm filing requirement change, even if resulting from a phone call. 4. Transfer all applicable deposits to the Form 941 account. 5. Send Form 941, secured from Files, for processing as the original. (If you are unable to secure the original return from Files and must use a faxed return, edit the received date on faxed forms to reflect a timely filed return. See Note below table.) <p>Exception: If you are staffing the toll-free telephone lines at a remote call site, do not follow steps 1-5 above; instead complete Form 4442/e-4442 and route to the Campus AM account paper function within your Directorate or designated campus except Puerto Rico who will send the Form 4442 to the Brookhaven Campus paper function until further notice. Include the DLN of the unpostable/rejected TC 150 on the Form 4442.</p>

If	And	Then
Taxpayer states they opted out of the 944 program by the April 1st deadline	The filing requirement was not changed to Form 941 and the 944 Cache is set to the current year and request is received in a subsequent year Example: Taxpayer is required to file Form 944 in 2020 and a request is received in 2021.	DO NOT change the filing requirement. Explain to the taxpayer they must file a Form 944 for the year in question because we are not able to change the 944 filing requirement in a subsequent year.
Taxpayer did not opt out of the 944 program by April 1st		DO NOT change the taxpayer's filing requirement to Form 941. <ol style="list-style-type: none"> 1. Instruct the taxpayer that they must file Form 944 and deposit accordingly. 2. Input history items (via CC ACTON) to document that the taxpayer did not opt out and must file Form 944. 3. Ensure all applicable deposits are applied to the 944 account. 4. Advise taxpayer that if they file a timely Form 944 and exceed the \$1,000 annual threshold, they will be notified that they are required to file a Form 941 for the next year.
Taxpayer cites any other extenuating circumstances		Refer to your manager/lead for approval.

Reminder: Always research the "Form 944 Cache" when addressing taxpayer contacts regarding Form 944 filing requirements. See IRM 21.7.2.4.7.1, *Form 944 Cache*, for more information on researching the "Form 944 Cache" and changing filing requirements to and from Form 944.

Note: If the unpostable/rejected DLN of the Form 941 is not available on IDRS, the Letter 4148C contains the DLN of the unprocessed return and can be used to request the return from Files. If you secure the originally filed return from Files and are forwarding to be processed as the original, cross out the DLN and make sure the received date is on the return.

Reminder: Only the taxpayer or their authorized representatives may "opt out" of the Form 944 program. Chief Counsel has determined that Reporting Agents are not permitted to "opt out" of the program on behalf of their clients. **Do not** change filing requirements based on a request from an RA **unless** the RA also has a valid Power of Attorney (POA) (i.e., Form

2848) either on file or that can be faxed to us. Third-Party PIN designees are also **not** authorized to “opt out” of the Form 944 program for the taxpayer.

Reminder: If the taxpayer’s filing requirement is changed based on a 4148C reply, be sure to secure any missing returns (not already filed) that need to be filed. If the taxpayer has missing Forms 941, secure the returns, preferably by fax. Once returns are received, forward for processing with the actual received date.

- (6) **Letter 4086C** responses are not common. And, the letter will generally only be issued after the close of the tax year when it is too late to opt in to the Form 944 program. If a taxpayer responds to a 4086c and states they wish to file Form 944 instead of Form 941 for the tax year in question, **do not** change the filing requirement to Form 944 **unless** the taxpayer provides a copy of a written notification from the IRS (i.e., Letter 3007C) instructing the taxpayer to file Form 944 for that tax year or there is clear documentation in the IRS records that a timely request to opt-in was made but failed to be properly acted upon by the IRS.

Exception: See (8) below if the entity reflects a TC 000 with a transaction date in the range of January 1, 2015 through September 19, 2016.

- (7) **Letter 3007C** responses are usually received by the IRS as documentation from the taxpayer to support their position with regards to filing requirements. Procedures for those cases are found throughout subsections of IRM 21.7.2.4.9, **Form 944 ANNUAL Federal Tax Return**. However, if the taxpayer is disputing the content of a 3007C letter, contact the IRM author through the campus P&A Staff for guidance on resolving the case.

Exception: See (8) below if the entity reflects a TC 000 with a transaction date in the range of January 1, 2015 through September 19, 2016.

- (8) From January 1, 2015 through September 19, 2016, a programming error existed which caused Form 944 Cache values to be incorrectly set for new business entities self-identifying as Form 944 filers during EIN assignment. Instead of setting a Cache value of “1” for the year in which the taxpayer stated they would first have wages, the computer left that year as a “blank” value in the Cache and incorrectly set a Form 944 Cache value of “1” for the **following** year (e.g., an EIN assigned to a taxpayer opting in for filing Form 944 in 2015 would have incorrectly reflected a “blank” Cache value for 2015 and a Cache value of “1” for 2016). As a result of this error, the initial Form 944 returns filed by many taxpayers have (or will), at least initially, gone unpostable. And, taxpayers who opted to file Forms 944 for their initial year but instead incorrectly filed Form 941 returns had those returns accepted as filed (instead of being rejected) due to the Cache value being “blank” instead of a “1”. Many of the incorrect filing situations created by this programming error have been, or will be, resolved by routine operation of the IAT tool described in (2), (3) and (4) above. However, due to obstacles in systemically identifying all impacted taxpayers, some account situations will only be able to be addressed in the event that an impacted taxpayer contacts us after receiving a Letter 4148C, Letter 4086C, or Letter 3007C generated by the IAT tool. Accordingly, if you receive an inquiry concerning either a Letter 4148C, Letter 4086C, or

Letter 3007C **and** there is a TC 000 posted to the entity with a transaction date in the range of January 1, 2015 through September 19, 2016, follow the procedures below:

If	And	Then
The taxpayer received a Letter 4086C instructing them to file Form 941 returns for 2015	States they requested to file Form 944 for 2015 when they applied for their EIN	<p>Allow the taxpayer to file Form 944 for 2015.</p> <ol style="list-style-type: none"> 1. Request the originally filed return from Files using the DLN (Document Locator Number) of the unpostable/rejected TC 150. If you are not able to secure the originally filed return, request a signed copy of the originally filed Form 944 from the taxpayer, via fax. 2. Change the filing requirement for 2015 to Form 944. 3. Send Letter 3007C to confirm filing requirement change, even if resulting from a phone call. 4. Transfer all applicable deposits to the Form 944 account. 5. Send Form 944, secured from Files, for processing as the original. (If you are unable to secure the original return from Files and must use a faxed return, edit the received date on faxed forms to reflect a timely filed return. <p>Exception: If you are staffing the toll-free telephone lines at a remote call site, do not follow steps 1-5 above; instead complete Form 4442/e-4442 and route to the Campus AM account paper function within your Directorate or designated campus except Puerto Rico who will send the Form 4442 to the Brookhaven Campus paper function until further notice. Include the DLN of the unpostable/Rejected TC 150 on the Form 4442.</p>

If	And	Then
The taxpayer received a Letter 4148C instructing them to file a Form 944 return for 2016	Filed Form(s) 941 for 2015 (or filed no employment tax returns for 2015) and wishes to file Form 941 for 2016	<p>Allow the taxpayer to file Form 941 for 2016.</p> <ol style="list-style-type: none"> 1. Request the originally filed return from Files using the DLN (Document Locator Number) of the unpostable/rejected TC 150. If you are not able to secure the originally filed return, request a signed copy of the originally filed Form 941 from the taxpayer, via fax. 2. Change the filing requirement for 2016 to Form 941. 3. Send Letter 3007C to confirm filing requirement change, even if resulting from a phone call. 4. Transfer all applicable deposits to the Form 941 account. 5. Send Form(s) 941, secured from Files, for processing as the original. (If you are unable to secure the original return from Files and must use a faxed return, edit the received date on faxed forms to reflect a timely filed return. <p>Exception: If you are staffing the toll-free telephone lines at a remote call site, do not follow steps 1-5 above; instead complete Form 4442/e-4442 and route to the Campus AM account paper function within your Directorate or designated campus except Puerto Rico who will send the Form 4442 to the Brookhaven Campus paper function until further notice. Include the DLN of the unpostable/Rejected TC 150 on the Form 4442.</p>

If	And	Then
The taxpayer received a Letter 4086C instructing them to file Form 941 returns for 2016	States they requested to file Form 944 for 2016 when they applied for their EIN	<p>Allow the taxpayer to file Form 944 for 2016.</p> <ol style="list-style-type: none"> 1. Request the originally filed return from Files using the DLN (Document Locator Number) of the unpostable/rejected TC 150. If you are not able to secure the originally filed return, request a signed copy of the originally filed Form 944 from the taxpayer, via fax. 2. Change the filing requirement for 2016 to Form 944. 3. Send Letter 3007C to confirm filing requirement change, even if resulting from a phone call. 4. Transfer all applicable deposits to the Form 944 account. 5. Send Form 944, secured from Files, for processing as the original. (If you are unable to secure the original return from Files and must use a faxed return, edit the received date on faxed forms to reflect a timely filed return. <p>Exception: If you are staffing the toll-free telephone lines at a remote call site, do not follow steps 1-5 above; instead complete Form 4442/e-4442 and route to the Campus AM account paper function within your Directorate or designated campus except Puerto Rico who will send the Form 4442 to the Brookhaven Campus paper function until further notice. Include the DLN of the unpostable/Rejected TC 150 on the Form 4442.</p>

If	And	Then
The taxpayer received a Letter 4148C instructing them to file a Form 944 return for 2017	Filed Form(s) 941 for 2016 (or filed no employment tax returns for 2016) and wishes to file Form 941 for 2017	<p>Allow the taxpayer to file Form 941 for 2017.</p> <ol style="list-style-type: none"> 1. Request the originally filed return from Files using the DLN (Document Locator Number) of the unpostable/rejected TC 150. If you are not able to secure the originally filed return, request a signed copy of the originally filed Form 941 from the taxpayer, via fax. 2. Change the filing requirement for 2017 to Form 941. 3. Send Letter 3007C to confirm filing requirement change, even if resulting from a phone call. 4. Transfer all applicable deposits to the Form 941 account. 5. Send Form(s) 941, secured from Files, for processing as the original. (If you are unable to secure the original return from Files and must use a faxed return, edit the received date on faxed forms to reflect a timely filed return. <p>Exception: If you are staffing the toll-free telephone lines at a remote call site, do not follow steps 1-5 above; instead complete Form 4442/e-4442 and route to the Campus AM account paper function within your Directorate or designated campus except Puerto Rico who will send the Form 4442 to the Brookhaven Campus paper function until further notice. Include the DLN of the unpostable/rejected TC 150 on the Form 4442.</p>
The taxpayer received Letter 3007C for 2015, 2016, or 2017	Disputes the filing instructions in the 3007C	Contact the IRM author through the campus P&A Staff for guidance on resolving the case.

Caution: The instructions in the table in (8) above are **only** to be followed if there is a TC 000 with transaction date in the range of January 1, 2015 through September 19, 2016.

Reminder: Always research the "Form 944 Cache" when addressing taxpayer contacts regarding Form 944 filing requirements. See IRM 21.7.2.4.7.1,

Form 944 Cache, for more information on researching the “Form 944 Cache” and changing filing requirements to and from Form 944.

21.7.2.4.7.4
(10-01-2024)

Form 944-X — Adjusted Employer’s ANNUAL Federal Tax Return or Claim for Refund (including Form 944-X (PR) and 944-X (SP))

- (1) Form 944-X (Form 944-X (PR)) is filed to correct income tax withholding and/or FICA tax information (including Additional Medicare Tax for tax periods beginning after December 31, 2012) previously reported on Form 944, Form 944-SS, Form 944(SP), or Form 944-PR. Taxpayers can choose to either file:

- An adjusted employment tax return, or
- A claim

- (2) Refer to the table below for valid item reference numbers for Form 944-X.

Item Reference Number	Explanation
111	Federal income tax withheld from wages, tips, and other compensation (line 7 of Form 944-X - column 4).
004	Taxable social security wages (line 8 of Form 944-X - column 3 plus line 19 of Form 944-X - column 3).
005	Taxable social security tips (line 11 of Form 944-X - column 3).
073	Taxable Medicare wages and tips (line 12 of Form 944-X - column 3 plus line 20 of Form 944-X - column 3).
074	Taxable Wages & tips subject to Additional Medicare Tax withholding (valid for tax periods beginning after December 31, 2012) (line 13 of Form 944-X - column 3 plus line 21 of Form 944-X - column 3).
112	Total social security, Medicare tax, and Additional Medicare Tax (for tax periods beginning after December 31, 2012).
106	Tax adjustments (line 14 of Form 944-X - column 4).
104	Income tax withheld figured at IRC Section 3509 tax rate on Special addition to wages for federal income tax (line 18 of Form 944-X - column 4).

Item Reference Number	Explanation
105	Social security, Medicare taxes, and (for tax periods beginning after December 31, 2012) Additional Medicare taxes figured at IRC Section 3509 tax rates on Special addition to wages for social security taxes, Special addition to wages for Medicare taxes, and Special addition to wages for Additional Medicare Tax (total of lines 19, 20, and 21 from Form 944-X - column 4).
113	Total adjustments (total of lines 14, 18, 19, 20, and 21 of Form 944-X - column 4). Reminder: IRN 113 must be used when adjusting IRNs 104 through 106.
119	Qualified Small Business Payroll Tax Credit for Increasing Research Activities Note: For ease of reference, this credit is generally referred to as the "QSB Research Credit" throughout this IRM. Caution: For Form 944, IRN 119 is only valid for tax periods 201712 and later.

Caution: See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for information on IRN/CRN usage on tax accounts for 2020 and subsequent tax periods.

Caution: Form 944-X is revised on a regular basis and line numbers for particular adjustment items occasionally change. However, there is no requirement for the taxpayer to use the most current version of Form 944-X. Although line numbers are provided in the table above for easy reference, employees are responsible for ensuring the proper adjustment action is taken based on the form version filed by the taxpayer.

Note: See IRM 21.7.2.4.1, *Item Reference Numbers (IRNs) and Credit Reference Numbers (CRNs) - Employment Tax*, for additional requirements with specific item reference numbers.

Caution: Although CRN 290 is valid for MFT 14, this credit cannot be claimed or adjusted by filing a Form 944-X. This credit is only allowed during the processing of Form 5884-C and Form 5884-D. See IRM 21.7.2.5.15, *Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans, and Form 5884-D, Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters*, for more information.

(3) Line 1 of Form 944, wages tips and other compensation, is the equivalent of Line 2 on Form 941. The same considerations and adjustment procedures discussed in IRM 21.7.2.4.5.2, *Line 2, Form 941*, apply to adjustments to Line 1 of Form 944 reported on Form 944-X.

21.7.2.4.7.4.1
(05-10-2023)
**Form 944-X Decreases
— Adjusted Employment
Tax Return**

- (1) These tax decreases involve income tax withholding and/or FICA (including Additional Medicare Tax for tax periods beginning after December 31, 2012).
- (2) Verify all required items on Form 944-X are complete, such as:
 - Name, address, and EIN
 - Type of return being corrected
 - Calendar year being corrected
 - Box 1 in Part 1 is checked
 - Box 3 and the applicable certification is checked on line 4a, 4b or 4c in Part 2 (if required; see exception criteria in (3) below).
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).
- (3) If a certification box is not checked, make two attempts to secure the information by phone if a telephone number is available. Otherwise, follow procedures in IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*. Use Letter 4384C to reject the claim and identify the missing information in the letter.

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Exception: A line 4 certification is only required if the Form 944-X reflects changes to one or more lines 6 through 14.

Exception: See (9) in IRM 21.7.2.4.4, *Adjusted Employer’s Federal Tax Return or Claim for Refund*.

Caution: When contacting the taxpayer or authorized representative, follow taxpayer authentication guidelines in IRM 21.1.3, *Operational Guidelines Overview*. The individual contacted by phone must be authorized to prepare taxpayer’s employment tax returns. Document the case history with the date, time, name of individual contacted, and information obtained from the individual.

Note: If the taxpayer checked both the adjustment certification(s) and the claim certification(s) boxes, process as an adjusted employment tax return.

Note: If the certification box checked in Part 2 is inconsistent with the process selected in Part 1, continue processing the Form 944-X based on the information provided in Part 1.

- (4) If a taxpayer files an adjusted employment tax return within 90 days of the expiration of the period of limitations, the adjustment must be converted to a claim for refund and the taxpayer must be notified. Take the following actions:
 1. Notate the Form 944-X with the following text: "90 day - Claim".
 2. Process the Form 944-X per procedures in IRM 21.7.2.4.7.4.2, *Form 944-X Decreases — Claim*, and refer to IRM 21.7.2.4.4.5, *90 Day — Claim*, for additional information.
 3. Generate Letter 4384C to the taxpayer explaining the adjustment has been converted to a claim.
- (5) A decrease in tax may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A) - General*, for additional information.
- (6) Math verify adjustments to income tax, social security tax, Medicare tax, and

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adjustment to the QSB Research Credit, also see IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for additional processing and verification requirements.

- (7) Process adjusted employment tax returns as follows:
 1. Input TC 291, HC 1, BS 20 and the appropriate IRNs for the amount of decrease.

Note: Overpayments arising from adjustments made under these procedures are subject to offset. Omit Hold Code 1 with the adjustment and allow the computer to systemically offset the credit if it will be fully absorbed by an outstanding balance due. Otherwise, if conditions prevent the computer from completing the offset, or if only part of the credit needs to be offset, manual offsets using TC 820/TC 700 transactions will be required.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*.

2. Transfer the applicable overpayment using TC 830/TC 710 to the period in which the Form 944-X was filed.

Caution: To prevent either debit or credit interest from generating, use the later of the return due date of the tax period being adjusted or the availability date of the overpayment as the transaction date of the TC 830 and use the due date of the return the credit is being applied to as the transaction date of the TC 710. See (4) in IRM 21.5.8.4.2, *Determining Correct Credit Transfer Format*, for more information.

3. If the entire credit is not available to be transferred, generate Letter 4384C to the taxpayer. Explain why the entire amount was not available

(for example, there was a balance due on the tax period being adjusted or the credit is being offset to a balance due on another tax period).

- (8) If the taxpayer's filing requirement has changed from Form 944 to Form 941 or vice versa, the credit will be transferred to the filing requirement that was active for the period in which the adjusted return was filed.

21.7.2.4.7.4.2
(05-10-2023)

**Form 944-X Decreases
— Claim**

- (1) These tax decreases involve income tax withholding and/or FICA tax (including Additional Medicare Tax for tax periods beginning after December 31, 2012).
- (2) Verify all required items on Form 944-X are complete, such as:
- Name, address, and EIN
 - Type of return being corrected
 - Calendar year being corrected
 - Box 2 in Part 1 is checked
 - Box 3 and the applicable certification is checked on line 5a, 5b, 5c or 5d in Part 2 (if required; see exception criteria in (3) below).
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).
- (3) If a certification box is not checked, make two attempts to secure the information by phone if a telephone number is available. Otherwise, follow procedures in IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*. Use Letter 4384C to reject the claim and identify the missing information in the letter.

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Exception: A line 5 certification is only required if the Form 944-X reflects changes to one or more lines 6 through 14.

Exception: See (9) in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*.

Caution: When contacting the taxpayer or authorized representative, follow taxpayer authentication guidelines in IRM 21.1.3, *Operational Guidelines Overview*. The individual contacted by phone must be authorized to prepare taxpayer's employment tax returns. Document the case history with the date, time, name of individual contacted, and information obtained from the individual.

Note: If the taxpayer checked both the adjustment certification(s) and the claim certification(s) boxes, process as an adjusted employment tax return as per guidance in IRM 21.7.2.4.7.4.1, *Form 944-X Decreases — Adjusted Employment Tax Return*.

Note: If the certification box checked in Part 2 is inconsistent with the process selected in Part 1, continue processing the Form 944-X based on the information provided in Part 1.

Exception: Claims filed without consent: Unless one of the exceptions above applies, if the taxpayer has not checked a box on line 5 and states (in the explanation **or** in response to our contact) they are not required to

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secure applicable certifications. In certain situations, taxpayers may not have repaid or reimbursed their employees or obtained their consents prior to filing a claim (Form 944-X). However, they must certify they have repaid or reimbursed their employees or obtained consents **before** the IRS can accept the claim. See *Instructions for Form 944-X* for more information.

(4) A decrease in tax may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A) — General*, for additional information.

(5) Math verify adjustments to income tax, social security tax, Medicare tax, and

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adjustment to the QSB Research Credit, also see IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for additional processing and verification requirements.

(6) Input TC 291, BS 20 and the appropriate IRNs for the amount of the decrease.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*.

21.7.2.4.7.4.3
(05-10-2023)

**Form 944-X Increases —
Adjusted Employment
Tax Return**

(1) These tax increases involve income tax withholding and/or FICA tax (including Additional Medicare Tax for tax periods beginning after December 31, 2012).

(2) Verify all required items on Form 944-X are complete, such as:

- Name, address, and EIN
- Type of return being corrected
- Calendar year being corrected
- Box 1 in Part 1 is checked
- Box 3 is checked in Part 2
- Detailed explanation (see IRM 21.7.2.4.4 (11))
- Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).

Note: See (3) and (4) of IRM 21.5.3.4.1, *Tax Increase or Credit Decrease Process-*

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(3) Check for the date the taxpayer discovered the error. If not entered on page 1, review the explanation.

telephone number is available, make two attempts to contact the taxpayer by phone to obtain the information. If the ascertained date cannot be obtained by phone, input the adjustment as a TC 290.

Exception: If you receive a Form 944-X for the immediately preceding tax year prior to the due date for the current tax year (for example, a Form 944-X reporting a tax increase for tax year 2024 received on or before January 31, 2025), it is not necessary to contact the taxpayer for an ascertained date. In that situation, input a TC 298 with the applicable interest computation date. See IRM 21.7.2.4.4.2, *Interest-Free Adjustments (Employment Tax Returns)*, for more information.

(4) Math verify adjustments to income tax withholding, social security tax,

adjustment to the QSB Research Credit, also see IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for additional processing and verification requirements.

(5) Use the table below to make your adjustment(s).

If	Then
Return is filed by the due date of the return for the period in which the taxpayer discovered the reporting error	Input TC 298, BS 20 and the correct interest computation date (INTCMP-DT). See IRM 21.7.2.4.4.2, <i>Interest-Free Adjustments (Employment Tax Returns)</i> , and example below for additional information.
Return is not filed by the due date of the return for the return period in which the error was ascertained or “date you discovered errors” was blank or the date error was discovered was not furnished in Part 4	Input TC 290 with BS 20.

Example: An employer discovers an error on February 5, 2025 and files a Form 944-X which is received by the IRS on March 4, 2025 for the MFT 14 202412 tax period. The interest computation date would be March 4, 2025.

- (6) Adjust the FTD penalty when using either a TC 290 (see IRM 20.1.4.21.3, *Amended or Supplemental (Tax Decrease or Non-Interest-Free Tax Increase)*) or a TC 298 (see IRM 20.1.4.21.5, *Adjusted Returns (Forms 941-X, 943-X, 944-X, and CT-1X)*).

Note: See IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*, when using a TC 298 or TC 290 and an amended ROFTL was provided with the adjusted return.

- (7) Be sure any payments are credited to period(s) where the tax is being assessed.

21.7.2.4.8
(10-01-2012)
**Form 945, Annual
Return of Withheld
Federal Income Tax**

- (1) Form 945, *Annual Return of Withheld Federal Income Tax*, must be filed to report backup withholding (BUWH) and income tax withheld from non-payroll items, such as:

- Pensions
- Annuities
- IRAs
- Military retirement
- Gambling winnings
- Indian Gaming Profits

Note: As a general rule, all income tax withholding and BUWH (backup withholding) reported on Forms 1099 or W-2G must be reported on Form 945.

- (2) Form 945 is an annual return due January 31 following the close of the calendar year.

Exception: The return due date for Form 945 is extended 10 days if timely deposits are made which full pay the amount of tax reported.

- (3) A taxpayer is required to file Form 945 only for a calendar year in which the taxpayer is required to withhold tax required to be reported on Form 945.
- (4) The threshold for making deposits for Form 945 is \$2,500. Form 945 tax deposit requirements are separate from Form 941. They cannot be combined. Taxpayers follow either semi-weekly or monthly deposit schedules determined by the Form 945 lookback period. See IRM 20.1.4, *Failure to Deposit Penalty*.
- (5) Forms 945 are recorded on MFT 16 and the tax class is 1.
- (6) Valid IRNs for Form 945 are 003 (federal income tax withheld) and 008 (BUWH).

Note: IRN 184 (adjustment of withheld income tax) was valid for Form 945 for tax periods 199512 through 200812.

21.7.2.4.8.1
(10-01-2011)
**Form 945-X — Adjusted
Annual Return of
Withheld Federal Income
Tax or Claim for Refund**

- (1) Form 945-X is filed to correct income tax withholding and/or BUWH information previously reported on Form 945. Taxpayers can choose to either file:

- An adjusted return of withheld federal income tax, or
- A claim

Note: If the taxpayer does not check a box in Part 1 (or checks both boxes) and the Form 945-X reflects a tax decrease, make two attempts to contact the taxpayer by phone (if a telephone number is available) to determine whether they intended to follow the adjustment process or the claim process. If unable to contact the taxpayer by phone, process as an adjusted employment tax return.

Reminder: When contacting the taxpayer or authorized representative, follow taxpayer authentication guidelines in IRM 21.1.3, *Operational Guidelines Overview*.

(2) *Adjustments on Form 945-X can only be made if they are the result of an administrative error.*

- a. See IRM 21.7.2.4.4.3.1, **Administrative Errors**, for more information on administrative errors.
- b. Even if income tax or BUWH was erroneously withheld, it cannot be corrected in a subsequent year. This includes erroneous withholding on IRAs.
- c. The amount withheld must be reported on Form 945-X under the same EIN as was actually used to do the withholding. Withholding amounts cannot be transferred or delegated to different EINs, unless such action involves a successor employer.

Example: The mutual fund industry has an “industry practice” involving transfer agents where one agent has control of an account and withholds taxes for part of the year. Another agent may take control of the account and withhold taxes for the remainder of the year. The industry practice is for the agent in control of the account at the end of the year to report all taxes withheld. This **CANNOT** be done. Each agent must report and deposit the amount of tax withheld under their own EIN and issue a Form 1099. Any requests for adjustments involving this practice must be denied. Input TC 290 .00 in block 98 (without return) or 99 (with return) and issue Letter 105C or 106C as appropriate.

(3) Item reference numbers valid for Form 945-X are 003 and/or 008.

21.7.2.4.8.1.1
(05-10-2023)

**Form 945-X Decreases
— Adjusted Employment
Tax Return**

- (1) These tax decreases involve income tax withholding and/or BUWH.
- (2) Verify all required items on Form 945-X are complete, such as:
 - Name, address, and EIN
 - Calendar year being corrected
 - Box 1 in Part 1 is checked
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).
- (3) If a taxpayer files an adjusted employment tax return within 90 days of the expiration of the period of limitations, the adjustment must be converted to a claim for refund and the taxpayer must be notified. Take the following actions:
 1. Notate the Form 945-X with the following text: “90 day - Claim”.

2. Process the Form 945-X per procedures in IRM 21.7.2.4.8.1.2, *Form 945-X Decreases — Claim*, and refer to IRM 21.7.2.4.4.5, *90 Day — Claim*, for additional information.
3. Generate Letter 4384C to the taxpayer explaining the adjustment has been converted to a claim.
- (4) A decrease in tax may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A) — General*, for additional information.
- (5) Math verify adjustments to income tax and/or BUWH.
- (6) Process adjusted employment tax returns as follows:

1. Input TC 291, HC 1, BS 20 and the appropriate IRNs (003 and/or 008) for the amount of decrease.

Note: Overpayments arising from adjustments made under these procedures are subject to offset. Omit Hold Code 1 with the adjustment and allow the computer to systemically offset the credit if it will be fully absorbed by an outstanding balance due. Otherwise, if conditions prevent the computer from completing the offset, or if only part of the credit needs to be offset, manual offsets using TC 820/TC 700 transactions will be required.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*.

2. Transfer the applicable overpayment using TC 830/710 to the period in which the Form 945-X was filed.

Caution: To prevent either debit or credit interest from generating, use the later of the return due date of the tax period being adjusted or the availability date of the overpayment as the transaction date of the TC 830 and use the due date of the return the credit is being applied to as the transaction date of the TC 710. See (4) in IRM 21.5.8.4.2, *Determining Correct Credit Transfer Format*, for more information.

3. If the entire credit is not available to be transferred, generate Letter 4384C to the taxpayer. Explain why the entire amount was not available (for example, there was a balance due on the tax period being adjusted or the credit is being offset to a balance due on another tax period).

21.7.2.4.8.1.2
(05-10-2023)
**Form 945-X Decreases
— Claim**

- (1) These tax decreases involve income tax withholding and/or BUWH.
- (2) Verify all required items on Form 945-X are complete, such as:
 - Name, address, and EIN
 - Calendar year being corrected
 - Box 2 in Part 1 is checked
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).
- (3) A decrease in tax may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A) — General*, for additional information.

- (4) Math verify adjustments to income tax and/or BUWH.
- (5) Input TC 291, BS 20 and the appropriate IRNs (003 and/or 008) for the amount of the decrease.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*.

21.7.2.4.8.1.3
(05-10-2023)
**Form 945-X Increases —
Adjusted Employment
Tax Return**

- (1) These tax increases involve income tax withholding and/or BUWH.
- (2) Verify all required items on Form 945-X are complete, such as:
 - Name, address, and EIN
 - Calendar year being corrected
 - Box 1 in Part 1 is checked
 - Detailed explanation (see IRM 21.7.2.4.4 (11))
 - Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).

Note: See (3) and (4) of IRM 21.5.3.4.1, *Tax Increase or Credit Decrease Process-*

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- (3) Check for the date the taxpayer discovered the error. If not entered on page 1, review the explanation.

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telephone number is available, make two attempts to contact the taxpayer by phone to obtain the information. If the ascertained date cannot be obtained by phone, input the adjustment as a TC 290.

Exception: If you receive a Form 945-X for the immediately preceding tax year prior to the due date for the current tax year (for example, a Form 945-X reporting a tax increase for tax year 2024 received on or before January 31, 2025), it is not necessary to contact the taxpayer for an ascertained date. In that situation, input a TC 298 with the applicable interest computation date. See IRM 21.7.2.4.4.2, *Interest-Free Adjustments (Employment Tax Returns)*, for more information.

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- (4) Math verify adjustments to income tax and/or BUWH.
- (5) Use the table below to make your adjustment(s).

If	Then
The Form 945-X was filed by the due date of the return for the period in which the taxpayer discovered the reporting error	Input TC 298, BS 20, IRN 003 and/or IRN 008 as appropriate, and the correct interest computation date (INTCMP-DT). See IRM 21.7.2.4.4.2, <i>Interest-Free Adjustments (Employment Tax Returns)</i> , and example below for additional information.
The Form 945-X was not filed by the due date of the return for the return period in which the error was ascertained or “date you discovered errors” was blank or the date error was discovered was not furnished in Part 4	Input TC 290 with BS 20 along with IRN 003 and/or IRN 008 as appropriate.

Example: An employer discovers an error on February 5, 2025 and files a Form 945-X which is received by the IRS on March 4, 2025 for the MFT 16 202412 tax period. The interest computation date would be March 4, 2025.

- (6) Adjust the FTD penalty when using either a TC 290 (see IRM 20.1.4.21.3, *Amended or Supplemental (Tax Decrease or Non-Interest-Free Tax Increase)*) or a TC 298 (see IRM 20.1.4.21.5, *Adjusted Returns (Forms 941-X, 943-X, 944-X, and CT-1X)*).

Note: See IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*, when using a TC 298 or TC 290 and an amended ROFTL was provided with the adjusted return.

- (7) If payment for the additional tax reported on the Form 945-X is not reflected on the tax period being adjusted, research the taxpayer’s account for the missing credit and, if located, transfer the payment as appropriate.

21.7.2.4.8.2
(10-01-2014)
**Taxpayer Reports
Non-Payroll Withholding
on Incorrect Form**

- (1) Non-payroll items including backup withholding and withholding for pensions, annuities, gambling winnings, Individual Retirement Account (IRA), 401K, military pensions, etc., are required to be reported on Form 945, *Annual Return of Withheld Federal Income Tax*. However, taxpayers occasionally report these amounts on an incorrect tax form. If taxpayer contact (or a referral from SP) is received identifying a situation in which non-payroll items were reported on Form 941, process as follows:

If	And	Then
Taxpayer has filed Form 945	Previously reported non-payroll withholding on Form 941	Advise the taxpayer (use the appropriate "C" letter if working paper correspondence) to file a Form 941-X for each quarter in which they incorrectly reported non-payroll withholding on Form 941 and attach a statement detailing the amounts of any federal tax deposits or other payments which should be reapplied to their Form 945 tax account.
Taxpayer has not yet filed Form 945	Previously reported non-payroll withholding on Form 941	Advise the taxpayer (use the appropriate "C" letter if working paper correspondence) to take the following actions: <ol style="list-style-type: none"> 1. File a Form 945 reflecting the correct non-payroll withholding for the tax year 2. File a Form 941-X for each quarter in which they incorrectly reported non-payroll withholding on Form 941 and attach a statement detailing the amounts of any federal tax deposits or other payments which should be reapplied to their Form 945 tax account.
Taxpayer files Form 941 indicating non-payroll items were included on the return	Code & Edit (C&E) identifies the situation	As per procedures in (4) of IRM 3.11.13.14, C&E will correspond with the taxpayer to determine their intent. If the taxpayer's reply indicates they should have filed Form 945, C&E will forward the Form 941 to Accounts Management on Form 3465 indicating "Non-payroll on Form 941" Take the following actions to resolve the situation: <ol style="list-style-type: none"> 1. If appropriate, delete the filing requirements for Form 941 and establish Form 945 filing requirements. 2. Return the Form 941 to the taxpayer using the appropriate "C" letter and inform the taxpayer of their correct filing requirements. 3. Input credit transfers as appropriate to move credits from the Form 941 account to the Form 945 account.

21.7.2.4.8.3
(10-01-2018)

**Backup Withholding
(BUWH) Claims on Form
945**

- (1) Backup withholding (BUWH) is imposed under IRC 3406 on certain reportable payments as defined in IRC 3406(b), such as interest and dividends, if a condition for backup withholding exists. The BUWH tax rate is 28% of reportable payments made in tax years 2003 through 2017 and 24% of reportable payments made in tax year 2018 or in subsequent tax years. Once withheld, BUWH must generally be deposited and reported by the payor on Form 945.
- (2) Payments described in IRC 3406(g) are exempt from BUWH. On occasion, a payor may incorrectly withhold the tax from exempt payments or exempt recipients:
 - If the error is discovered and the payor refunds the amount withheld to the payee before the close of the calendar year in which the BUWH occurred, the payor should report only the correct amount of BUWH on their Form 945. The payor should also report the correct amount of tax deposits made on their Form 945 and any resulting overpayment will be automatically refunded or offset, as appropriate, when their return is processed.
 - After the end of the calendar year, adjustments (increases or decreases) to BUWH can only be made if the adjustment is due to an administrative error (or as the result of an Examination). Even if BUWH was erroneously withheld, it cannot be adjusted in a subsequent year.
Tax erroneously withheld does not constitute an administrative error. See IRM 21.7.2.4.4.3, *Income Tax Withholding, Backup Withholding, and Additional Medicare Tax Adjustments*, and IRM 21.7.2.4.4.3.1, *Administrative Errors*, for additional information, including instructions for disallowing Forms 945-X reflecting a decrease to reported BUWH filed after the close of a calendar year.
- (3) After the end of the calendar year, the process a taxpayer who has had BUWH deducted from payment(s) must follow to obtain credit or a refund depends on the organization type and whether they are required to file an income tax return:

If the taxpayer is...	Then they must claim credit for BUWH on...
A Private Foundation filing Form 990-PF	Their Form 990-PF. See IRM 21.7.7.6.3.5, <i>Backup Withholding</i> , for more information.
An organization exempt from taxation under IRC 501(a) or an individual retirement plan	Form 990-T. See IRM 21.7.7.6.3.5, <i>Backup Withholding</i> , for more information.
<p>One of the following organizations exempt from BUWH under IRC 3406(g)(1):</p> <ol style="list-style-type: none"> The United States, its wholly owned agency or instrumentality. A State, the District of Columbia, a possession of the United States, any political subdivision of any of the foregoing, or any wholly owned agency, or instrumentality of these entities. A foreign government, political subdivision of a foreign government, wholly owned agency or instrumentality of these entities. 	<p>A Form 843 with a statement attached as follows from each payor who erroneously withheld tax:</p> <ul style="list-style-type: none"> The statement must be signed by the person authorized to sign the payor's Form 945 and must list the EIN of the account the BUWH was paid under. The statement must include the amount of tax withheld, the date withheld, and a statement to the effect that the payor did not repay or reimburse the recipient and will not claim an adjustment for the amount on Form 945. <p>Reject the claim if it is incomplete or missing the required statement(s). Otherwise, process complete Form 843 claims with the required statement attached as follows:</p> <ol style="list-style-type: none"> Input a TC 291 and IRN 008 on the payor's Form 945 account, with Blocking Series 15 and the appropriate Hold Code, to reduce BUWH for the amount of the claim. Issue a manual refund to the payee/claimant. Prepare Form 5792, <i>Request for IDRS Generated Refund</i>, and compute interest from the Form 945 due date or payment date, whichever is later. (See IRM 20.2.4, <i>Overpayment Interest</i>.) Reminder: All procedures in IRM 21.4.4, <i>Manual Refunds</i>, must be followed, including input of a TC 971 Action Code 037 to cross-reference the payee's TIN. Attach a copy of the claim to the refund document and route it to the Accounting Function.
A non-exempt entity required to file an income tax return	Their income tax return for the year in which the BUWH occurred. See IRM 21.7.4.4.10, <i>Federal Income Tax Withheld (FITW)/Backup Withholding (BUWH) on Income Tax Returns</i> , for more information.

Note: Prior to the end of the calendar year, a payor may refund an amount erroneously withheld to the payee. If a payee files a Form 843 for tax withheld before the end of the tax year, advise the payee to seek reimbursement from the payor.

21.7.2.4.8.4
(10-01-2013)
**Tax Equity and Fiscal
Responsibility Act
(TEFRA)**

- (1) TEFRA requires pension trusts to withhold federal income tax from pension income. The withholding is subject to deposit rules and is reported on Form 945.
- (2) Taxpayers can request a separate EIN for the pension trust, however, it is not a requirement. Separate branches within a company may want a different EIN for internal purposes only.
- (3) If multiple Form 945 tax returns are filed under one EIN and the taxpayer's intent cannot be determined:
 1. Correspond to inform taxpayer to combine all the withholding from pension incomes on one Form 945, or to request separate EINs for each pension trust.
 2. Inform taxpayer, if separate EINs are assigned, they are responsible for all filing requirements and penalty assessments.

If	Then
No reply, or taxpayer states they do not want separate EINs	Input TC 290 to assess any additional tax.
Taxpayer requests separate EINs	Photocopy the case file and forward to Entity for assignment of EINs. When EINs are assigned, re-input the returns and transfer any credits to the new EINs.
Refunds were issued prior to the posting of the second return	Contact taxpayer as stated in (3) above.

21.7.2.4.9
(10-01-2015)
**Household Employment
Taxes**

- (1) The Social Security and Domestic Employment Reform Act of 1994 (SSDERA) added IRC 3510 which provides that the collection of domestic service employment taxes on services performed after December 31, 1994 be coordinated with the collection of income taxes.
- (2) Domestic service in the private home of the employer is also referred to as household employment. Domestic employees are also referred to as household employees. The FICA taxes, federal income tax withholding (if any), and FUTA taxes incurred by employers of household employees are referred to as household employment taxes.

Note: Household employers are required to withhold Additional Medicare Tax on household employees who they pay wages/tips in excess of \$200,000 for a calendar year beginning after December 31, 2012.

- (3) Although collected with income tax, household employment taxes are employment taxes.
- (4) See IRM 21.7.2.4.9.1, *Forms Used in Reporting Employment Taxes for Household Employees*, for information on the proper form to be filed for reporting household employment taxes.
- (5) For additional guidance on household employment taxes, see:

- Pub 926, *Household Employer's Tax Guide*
- Notice 95-18 (1995-1 C.B. 300) which clarifies issues related to SSDERA.
- Rev. Proc. 2013-39, IRB 2013.-52.

21.7.2.4.9.1
(10-01-2013)

**Forms Used in
Reporting Employment
Taxes for Household
Employees**

- (1) Schedule H (Form 1040), *Household Employment Taxes*, is used to report FICA tax, any federal income tax withheld, and FUTA tax for household employees as follows:
 - Individuals file Schedule H (Form 1040) with their Form 1040 series income tax return. These are processed on MFT 30. See IRM 21.6.4.4.8, *Schedule H, Household Employment Taxes*, for more information.
 - Trusts file Schedule H (Form 1040) with Form 1041. These are processed on MFT 05. See IRM 21.7.4.4.1.11, *Social Security Domestic Employment Reform Act and BMF Schedules H*, for more information.
 - If no income tax return is required to be filed, Schedule H (Form 1040) is filed by itself. These are processed to either MFT 30 or MFT 05 as appropriate.
- (2) Taxpayers who are sole proprietors, or whose home is on a farm operated for profit, may include FICA tax and income tax withholding for domestic employees on their employment tax returns (Forms 941, 943, or 944 as appropriate) along with the employment taxes for their other business or farm employees. If the employer chooses to report household employment taxes in this manner, FUTA taxes for the household employees must be reported on Form 940.
- (3) Partnerships cannot be domestic employers.
- (4) Corporations cannot be domestic employers.
- (5) See IRM 21.7.2.4.9.3, *Household Employment Taxes and Section 3504 Agents*, for filing and payment requirements when an employer has designated an agent (including state and local governments or their subagents) to withhold, report, and make payment of household employment taxes.

21.7.2.4.9.2
(05-29-2020)

**Procedures for
Household Employment
Tax Inquiries**

- (1) The table below provides guidance for handling common household employment tax inquiries received in Accounts Management.

If	And	Then
<p>A general inquiry is received regarding household employment taxes.</p> <p>Example: Questions regarding wage thresholds, tax rates, forms to be filed, etc.</p>		<p>Research Pub 926, <i>Household Employer's Tax Guide</i>, forms, and form instructions as appropriate to provide the taxpayer with the guidance needed.</p>
<p>An inquiry is received about a Schedule H (Form 1040) which was or will be filed with Form 1041.</p>		<p>See IRM 21.7.4.4.1.11, <i>Social Security Domestic Employment Reform Act and BMF Schedules H</i>, for more information.</p>
<p>An inquiry is received about a Schedule H (Form 1040) which was or will be filed with Form 1040.</p>		<p>See IRM 21.6.4.4.8, <i>Schedule H, Household Employment Taxes</i> for more information.</p>
<p>An inquiry is received about a Form 941, Form 943, Form 944 filed to report household employment taxes (FICA and/or federal income tax withheld).</p>	<p>The household employment taxes (FICA and/or federal income tax withheld) should have instead been reported on Schedule H (Form 1040) with a Form 1040</p>	<p>See IRM 21.6.4.4.8.12, <i>BMF Form 941 Filed Instead of IMF Schedule H</i>, for more information.</p>
<p>An inquiry is received about a Form 941, Form 943, Form 944 filed to report household employment taxes (FICA and/or federal income tax withheld).</p>	<p>The household employment taxes (FICA and/or federal income tax withheld) should have instead been reported on Schedule H (Form 1040) with a Form 1041</p>	<p>See paragraph (5) of IRM 21.7.4.4.1.11.2.3, <i>Adjustments (Amended Returns, TRNS 193s, etc.) Involving Forms 1041 With Schedule H</i>, for more information.</p>
<p>An inquiry is received regarding a Form 940 filed to report FUTA taxes for household employees.</p>	<p>The FUTA tax should have instead been reported on Schedule H (Form 1040) with either a Form 1040 or Form 1041</p>	<p>See IRM 21.7.3.4.14, <i>Schedule H FUTA Erroneously Reported</i>.</p>
<p>An inquiry is received from an entity claiming to be a partnership</p>	<p>The entity has reported household employment taxes</p>	<p>Advise the taxpayer that a partnership cannot be a domestic employer. Instruct the taxpayer that they must follow one of the following options for reporting household employment wages and tax:</p> <ol style="list-style-type: none"> One member of the unit can report all taxes and wages on Schedule H filed with their Form 1040, or; Each member can report their portion on Schedule H filed with their Form 1040.

If	And	Then
<p>An inquiry is received from a state or local government acting as an IRC 3504 agent on behalf of Home Care Service Recipients (HCSR)</p> <p>Note: These entities may be identified by the presence of Employment Code “A”, the literals “HHCSR” or “HCSR” in the name line, or use of the following terms: “Household Employer Agency”, “Fiscal Agent”, or “Choreworker”.</p>	An FTD penalty has been charged (on any tax module)	Abate any FTD penalties identified on these accounts even if taxpayer is not requesting abatement. Taxes can be paid with the return. No deposits are necessary. See IRM 20.1.4.4.2, <i>State and Local Health and Welfare</i> , for more information.
An inquiry is received from a party who is operating as an IRC 3504 agent for one or more household employers but is not a state or local government.	An FTD penalty has been charged	Do not adjust the penalty unless other abatement criteria applies. These agents are responsible for making timely federal tax deposits as any other employer or Section 3504 agent.

21.7.2.4.9.3
(10-01-2014)

**Household Employment
Taxes and Section 3504
Agents**

- (1) An employer may appoint an agent under IRC Section 3504 to withhold, report and pay Federal employment taxes. To request approval to act as a Section 3504 agent for an employer, the agent files Form 2678, *Employer/Payer Appointment of Agent*, with the IRS.

Note: Form 2678 processing information may be found in IRM 3.13.2.17, *Form 2678, Employer/Payer Appointment of Agent*.

- (2) Specific rules apply when the employer is a Home Care Service Recipient (HCSR).
- A Home Care Service Recipient (HCSR) is an individual who receives home care services while enrolled in a program administered by a Federal, state, or local government agency that provides funding for the home care services.
 - “Home care services” are personal and attendant care services rendered to the Home Care Service Recipient.
 - Generally, the Home Care Service Recipient (HCSR) is the employer if they have the right to direct and control the provision of services by the home care services provider. The provision of services to the HCSR also generally constitutes household employment.
 - The Home Care Service Recipient (HCSR) may designate, and the IRS may approve, a Section 3504 agent to act on behalf of the HCSR to withhold, report and pay the Federal employment taxes for the workers they hire to provide home care services. Agents may also be autho-

rized for purposes of Federal Unemployment Tax Act (FUTA) taxes if they are acting on behalf of an HCSR (only).

- (3) There are two types of Section 3504 agents that act on behalf of Home Care Service Recipients (HCSRs):
- Federal, state or local government agency operating in accordance with Rev. Proc. 2013-39. See IRM 21.7.2.4.9.3.1, *State or Local Government Agency Acting as IRC 3504 Agent for Home Care Service Recipients*, for special procedures that apply to these agents and their subagents.
 - Any other non-governmental entity engaged by the Federal, state or local government agency to participate in various aspects of a home care services program. These entities may choose to act as the Section 3504 agent for the HCSRs in accordance with Rev. Proc. 2013-39 by filing a Form 2678 for each HCSR.

Note: Both types of agents may elect to perform the employment tax obligations themselves or to further contract with a reporting agent or subagent.

21.7.2.4.9.3.1
(10-01-2014)
**State or Local
Government Agency
Acting as IRC 3504
Agent for Home Care
Service Recipients**

- (1) A state or local government agency may be approved to act as a Section 3504 agent on behalf of Home Care Service Recipients (HCSRs) who hire home care service providers.
- (2) These entities may be identified by one or more of the following characteristics:
- The presence of Employment Code "A".
 - The literals "HHCSR" or "HCSR" in the name line of the entity.
 - Returns or correspondence referencing the terms "Household Employer Agency", "Fiscal Agent", or "Choreworker".
- (3) Rev. Proc. 2013-39, 2013-52 I.R.B. 830, provides guidance to state and local government health and welfare agencies acting on behalf of HCSRs. Rev. Proc. 2013-39 superseded Rev. Proc. 70-6, Rev. Proc. 80-4, and Notice 2003-70.
- (4) If the government agency operates according to Rev. Proc. 2013-39, then several special procedures apply:
- Government agencies acting on behalf of HCSRs enrolled in a program they administer **do not** need to file a Form 2678, *Employer/Payer Appointment of Agent*, for each HCSR. For more information on Form 2678, see IRM 21.7.2.3.7, *Section 3504 Agents*, and IRM 3.13.2.17, *Form 2678, Employer/Payer Appointment of Agent*.
 - The government agency obtains a special EIN that is used for the sole purpose of acting as a Section 3504 agent for HCSRs. See Rev. Proc. 2013-39, section 10.03(3).
 - The government agency files aggregate Form 941 and Form 940 tax returns using the government agency's special EIN to report all wages paid on behalf of HCSRs.

Note: Section 3504 agents are required to attach an allocation schedule when filing aggregate employment tax returns. See IRM 21.7.2.4.3.3, *Loose Schedule R (Form 941): Allocation Schedule for Aggregate Form 941 Filers*, and IRM 21.7.3.4.6.1, *Schedule*

R (Form 940): Allocation Schedule for Aggregate Form 940 Filers, for more information.

- The government agency may remit all taxes related to HCSRs with a timely filed Form 941 or Form 940. Government agencies acting as Section 3504 agents for HCSRs are not required to make Federal Tax Deposits (FTDs) or follow the deposit schedules applicable to employers and other Section 3504 agents. If the government agency hires a reporting agent to perform employment tax obligations, the reporting agent may perform those obligations as if it were the government agency. However, if the government agency uses Form 2678 to appoint a Section 3504 Agent (called a “subagent”) to perform the employment tax obligations of the HCSRs, the subagent must file returns using its own EIN and make deposits under normal deposit rules.

Note: FTD penalties are systemically waived for accounts bearing Employment Code “A”. However, incorrect penalties may be charged on accounts which have not been correctly coded. See the table in IRM 21.7.2.4.9.2, *Procedures for Household Employment Tax Inquiries*, for instructions on addressing FTD penalties charged on accounts of state or local government agencies acting as Section 3504 agents for HCSRs.

21.7.2.5
(10-01-2011)
**Specific Claims and
Other Issues**

- (1) This section includes information and procedures for specific claims and other issues associated with employment taxes.

21.7.2.5.1
(10-01-2013)
**Frivolous Employment
Tax Claims**

- (1) Claims citing IRC 861 may be frivolous claims and **must** be sent to the Ogden Campus Frivolous Return Program as outlined in IRM 21.5.3.4.16.7, *Identifying Frivolous Returns/Correspondence and Responding to Frivolous Arguments*. **Do not, under any circumstances, adjust the account prior to sending to Ogden.**
- (2) Some claims may be received that don’t indicate this section. However, they may also be considered frivolous. See (3) for examples.
- (3) There may be a Form 941c, or Form 941 annotated across the top “Amended payroll tax quarters. Most of these returns have been prepared by hand.
 - The explanation generally states “see attached...” which is usually a cover letter. The letters do not state a specific reason for filing the amended return, or they provide a general explanation such as “I have enclosed a corrected Form 941-X as required by law when the filer discovers any error made on such return.” Often the cover letter contains a cc: to a congress person.
 - The taxpayer only cites “Administrative Error” and does not indicate
- (4) If doubt exists as to whether the claim is frivolous, do not send the claim to Ogden. Reject the claim back to the taxpayer following “No Consideration” procedures outlined in IRM 21.5.3.4.6, *No Consideration and Disallowance of Claims and Amended Returns*. Inform the taxpayer sufficient information was not received to consider the claim at this time and that a detailed explanation

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is necessary. If the claim received is a numbered return, or statute is imminent, contact the taxpayer for a complete explanation before adjusting the account.

21.7.2.5.2

(10-01-2016)

**Employer's Wages
Erroneously Reported
on Form 941, 943 or 944**

- (1) On occasion, individual taxpayers erroneously treat personal withdrawals as wages and pay FICA taxes on Form 941, Form 943, or Form 944. To correct such errors in reporting, taxpayers must file the appropriate Form 94XX.
- (2) If a taxpayer files a Form 94XX on this basis, take the following actions:
 1. Adjust the impacted employment tax account(s) as per the appropriate Form 94XX procedures (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*).
 2. If the taxpayer wishes the overpayment(s) on the employment tax return(s) to be applied to their individual Form 1040 account (for example, to pay a balance due), input credit transfers as appropriate. See IRM 21.5.8, *Credit Transfers*, for general guidance on credit transfers.

21.7.2.5.3

(10-01-2022)

**Worker Classification
Determinations**

- (1) A worker, whose firm reported earnings on a Form 1099-NEC (Form 1099-MISC prior to tax year 2020), can request IRS to determine whether or not they are an employee. (The term "Firm" is used here instead of "employer" since the issuer of the Form 1099-NEC (Form 1099-MISC prior to tax year 2020) has not been determined to be an employer at this stage.) A Form SS-8, *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding*, must be filed by the worker or the firm in order for the IRS to make the determination. The form can also be filed by workers treated as employees if they want to determine their proper classification.
- (2) In order to file Form SS-8:
 - The worker must have filed a tax return(s) for the period(s) in question. (See (6) or (7) below, depending on tax year, for procedures when the taxpayer has not yet filed a return for the period(s) in question.)
 - The statute of limitations must be open for that period(s).
 - The worker must have no objection to disclosing their name to the firm.

Note: If the taxpayer initially objects to disclosing their name to the firm, encourage them to do so. If Form SS-8 is not filed, the matter becomes an issue which the worker must resolve. Usually this involves contact with the firm. That process is time consuming and frustrating for both the worker and the firm. If worker still objects, see (5) below.

- (3) If the worker meets the criteria in (2) above, follow the steps below.
 1. Send Form SS-8 to the worker.
 2. Instruct the worker to complete Form SS-8 and mail it to the address provided in the "Where to File" section of the *Instructions for Form SS-8*.
 3. Alert the taxpayer that the determination can take up to 180 days after the Form SS-8 is received.

Note: If the statute of limitations for the period in question may expire before the determination is made, inform the worker that a letter

will be sent when the Form SS-8 is received advising of procedures for filing a protective claim for that period.

- (4) The SS-8 group contacts the firm and asks them to complete Form SS-8 from their perspective of the work relationship. The SS-8 group compares the two Forms SS-8. The SS-8 group makes a determination, and:

If	And	Then
Worker is determined to be an employee	Worker originally filed Schedule SE and paid self-employment tax	Worker should file Form 8919, <i>Uncollected Social Security and Medicare Tax on Wages</i> , to report only the employee share of social security and Medicare tax and file Form 1040X attaching an amended Schedule SE to correct the self-employment tax previously reported.
Worker is determined to be an employee	Worker originally reported only the employee share of social security and Medicare tax Note: Currently the use of Form 8919, <i>Uncollected Social Security and Medicare Tax on Wages</i> , requires the filing of a Form SS-8 except in limited cases indicated on the form.	Worker does not need to file Form 1040X, but simply keeps a copy of the determination letter for their records.
Worker is determined to be an employee	Section 530 of the Revenue Act of 1978 applies to the firm	The firm is not required to treat worker as an employee for employment tax purposes. The worker is liable for only the employee share of social security and Medicare taxes. IRM 21.6.4.4.15, <i>Workers Whose Employers Qualify Under the Revenue Act of 1978, Section 530</i> , contains additional information.

If	And	Then
Worker is determined to be an independent contractor		The SS-8 group sends the worker a letter advising of the necessary actions including self-employment tax liability.

- (5) See the Note in (2) above. Form SS-8 will **not** be processed if the worker does not agree to disclose their name to the firm. In that situation, the worker must determine to the best of their knowledge whether they are an employee. A worker receiving a Form 1099-NEC (Form 1099-MISC prior to tax year 2020) would be assumed to not be an employee (unless the worker can convince the employer they are, in fact, an employee and have Form W-2 issued instead of Form 1099-NEC (Form 1099-MISC prior to tax year 2020)). A worker who does not agree to disclose their name to the firm should be advised as follows:

If	Then
The worker believes they should be classified as an employee and determination has not been made	The worker should report the income on the “ wages ” line on Form 1040 and attach Form 1099-NEC (Form 1099-MISC prior to tax year 2020). The taxpayer will not be assessed self-employment tax on original processing. However, Examination may review the return to determine if the taxpayer is liable for self-employment tax.
The worker believes they should be classified as self-employed	The worker should: <ol style="list-style-type: none"> 1. Report income on Schedule C. 2. Compute self-employment tax on Schedule SE. 3. Attach Forms 1099-NEC (Forms 1099-MISC prior to tax year 2020), Schedule C, and Schedule SE to Form 1040.

Note: Always encourage the workers to participate in the Form SS-8 process. Only inform the workers of the filing/reporting options in the table above if they refuse to participate. Inform them that if they do report the income as if they were an employee, it is possible they could be classified as self-employed at a later date and owe additional taxes.

- (6) If the taxpayer has not yet filed a return for the tax period involved and the tax year is **2006 or prior**, see archived files for this IRM for handling instructions.

- (7) If the taxpayer has not yet filed a return for the tax period involved (**2007 or subsequent**), instruct them to:
 1. File Form 1040.
 2. Report the amount on Form 1099-NEC (Form 1099-MISC prior to tax year 2020) on the “wages” line. (The taxpayer may also want to indicate “Form SS-8 filed” on the dotted line to the left of the “wages” if they filed, or will file, Form SS-8.)
 3. Complete Form 8919 and attach it to Form 1040.
 4. Follow the instructions on Form 8919 for computing the social security and Medicare tax, and enter the amount on Form 1040, page 2 as instructed on Form 8919.
 5. File Form SS-8 by mailing it to the address provided in the “Where to File” section of the *Instructions for Form SS-8*. It is not to be filed with Form 1040.
- (8) If an inquiry is received during current year and the taxpayer wants a determination prior to the end of the year, inform the taxpayer that a determination cannot be made until a payer document (i.e., Form 1099-NEC (Form 1099-MISC prior to tax year 2020)) is received by the taxpayer.

21.7.2.5.4
(10-01-2022)
IRC Section 3509

- (1) In certain circumstances, IRC 3509 provides for reduced employer liability for employment taxes when a worker is reclassified from being treated as an independent contractor to being treated as an employee. If IRC 3509 tax rates apply, the amount of employment taxes owed by the employer will depend on whether information returns (e.g., Form 1099-NEC (Form 1099-MISC prior to tax year 2020) were filed as required for treatment of the individuals as independent contractors. The employer pays their share of FICA tax and either 20% or 40% of the employee's share (including Additional Medicare Tax to the extent wages and tips paid to an employee exceed \$200,000 for a calendar year beginning after December 31, 2012). The employer also pays income tax withholding figured at either 1.5% or 3% of the wages.
 - (2) IRC 3509 assessments are often made by the IRS and can be identified by the use of IRN 079. However, the employer may self-assess under IRC 3509 provisions if they determine the worker was misclassified and all requirements are satisfied. See Pub 4341, *Information Guide for Employers Filing Form 941 or Form 944, Frequently Asked Questions about the Reclassification of Workers as Employees*.
 - (3) The following procedures address employer self-assessments of employment taxes for misclassified employees where IRC 3509 special tax rates apply.
- Note:** The following paragraphs reference the line numbers for Form 941 and Form 941-X. If the employer is filing another adjusted employment tax return, use the applicable line and column numbers.
- (4) For misclassified workers discovered on or after January 1, 2009, employers must file Form 941-X (or other applicable “X” form) for each tax period involved to report employment taxes owed under the special IRC 3509 tax rates. The Form 941-X must be prepared as follows:
 - a. The wage amounts must be entered in column 1 on lines 19, 20, 21, and 22.
 - b. Zeroes should be entered in column 2 of lines 19, 20, 21, and 22.

- c. Columns 3 and 4 must be completed as per the Part 3 instructions.

Note: See archived IRM 21.7.2 if information is needed on IRC 3509 handling prior to January 1, 2009.

- (5) If an original tax return was not filed for each tax period involved, the employer must also file the delinquent tax return(s) as follows:
 - a. An original tax return must be prepared for each tax period with "Misclassified Employees" written in dark, bold letters across the top margin of page 1.
 - b. A zero must be entered on line 10 ("Total taxes after adjustments").
 - c. Part 5 ("Sign here") must be completed.
 - d. The completed Form 941-X (or other applicable "X" form) must be attached to the original return being filed.

Note: These filing instructions are an exception to normal filing and processing. Submission Processing has instructions to forward Forms 941-X filed under these special procedures to Accounts Management for adjustment action and will code the original return to freeze any credit on the tax module. See IRM 3.11.13.10.3, *Non-Taxable Returns With No Line Entries*.

- (6) Adjust the tax account per the Form 941-X (or other applicable "X" form) as follows:
 - a. Input an increase to IRN 004 to match the figure in column 3 of line 20.
 - b. Input an increase to IRN 073 to match the figure in column 3 of line 21.
 - c. Input an increase to IRN 074 to match the figure in column 3 of line 22 (valid for Forms 941/943/944 for tax periods beginning after December 31, 2012).
 - d. Input an increase to IRN 104 to match the figure in column 4 of line 19.
 - e. Input an increase to IRN 105 for the combined figures found in column 4 for lines 20, 21, and 22 (and any amount reported for AdMT).

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- f. Input an increase to IRN 113 for the combined IRN 104 and IRN 105 figures as determined above.
- g. Input a TC 290 or TC 298 increase as per IRM 21.7.2.4.4.2, *Interest-Free Adjustments (Employment Tax Returns)*, procedures to match the IRN 113 figure as determined above.

Note: The IRNs indicated above also apply to Form 944-X adjustments for this issue. However, IRNs 104, 105, and 113 are not valid for Form 943. So, for Forms 943-X filed for this adjustment issue, the IRNs to be used are 004, 073, 074 (if applicable), 003 and 007.

- (7) Adjust the FTD penalty when using either a TC 290 (see IRM 20.1.4.21.3, *Amended or Supplemental (Tax Decrease or Non-Interest-Free Tax Increase)*) or a TC 298 (see IRM 20.1.4.21.5, *Adjusted Returns (Forms 941-X, 943-X, 944-X, and CT-1X)*).

Note: See IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*, when using a TC 298 or TC 290 and an amended ROFTL was provided with the adjusted return.

- (8) If payment for the additional tax reported on the Form 941-X is not reflected on the tax period being adjusted, research the taxpayer's account for the missing credit and, if located, transfer the payment as appropriate.

Note: Employers who discover they have misclassified employees but who do not qualify for the special IRC 3509 tax rates are also required to file Form 941-X (or other applicable "X" form) to report the employment taxes owed and may qualify for interest-free tax adjustments. In cases where the employer did not file an original return for the tax period involved, the employer is instructed to file an original tax return with "Misclassified Employees" written across the top margin of page 1 in dark, bold letters and to attach a completed Form 941-X (or other applicable "X" form). Accounts Management may receive documents filed under those procedures for misclassified employees. Normal tax rates and adjustment procedures are to be applied when the special IRC 3509 rates do not apply.

21.7.2.5.5
(01-13-2005)
**Railroad Retirement
Board (RRB)
Determinations**

- (1) If a Form 941-X mentions RRB determinations or transferring overpaid FICA taxes to Form CT-1, see IRM 21.7.2.6.5.8, *RRB Employer Status Determinations*.

21.7.2.5.6
(10-01-2022)
**Form SS-16, Certificate
of Election of Coverage
Under the Federal
Insurance Contributions
Act (FICA)**

- (1) A religious order whose members are required to take a vow of poverty (or any autonomous subdivision of such an order) may elect to have FICA extended to services performed by its members in the exercise of duties required by such order. They are excluded from "employment" for FICA purposes, except when an election of coverage is in effect. See IRC 3121(b)(8)(A) and § 31.3121(b)(8)-1; IRC 3121(r) and § 31.3121(r)-1.
- (2) A religious order making an election of coverage must file Form SS-16, *Certificate of Election of Coverage Under the Federal Insurance Contributions Act*. See IRM 3.13.12.15, *Form SS-16*, for additional information.
- (3) On Form SS-16, the religious order must designate one of the following dates as the effective date for the election:
- The first day of the calendar quarter in which the Form SS-16 was filed, or
 - The first day of the calendar quarter immediately after the calendar quarter in which Form SS-16 is filed, or
 - The first day of any one of the 20 quarters before the quarter in which the Form SS-16 was filed.
- (4) The following table illustrates the last day the Form SS-16 can be filed to elect retroactive coverage for 20 quarters:

If the religious order wants coverage retroactive to:	Then Form SS-16 is due:
January 1, 2019 (1st quarter 2019)	March 31, 2025
April 1, 2019 (2nd quarter 2019)	June 30, 2025
July 1, 2019 (3rd quarter 2019)	September 30, 2025
October 1, 2019 (4th quarter 2019)	December 31, 2025

If the religious order wants coverage retroactive to:	Then Form SS-16 is due:
January 1, 2020 (1st quarter 2020)	March 31, 2026
April 1, 2020 (2nd quarter 2020)	June 30, 2026
July 1, 2020 (3rd quarter 2020)	September 30, 2026
October 1, 2020 (4th quarter 2020)	December 31, 2026

If	Then
Form SS-16 is made effective the first day of the calendar quarter in which the SS-16 is filed	The return is due the normal due date for Form 941 for the current quarter.
Form SS-16 is made effective the first day of the calendar quarter immediately after the calendar quarter in which the SS-16 is filed	The return is due the normal due date for Form 941.

- (5) Under IRC 3121(r), the due date of the returns for all retroactive quarters is determined by the date the Form SS-16 is “filed”. The due date for filing the returns and paying the tax, for calendar quarters prior to the quarter in which the SS-16 is filed, is the last day of the calendar month following the calendar quarter in which the Form SS-16 is filed.

If the Form SS-16 is filed any day during the	Then all the returns for the retroactive quarters must be filed and tax paid by
1st quarter 2025	April 30, 2025
2nd quarter 2025	July 31, 2025
3rd quarter 2025	October 31, 2025
4th quarter 2025	January 31, 2026
1st quarter 2026	April 30, 2026
2nd quarter 2026	July 31, 2026
3rd quarter 2026	October 31, 2026
4th quarter 2026	January 31, 2027

Note: Generally, the received date is the date Form SS-16 is “filed” for purposes of determining when returns are due. If the religious order or subdivision selects an effective date that is the first day of the 20th calendar quarter preceding the quarter in which Form SS-16 is postmarked, but the Form SS-16 is received in a later quarter, the IRS will use the postmark date to determine the date filed to ensure the intended 20th quarter can be included.

- (6) A religious order will not be subject to a failure to pay penalty or interest, if it files the returns for the retroactive quarters and pays the total tax liability by the due date. IRC 3121(r) provides that the period of limitations for assessment for retroactive quarters will not expire before the expiration of 3 years from such due date.

- (7) A religious order must report its tax liability for each quarter it is electing coverage. The form that must be filed for each of the retroactive quarters depends on whether an original Form 941, *Employer's QUARTERLY Federal Tax Return*, was filed for the specific retroactive period. Refer to table below:

If	Then
Form 941 was never filed for one or more quarters for which the election is effective	The religious order must file Forms 941 for those retroactive quarters.
Original Forms 941 were filed for any of the retroactive quarters for which the election is effective	<p>The religious order must file Form 941-X, <i>Employer's QUARTERLY Federal Tax Return or Claim for Refund</i>, for those retroactive quarters. If a Form 941-X is properly and timely filed as described above, it will be necessary to extend the Assessment Statute Expiration Date (ASED) posted on the module when processing the Form 941-X. Initiate CC FRM49 with CC REQ77 using the EIN, MFT, and tax period. Complete CC FRM49 as follows:</p> <ul style="list-style-type: none"> a. Transaction Code: TC 560 b. Extension Date: Enter the date three years following the due date for filing the Form 941-X and paying the tax as described earlier. c. Transaction Date: If the posted ASED is expired, enter the date one day before the posted ASED. Otherwise, leave blank. d. DLN-CD field: Enter "70". e. Remarks: "Enter NSD Per Form SS-16 filed."

21.7.2.5.7
(04-25-2012)
**Federal Labor Laws —
Wage Payments Made
by Federal Agencies**

- (1) Certain government agencies are empowered to collect wages from employers that were erroneously not paid to current or former employees. These federal agencies disburse the wage amounts to the employees concerned. Agencies allowed to take this action and some of the provisions which allow such action are:

- Department of Labor (DOL) – Fair Labor Standards Act
- Government Accountability Office (GAO) – Davis-Bacon Act
- Housing and Urban Development (HUD) – Davis-Bacon Act
- National Labor Relations Board (NLRB) – Labor Management Relations Act

Note: Extensive investigations are performed by the federal agencies to determine if claims for back wages or unfair labor practices are valid. Therefore, a relatively long period of time may elapse between the time employees become entitled to the wages and the time they actually receive payment from the agency involved.

21.7.2.5.7.1
(01-09-2012)

Processing of Tax Returns Filed by Federal Agencies to Report Withheld Income Taxes and Employee Share of FICA Taxes (Wage Payments Made by Federal Agencies)

- (1) Federal agencies making wage determinations withhold income taxes and the employee's share of FICA taxes from payments made to employees. The federal agency then reports and pays the withheld income taxes and the employee share of FICA with an employment tax return filed with the IRS under a separate EIN assigned to the federal agency.
- (2) Employment tax returns filed by the federal agencies are processed at the campus of receipt.
- (3) In addition to federal income tax withheld, the federal agency will report wages on the appropriate lines of Form 941 and compute the full amount of FICA taxes. The employer share of FICA is then deducted on one of the adjustment lines of Form 941 as a negative adjustment.

Note: Wages may also be reported on Form 943 or Form 944.

- (4) An aggregate Form 941-X will generally be attached to the federal agency's Form 941.
 - a. The aggregate Form 941-X will reflect the total wages and tax withheld for all employees for which wage determinations were made by the federal agency for that tax period.
 - b. In the explanation area, the agency indicates the name of the agency and the Act which authorizes them to collect and pay back wages.
 - c. The Form 941-X is stamped "Do Not Transmit to SSA".

Note: The federal agency also prepares two copies of Form 941-X for each employer showing the wage determinations for their employees and the FICA taxes owed by the employer. The federal agency sends one copy to the employer to inform them of their tax liability. The federal agency files the other copy with the IRS for assessment of the employer's share of FICA on the employer's EIN. See IRM 21.7.2.5.7.2, *Processing of Forms 941-X Filed by Federal Agencies to Report Employer Share of FICA Taxes (Wage Payments Made by Federal Agencies)*, for instructions on processing those Forms 941-X.

21.7.2.5.7.2
(02-27-2013)

Processing of Forms 941-X Filed by Federal Agencies to Report Employer Share of FICA Taxes (Wage Payments Made by Federal Agencies)

- (1) Federal agencies collecting wages from employers on behalf of employees withhold income taxes and the employee's share of FICA taxes from the payments made to the employees. However, the employer remains liable for the employer's share of FICA taxes.
- (2) The federal agency prepares two copies of Form 941-X for the employer showing the wage determinations for their employees and the FICA taxes owed by the employer. One copy is sent to the employer to inform them of their tax liability. The other copy is filed by the federal agency with the IRS for assessment of the employer's share of FICA on the employer's EIN.

Reminder: Additional Medicare Tax (AdMT) is only imposed on the employee (for tax periods beginning after December 31, 2012). There is no employer share of AdMT. Therefore, no AdMT should be assessed in the course of handling cases per the procedures found in the following subsections.

- (3) The Form 941-X used by federal agencies for this purpose is generally not filed on the official Form 941-X version and does not include line numbers.

However, it **will** be accepted so long as all information needed to compute the employer's share of the FICA tax liability and to process the adjustment is provided.

21.7.2.5.7.2.1

(05-07-2015)

**Return Posted (TC 150),
Account Not in TDA
(Taxpayer Delinquent
Account) Status (Wage
Payments Made by
Federal Agencies)**

(1) If a return for the employer is posted:

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2. Use IRN 004 to show the amount of taxable social security wages.
3. Input IRN 073 to show the amount of taxable Medicare wages.
4. Input IRN 112 for the total FICA tax adjustment (employee and employer shares).
5. Input IRN 110 and IRN 113 to reduce tax for the employee share of FICA tax already collected from the employee's wages by the federal agency.
6. Initiate Letter 134C to the employer (use the address currently showing on ENMOD/BMFOLE) advising a bill for employer's portion of FICA will be issued in the near future and include a copy of Form 941-X from the government agency.

Caution: Do not include FITW (Federal Income Tax Withheld) (IRN 003/111) in the adjustment.

Note: If the TC 150 on the module was a dummy return prepared per procedures later in this IRM section and there is a credit balance on the module which exceeds the amount of the assessment reflected on the Form 941-X filed by the federal agency, then use Hold Code 1 with the adjustment to hold the credit and allow the notice of adjustment to be issued. Also, in this particular situation, inform the employer in the Letter 134C being issued that they must file the appropriate original employment tax return to report any other taxes due and/or to claim a refund for any overpaid taxes.

21.7.2.5.7.2.2
(11-04-2010)

**Return Posted, Account
in TDA Status (Wage
Payments Made by
Federal Agencies)**

- (1) If a return for the employer has posted, but the account is in TDA Status, see IRM 21.3.3.4.9.2.1, *Compliance Criteria for Amended Returns/Claims and/or Balance Due Correspondence*, for additional guidance. State the nature and facts of the case if routing per that guidance.

21.7.2.5.7.2.3
(10-01-2014)

**No Return Posted, No
Filing Requirements
(Wage Payments Made
by Federal Agencies)**

- (1) If no return for the employer has posted and there are no filing requirements for the current quarter, take the following actions:
1. Initiate Letter 134C to the employer (use the address currently showing on ENMOD/BMFOLE).
 - Include a copy of the Form 941-X received from the federal agency.
 - Advise the taxpayer that we will be processing the Form 941-X and will issue a bill once that action is complete.
 - Advise the taxpayer of the amount of tax that will be assessed.
 - Advise the taxpayer that they should go ahead and make payment for the amount of tax to be assessed in order to limit any interest charges that may be due.
 2. Prepare a dummy return on the applicable employment tax return (usually Form 941) showing zero tax for the tax period for which the Form 941-X was filed.
 - Enter "Dummy Return Prepared by IRS — Do Not Correspond for Signature" on the signature line.
 - Mark the block for "Final" return.
 - Enter Computer Condition Codes (CCC) "F" and "X" on the face of the dummy return. **DO NOT** enter any other Computer Condition Codes such as "M", "D", "J", or "R" to restrict penalties or interest.
 - Route the completed dummy return to Submission Processing.
 3. Monitor the account until the dummy return posts to the module.
 4. Follow the procedures in IRM 21.7.2.5.7.2.1, *Return Posted (TC 150), Account Not in TDA (Taxpayer Delinquent Account) Status (Wage Payments Made by Federal Agencies)*, to adjust the account per the Form 941-X.

Note: Do not issue a second Letter 134C to the employer when the assessment is made under these procedures.

21.7.2.5.7.2.4
(11-04-2010)

**No Return Posted,
Delinquency Notice
Issued (Wage Payments
Made by Federal
Agencies)**

- (1) If no return for the employer has posted and a delinquency notice has been issued:
- a. Route to your Campus Collection Function.
 - b. State facts in case and amount due.
 - c. Attach continuation page(s) of Form 941-X to the memo.

21.7.2.5.7.2.5
(10-01-2012)

**No Return Posted, Open
Filing Requirements, No
Delinquency Notice
Issued (Wage Payments
Made by Federal
Agencies)**

- (1) A federal agency may submit a Form 941-X before the employer's tax return is processed and posted to their tax account. This includes some rare situations where the federal agency submits the Form 941-X prior to the return due date for the tax period effected.
- (2) In these situations, it will be necessary to monitor the employer tax account for posting of their tax return prior to taking action on the Form 941-X. Once posted, the employer's tax return data must also be reviewed to determine

whether they have reported the additional wages and tax on their Form 941 and used one of the adjustment lines to back out the employee share collected by the federal agency.

- (3) Monitor the account until the tax return posts and take the following action:

If	And	Then
A tax return is filed by the employer	There is an entry on one of the adjustment lines corresponding to the federal agency wage determination	Input TC 290 .00 and state "taxpayer reported as line item adjustment" in the Remarks section.
A tax return is filed by the employer	There is no entry on one of the adjustment lines corresponding to the federal agency wage determination	Follow the procedures in IRM 21.7.2.5.7.2.1, <i>Return Posted (TC 150), Account Not in TDA (Taxpayer Delinquent Account) Status (Wage Payments Made by Federal Agencies)</i> or IRM 21.7.2.5.7.2.2, <i>Return Posted, Account in TDA Status (Wage Payments Made by Federal Agencies)</i> , as appropriate.
A return has not posted within 60 days of the return due date	A delinquency notice has been issued	Follow the procedures in IRM 21.7.2.5.7.2.4, <i>No Return Posted, Delinquency Notice Issued (Wage Payments Made by Federal Agencies)</i> .
A return has not posted within 60 days of the return due date	No delinquency notice has been issued and there is no indication of a return being filed; e.g., Unpostable, Reject, open controls, etc.	Follow the procedures in IRM 21.7.2.5.7.2.3, <i>No Return Posted, No Filing Requirements (Wage Payments Made by Federal Agencies)</i> , except: <ul style="list-style-type: none"> • Do not indicate "Final" and do not CCC "F". • If there are credits on the module, be certain to enter CCC "X" on the dummy return and use Hold Code 1 when adjusting the account to hold any excess credits.

Reminder: All open controls and assignments must be considered and contacts made as appropriate prior to taking action on a tax account per these procedures.

21.7.2.5.7.2.6
(10-01-2014)

**Missing or Incorrect
Employer EIN (Wage
Payments Made by
Federal Agencies)**

- (1) If the Form 941-X is otherwise processable and is missing **only** a correct EIN for the employer (or an SSN was provided in either SSN or EIN format), research for the correct EIN. If the correct EIN is not found, forward the case to Entity Control (5 day turnaround) and request that they determine the correct EIN or assign an EIN to the business.
- (2) If the Form 941-X is missing data (address, money amount, etc.) necessary to process the case **in addition to** a missing or incorrect EIN, return the Form 941-X to the agency initiating the case and request the missing data. If the agency returns the Form 941-X with the missing information but states the employer does not have an EIN, forward the case to Entity Control as in (1) above.

Note: Use Letter 134C or other appropriate "C" letter when rejecting documents back to the initiating federal agency. Agency addresses may be found in the text of Letter 134C.

21.7.2.5.8
(01-14-2015)

**Section 3402(d) and
Section 3102(f)(3), Tax
Relief in Employment
Tax Cases (Forms 4668,
4669, and 4670)**

- (1) During the course of an examination, the IRS may determine an employer/employee relationship exists and propose the assessment of tax, penalties and interest. This assessment may include income tax and/or Additional Medicare Tax (AdMT) that should have been withheld from amounts paid to employees.
- (2) Form 4668, *Employment Tax Examination Changes Report*, is the basic report used for all employment tax return examinations.
 - It is used to show the additional tax, over-assessment, or delinquent tax proposed by the examiner.
 - It should be attached to the last quarter return examined as part of the Revenue Agents Report.

Note: TC 971 AC 057 is sometimes used by Exam to designate a cross-reference account where relevant documentation is located.

Note: Form 4668-B, *Report of Examination of Withheld Federal Income Tax Reported on Forms 1099 and W-2G*, is generally used for backup withholding issues as well as withholding reported on Forms 1099 and W-2G.

- (3) Form 2504, *Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment (Employment Tax Adjustments Not Subject to IRC 7436)*, and Form 2504-WC, *Agreement to Assessment and Collection of Additional Employment Tax and Acceptance of Overassessment in Worker Classification Cases*, are used to obtain a taxpayer's agreement to the proposed assessment or over-assessment of employment tax.
 - An error is considered ascertained on the date the signed Form 2504 or Form 2504-WC is received by the IRS. Therefore, the additional tax must be paid at the time the signed Form 2504 is received for the assessment to be completely interest-free.

- Form 2504 or Form 2504-WC should be attached to the same period's return as Form 4668.
- (4) When specific conditions are met, the Internal Revenue Code (IRC) provides relief from paying certain employment taxes proposed or assessed by Exam:
- IRC 3402(d) provides relief from paying income tax proposed or assessed by Exam if the employee reported the income and paid the taxes due with the employee's income tax return. IRC 3402(d) relief also applies to Exam assessments of backup withholding.
 - IRC 3102(f)(3) provides relief from paying Additional Medicare Tax (AdMT) proposed or assessed by Exam (for tax periods beginning after December 31, 2012) if the employee reported the income and paid AdMT due with the employee's income tax return.

Caution: Income tax withholding assessed under IRC 3509 is not subject to abatement. See IRM 21.7.2.5.4 for more information on IRC 3509.

- (5) To obtain relief under IRC 3402(d) and/or IRC 3102(f)(3), employers must:
1. Secure a signed Form 4669, *Statement of Payments Received*, from the employee(s) covered by the examination.
 2. Prepare and sign a Form 4670, *Request for Relief of Payment of Certain Withholding Taxes*, indicating the tax year and number of statements (Form 4669) secured.
 3. Submit the signed Form 4670 with the signed Form(s) 4669 attached.

Exception: If the tax due was paid prior to the filing of the Forms 4670 and 4669, then the Forms 4670 and 4669 must be attached to a properly completed claim form (Form 94XX) since that situation constitutes a claim for refund rather than a request for relief from payment as provided for under IRC 3402(d) or IRC 3102(f)(3).

- (6) The Revenue Agent/Officer conducting the examination provides the employer with an extra copy of Form 4668 along with blank Forms 4669 and 4670. The employer is instructed to file the copy of the Form 4668, a Form 4670, and Form(s) 4669 with the appropriate campus.

Note: Revenue Agents/Officers may process Forms 4670 and 4669 received before the examination is closed as per guidance in IRM 4.23.8.4.3, *Procedures for Granting Relief Under IRC 3402(d) and/or IRC 3102(f)(3) in Examination*.

21.7.2.5.8.1
(02-28-2018)

**Processing Procedures
for Forms 4669 and 4670**

- (1) Requests for relief under IRC 3402(d) and/or IRC 3102(f)(3) are **not** Exam criteria even though they involve tax accounts that were previously examined.

- (3) The Form 4668 for the case must be secured to determine the amount of tax for which relief can be granted under IRC 3402(d) and IRC 3102(f)(3). Take the following actions if the employer submits Forms 4669 and 4670 without a copy of the Form 4668:

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1. Make two attempts to contact the employer (or an authorized representative) by phone to obtain a copy of the Form 4668.
2. If unable to obtain the Form 4668 from the employer, request the TC 30X assessment document (or controlling DLN) on the last quarter of the calendar year shown on Form 4670.

Note: If the TC 30X assessment document is charged out to Examination on an initial document request, suspend the case and request the document again after 30 days.

3. If a copy of the Form 4668 cannot be obtained from the employer or from Files as per the above procedures, return the Forms 4669 and Form 4670 to the employer with instructions to resubmit the documents with a copy of the Form 4668.
- (4) Use Forms 4668 and 4669 to determine the amount of tax to be adjusted as follows:

Exception: Area Office Forms 3870, *Request for Adjustment*, do not need to be verified against Form 4668.

- **IRC 3402(d) relief requests:**

- 1) For the calendar year involved, add the figures shown on line 6a, "Payments subject to Income Tax Withholding" (line 6b, "Payments subject to Backup Withholding", for backup withholding), of the Form(s) 4669 submitted with Form 4670.
- 2) Multiply the figure determined in step 1 above by 28% (.28) for tax years 2003 through 2017 or 24% (.24) for tax years 2018 and subsequent.
- 3) The amount of the tax adjustment to be made is limited to the **lesser** of the tax figure determined in step 2 above or the amount shown on line 12, "Maximum tax available for abatement under IRC 3402(d)", of Form 4668 (or line 20 of Form 4668-B).

Caution: If line 12, Form 4668, is zero, blank or "none", do not make any adjustment to income tax withheld (or backup withholding).

- **IRC 3102(f)(3) relief requests:**

- 1) For the calendar year involved, add the figures shown on line 6d, "Payments subject to Additional Medicare Tax Withholding", of the Form(s) 4669 submitted with Form 4670.
- 2) Multiply the figure determined in step 1 above by 0.9% (.009).
- 3) The amount of the tax adjustment to be made is limited to the **lesser** of the tax figure determined in step 2 above or the amount shown on line 13, "Maximum tax available for abatement under IRC 3102(f)(3)", of Form 4668.

Caution: If line 13, Form 4668, is zero, blank or "none", do not make any adjustment to AdMT.

Note: The instructions above are based on current form versions. Relief requests filed on earlier versions of Form 4669 are to be processed whenever possible. See archived IRM versions if information relating to previous form versions is needed, including previous line numbers and line titles.

Note: Revised Form 4669 includes line 6c, "Payments to Foreign Persons subject to Withholding Tax", which can be used by taxpayers to request relief from payment of certain taxes proposed or assessed by Exam. Requests for relief of taxes related to payments which could be reported on line 6c of Form 4669 should not be received in Accounts Management. Contact the IRM author through the campus P&A Staff for guidance on resolving or rerouting the case if a Form 4669 is received in Accounts Management with a figure entered on line 6c of Form 4669.

- (5) When the claim can be processed, adjust the module for the proper amount using either TC 291 or TC 299 (along with the appropriate IRNs) as follows:

If	And	Then
The employer signed the Form 2504	Interest is not restricted on the module	Input TC 299 with an "interest from" date using the date the original signed Form 2504 was received by the IRS.
The employer signed the Form 2504	Interest is restricted on the module	Interest must be manually computed and adjusted unless the assessment qualified as a completely interest-free adjustment. Input TC 299 with an "interest from" date using the date the original signed Form 2504 was received by the IRS and the appropriate TC 34X amount. No underpayment interest is due on the amount being abated under IRC 3402(d) and/or IRC 3102(f)(3). However, underpayment interest is due on any remaining amount of the assessment from the date the original Form 2504 was received to the date of full payment.

If	And	Then
The employer did not sign the Form 2504	Interest is not restricted on the module	See IRM 20.2.10.5.5.3, <i>Interest on Income Tax Withholding Assessment Abated under IRC 3402(d)</i> . Input TC 299 with an
The employer did not sign the Form 2504	Interest is restricted on the module	See IRM 20.2.10.5.5.3, <i>Interest on Income Tax Withholding Assessment Abated under IRC 3402(d)</i> . Interest must be manually computed and adjusted. Input TC 299 with an interest from date and adjust interest with a TC 34x transaction as appro-

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- Note:** If the Form 2504 is unavailable, and there is a TC 308 on the module, use the date of the TC 308 for the interest computation date when following the procedures in the table above. If there is no TC 308, request the assessment document or contact the employer for a copy of the Form 2504. Fax copies are acceptable.
- (6) Restrict any penalty assessments on the module if a tax decrease made under these procedures would cause penalties to recompute. The employer is liable for all penalties as a result of the examination. Penalties should not be decreased when tax is adjusted.

- (7) Documentation for the adjustment must include the Forms 4669 and 4670 provided by the employer, copy of the Form 4668, and Form 2504 (if secured).

21.7.2.5.9
(10-01-2011)
**IRC Section 127,
Educational Exclusions**

- (1) Under IRC Section 127, an employer can exclude from gross income up to \$5,250 per employee for educational assistance benefits. This benefit expired and was reinstated a number of times over the years until the Economic Growth and Tax Relief Reconciliation Act of 2001 permanently extended IRC 127.
- (2) Employers should account for IRC Section 127 exclusions as they pay wages and report employment taxes during the year. However, employers may file claims on Forms 94XX if necessary when errors in reporting have occurred. Follow the procedures for the appropriate Form 94XX adjusted employment tax return when working these claims or adjustment requests.
- (3) Employees unable to obtain refunds from their employer may file Form 843 to obtain a refund. A statement from the employer must be attached listing any amount which has been reimbursed by employer. If employee is unable to obtain this statement, they must provide this information to the best of their ability. (Contact the taxpayer if neither an employer or employee statement has been provided with the claim. Fax copies are acceptable.) When the required documentation is secured, follow procedures in IRM 21.7.2.4.4.2, *Excess Social Security and Medicare Tax Withheld — Employee Claims for Refund*, under “Claim is correctly filed with employer’s statement attached”, in the “If/Then” table.
- (4) See archived IRM 21.7.2 if information is needed with regards to the handling of claims for tax years ending December 31, 2001 or earlier.

21.7.2.5.10
(10-01-2013)
**Foreign Students —
FICA Tax Erroneously
Withheld**

- (1) Per IRC 3121(b)(19), certain foreign students and other non-resident aliens are exempt from FICA for services performed as specified in Section 101(a)(15)(F), (J), (M), or (Q) of the Immigration and Nationality Act.
- (2) It is generally the employer’s responsibility to determine the tax status of foreign students and other non-resident employees for employment tax purposes. However, employers sometimes erroneously treat an exempt employee’s wages as taxable for FICA. In that situation, claims for refund or credit may be filed by either the employer or the employee:
 - See IRM 21.7.2.5.10.1, *Procedures for Inquiries Received From Foreign Students*, for handling guidance on inquiries and claims filed by employees for this issue.
 - See IRM 21.7.2.5.10.2, *Employer Claims Involving Foreign Students*, for handling guidance on inquiries and claims filed by employers for this issue.

21.7.2.5.10.1
(10-01-2017)
**Procedures for Inquiries
Received from Foreign
Students**

- (1) Employers may in some instances erroneously withhold FICA taxes from exempt foreign students and other non-resident aliens holding F, J, M, or Q visas. Employees for whom FICA taxes are erroneously withheld should seek reimbursement from their employer. However, If the employee is unable to obtain repayment or reimbursement from their employer, they may file a claim on Form 843 for refund of the erroneously withheld FICA taxes.

Caution: Any excess Additional Medicare Tax (AdMT) withheld by an employer and not repaid or reimbursed to the employee in the same calendar year **must** be claimed on an income tax return.

- (2) Foreign student claims filed by employees are processed by International teams at the Ogden campus as per procedures in IRM 21.8.2.7.3, *Processing Employee Claims*. Route foreign student claims received at any campus **other** than at Ogden as follows:
- Paper Case — Route the case to the following address and advise the taxpayer of the transfer via Letter 86C:
Ogden Campus
1973 N Rulon White Blvd
Ogden, Utah 84404
M/S 6552
 - CII Cases — Reassign to work type “BMF INTL”, document type “VISA”, category “IETP”, program “33032”, and campus “OSC”.

Note: Employer claims involving foreign students must be filed on the appropriate Form 94XX and are processed at the Cincinnati or Ogden Campuses. See IRM 21.7.2.5.10.2, *Employer Claims Involving Foreign Students*.

21.7.2.5.10.2

(12-21-2015)

**Employer Claims
Involving Foreign
Students**

- (1) Employer claims must be filed on the appropriate Form 94XX and are processed at the Cincinnati or Ogden Campuses.
- (2) There are no special procedures (see Exception in (3) below) for Forms 94XX filed by employers seeking refunds or credits of FICA taxes erroneously withheld from employees who are foreign students and other exempt non-resident aliens holding F, J, M, or Q visas or for the associated employer's share of FICA taxes.
- (3) Forms 94XX filed by employers for this issue are to be processed as per the general Form 94XX processing instructions in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, and the procedures for the specific type of Form 94XX and filing situation (e.g., if the 941-X received is a tax decrease - claim for refund, follow IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*).

Exception: If the employee has already filed a Form 843 claim and received a refund of erroneously withheld FICA taxes, then the employer may only obtain a refund or credit for the employer's share of associated FICA taxes. In that instance, the account will reflect a reduction in wages and a reduction in tax equal to the employee's share of FICA taxes. The Form 94XX filed by the employer may reflect an identical reduction in wages as was posted with the employee claim adjustment. If so, adjust IRN 112 (or IRN 007 as appropriate) but do **not** reduce wages a second time.

Note: Employee claims involving foreign students are filed on Form 843 and are processed by International teams at the Ogden Campus. See IRM 21.7.2.5.10.1, *Procedures for Inquiries Received From Foreign Students*, for handling and routing information if an employee claim is received at a site other than Ogden.

21.7.2.5.11
(10-01-2018)
**IRC Section 3121(q)
Adjustments**

- (1) IRC section 3121(q) provides that the employers pay their share of FICA taxes on tips reported by their employees. Such remuneration is deemed to have been paid at a time a written statement including such tips is furnished to the employer. If no such statement is furnished (or to the extent the statement is incomplete or inaccurate) such remuneration shall be deemed paid on the date on which notice and demand for such taxes is made to the employer.
- (2) Following a tip examination, employers must pay the employer portion of FICA taxes on unreported tips shown on the Section 3121(q) Notice and Demand. See Letter 3263 and Letter 4520 for more information. They are instructed to include the taxes due on line 5f of their Form 941 for the quarter in which the Section 3121(q) Notice and Demand is made.
- (3) Generally, the statute of limitations for assessment is three years after April 15 of the calendar year following the Section 3121(q) Notice and Demand date. However, if the employer files Form 941 late and the filing date is after April 15 of the calendar year following the year the Section 3121(q) Notice and Demand is made, the IRS must assess the employer FICA taxes within 3 years after the date the return was filed.

Example: If the employer files Form 941 for the first quarter of 2019 on July 13, 2020, the assessment period ends on July 13, 2023.

Note: If the employer files a false or fraudulent Form 941 for the quarter in which the liability is required to be reported or fails to file Form 941 for that quarter, the additional employer FICA taxes on the unreported tips can be assessed at any time.

21.7.2.5.11.1
(10-01-2018)
**Procedures for Section
3121(q) Adjustments —
Forms 941-X**

- (1) Even though employers are instructed to report a Section 3121(q) tip liability on their current period original Form 941, a Form 941-X may be received reporting a Section 3121(q) liability as an adjustment.
- (2) If Form 941-X is received reporting a Section 3121(q) adjustment, verify all applicable sections are complete. See IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, and IRM 21.7.2.4.5.6, *Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund (including Form 941-X (PR))*.

Note: IRC Section 3121(q) liabilities must be reported for the tax period in which the Section 3121(q) Notice and Demand was dated.

Example: Section 3121(q) Notice and Demand was dated March 30, 2021. If Form 941-X is filed, the adjustment must be input on the 202103 tax period.

- (3) Section 3121(q) adjustments reported on Forms 941-X may qualify for interest-free treatment in limited situations. See IRM 21.7.2.5.11.2, *Section 3121(q) and Interest-Free Adjustments*, for information on when to use a TC 298 or TC 290 when making Section 3121(q) adjustments.
- (4) IRN 114 is used to adjust the employer's share of social security and Medicare tax for Section 3121(q) liability on Form 941 for tax periods beginning on or after 01/01/2011. IRN 114 corresponds to Line 5f of Form 941 and Line 14 of Form 941-X.

Note: IRN 112 was used for Section 3121(q) adjustments on MFT 01 for tax periods ending on or before 12/31/2010.

- (5) Accept the employer's figure as reported unless a Section 3121(q) Notice of Demand is attached indicating the amount should be higher. In that case, adjust the account using the higher figure shown on the Section 3121(q) Notice of Demand and inform the employer using Letter 4384C.

Exception: If an employer attaches a copy of a Section 3121(q) Notice and Demand to Form 941-X and it can be determined the employer reported both the employee and employer shares of the social security and Medicare tax adjustment, assess only the employer share of social security and Medicare taxes and inform the employer using Letter 4384C.

Note: If an employer attaches a copy of a Section 3121(q) Notice and Demand to Form 941-X but does not report the tax on the Form 941-X and it was not reported with the original Form 941, assess the amount shown on the Section 3121(q) Notice and Demand and inform the employer using Letter 4384C.

- (6) **Do not** adjust IRN 005 (Taxable social security tips), IRN 072 (Tips deemed to be wages), or IRN 073 (Medicare wages) when making Section 3121(q) adjustments even if the employer provides wage information related to the adjustment on a Form 941-X or attaches the Section 3121(q) Notice and Demand. Wage data figures related to Section 3121(q) adjustments are not recorded with adjustments made under these procedures.

Exception: If the taxpayer reports other changes on the Form 941-X in addition to the Section 3121(q) adjustment, adjust wage reference lines as appropriate based on the other, non-Section 3121(q) related changes reported. See IRM 21.7.2.5.11.3, *Taxpayer Reports Other Adjustments In Addition to Section 3121(q) Adjustments*, for more information on handling forms filed in that manner.

- (7) Ensure all applicable deposits have been applied to the account being adjusted.
- (8) Adjust the FTD penalty when using either a TC 290 (see IRM 20.1.4.21.3, *Amended or Supplemental (Tax Decrease or Non-Interest-Free Tax Increase)*) or a TC 298 (see IRM 20.1.4.21.5, *Adjusted Returns (Forms 941-X, 943-X, 944-X, and CT-1X)*).

Note: See IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*, when using a TC 298 or TC 290 and an amended ROFTL was provided with the adjusted return.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5, *Adjusted Returns (Forms 941-X, 943-X, 944-X, and CT-1X)*.

21.7.2.5.11.2
(10-01-2012)

**Section 3121(q) and
Interest-Free
Adjustments**

- (1) The date of the Section 3121(q) Notice and Demand is the ascertained date for the taxes due.
- To qualify for interest-free treatment, a Form 941-X reporting additional tax must be filed by the due date for the tax period in which the liability for additional tax was ascertained. See IRM 21.7.2.4.4.2, *Interest-Free Adjustments (Employment Tax Returns)*.
 - IRC Section 3121(q) liability must be reported for the tax period in which the Section 3121(q) Notice and Demand letter was dated.
 - Therefore, a Form 941-X reporting taxes due for a Section 3121(q) adjustment has the same filing due date as the tax period being adjusted. If the Form 941-X is filed after the return due date for the tax period being adjusted, the adjustment does not qualify for interest-free treatment.

Example: An employer receives a Section 3121(q) Notice and Demand dated June 22, 2020. The ascertained date for the taxes due is therefore June 22, 2020. Per the instructions provided to the employer, the taxes shown on the Section 3121(q) Notice and Demand should be reported on their Form 941 for the second quarter of 2020 which has a filing due date of July 31, 2020. Instead, the employer reports the correction on a Form 941-X. The ascertained date is still June 22, 2020 based on the Section 3121(q) Notice and Demand and the Form 941-X reporting the Section 3121(q) tax is due by July 31, 2020. The employer files the Form 941-X on July 27, 2020. Therefore, the adjustment qualifies for interest-free treatment.

Example: An employer receives a Section 3121(q) Notice and Demand dated September 21, 2020. The ascertained date for the taxes due is therefore September 21, 2020. Per the instructions provided to the employer, the taxes shown on the Section 3121(q) Notice and Demand should be reported on their Form 941 for the third quarter of 2020 which has a filing due date of October 31, 2020. Instead, the employer reports the correction on a Form 941-X. The ascertained date is still September 21, 2020 based on the Section 3121(q) Notice and Demand and the Form 941-X reporting the Section 3121(q) tax is due by October 31, 2020. The employer files the Form 941-X on November 15, 2020. The Form 941-X was filed late and therefore the adjustment does **not** qualify for interest-free treatment.

- (2) Use the following table to determine whether to make the Section 3121(q) adjustment using a TC 290 or TC 298:

If	Then
The Form 941-X is not filed by the due date of the tax period for which the Section 3121(q) adjustment is reported	Input the adjustment using a TC 290.
The Form 941-X is filed by the due date of the tax period for which the Section 3121(q) adjustment is reported	Input the adjustment using a TC 298. Input the return due date of the tax period being adjusted as the interest computation date.

Exception: If the Page 1 error discovery date, information in Part 4, or the date of the Section 3121(q) Notice and Demand (if attached) indicate the employer filed the Form 941-X for a tax period other than that required based on the ascertained date, input the adjustment as a TC 290 or TC 298 (if timely filed) on the tax period associated with the ascertained date and inform the employer using Letter 4384C.

Note: For the Section 3121(q) adjustment to be completely interest-free, the tax must be paid by the return due date of the tax period for which the adjustment is reported. Otherwise, underpayment interest accrues from that date to the date of full payment.

21.7.2.5.11.3
(10-01-2012)

**Taxpayer Reports Other
Adjustments in Addition
to Section 3121(q)
Adjustments**

- (1) Even though employers are instructed to report a Section 3121(q) liability on their current period original Form 941, a Form 941-X may be received reporting a Section 3121(q) liability as an adjustment. And, if a taxpayer reports a Section 3121(q) adjustment on Form 941-X, it is possible they may also report other adjustments on the same Form 941-X.
- (2) If a Section 3121(q) adjustment and other corrections are reported on the same Form 941-X, separate adjustment actions may be required as per the following table:

If	And	Then
The Form 941-X is filed by the due date of the tax period for which the Section 3121(q) adjustment is reported		Input one adjustment for the entire amount of the corrections reported using a TC 298. Input the return due date of the tax period being adjusted as the interest computation date. Reminder: Use IRN 114 for the Section 3121(q) portion of the tax adjustment.
The Form 941-X is not filed by the due date of the tax period for which the Section 3121(q) adjustment is reported	The employer provided an ascertained date for the other errors being corrected and the Form 941-X was timely filed by the associated due date	Input the Section 3121(q) adjustment using a TC 290 and IRN 114. Input the adjustment for the other errors being corrected as a separate TC 298 adjustment using the Form 941-X received date as the interest computation date.

If	And	Then
The Form 941-X is not filed by the due date of the tax period for which the Section 3121(q) adjustment is reported	The employer did not provide an ascertained date for the other errors being corrected	Input one adjustment for the entire amount of the corrections reported using a TC 290. Reminder: Use IRN 114 for the Section 3121(q) portion of the tax adjustment.
The Form 941-X is not filed by the due date of the tax period for which the Section 3121(q) adjustment is reported	The employer provided an ascertained date for the other errors being corrected but the Form 941-X was not timely filed by the associated due date	Input one adjustment for the entire amount of the corrections reported using a TC 290. Reminder: Use IRN 114 for the Section 3121(q) portion of the tax adjustment.

Reminder: If the Page 1 error discovery date, information in Part 4, or the date of the Section 3121(q) Notice and Demand (if attached) indicate the employer filed the Form 941-X for a tax period other than for which the Section 3121(q) liability is required to be reported, input the adjustment for the Section 3121(q) liability as a TC 290 or TC 298 (if timely filed) on the correct tax period and inform the employer using Letter 4384C.

21.7.2.5.12
(10-01-2016)
IRC Section 3121(v)

- (1) FICA tax is generally imposed at the time wages are actually or constructively paid. However, IRC Section 3121(v)(2)(A), contains a special timing rule. This special timing rule usually results in imposition of FICA tax before benefit payments under the plan begin. The rule provides that any amount deferred under a non-qualified deferred compensation (NQDC) plan must be taken into account as wages for FICA tax purposes the later of:
 - When the services are performed; or
 - When there is no substantial risk of forfeiture of the rights to such amount
- (2) Section 31.3121(v)(2)-1, of the employment tax regulations provides guidance as to when amounts deferred under, or paid from, an NQDC plan are taken into account as wages for purposes of FICA tax.

21.7.2.5.12.1
(10-01-2024)
IRC Section 3121(v)
Claims and Requests for
Adjustments

- (1) Any claims or requests for adjustments (including increases) received on Form 94XX (or Form 843) that indicate any of the following must be routed as CAT-A (Category A):

- 3121(v)
- Regulations Section 31.3121(v)
- Non-qualified deferred compensation (or NQDC)
- Deferred compensation
- Transitional rules
- Treasury Decision 8814
- Other indications suggesting that IRC Section 3121(v) is at issue

Exception: See archived versions of this IRM if information is needed on previous handling related to airline employee/retiree claims.

- (2) These cases must be recontrolled to Exam. If Exam returns the case, handling instructions will be included.

Note: If a claim is received on Form 843 and Exam provides instructions to disallow the claim, follow normal claim disallowance procedures.

- (3) See archived files for this IRM if information is needed on previous handling for this issue.

21.7.2.5.13
(01-01-2005)
FICA Adjustments on
Exempt Organizations
Pursuant to IRC Section
501(c)(3)

- (1) Organizations exempt under IRC Section 501(c)(3) are liable for FICA taxes with few exceptions.
- (2) Churches and qualified church-controlled organizations opposed to the payment of FICA taxes for religious reasons, are provided a method to elect exemption from the employer's share of FICA taxes. See IRM 21.7.2.5.13.2, *Form 8274, Churches Making the Election for Exemption From FICA*.

21.7.2.5.13.1
(10-01-2018)
IRC Section 501(c)
Definitions

- (1) Church means a church described in IRC Section 501(c)(3) and IRC Section 170(b)(1)(A)(i) which includes conventions or associations of churches.
- (2) It also includes elementary or secondary schools controlled, operated, or principally supported by a church.
- (3) IRC Section 3121(w)(3)(B) provides that a qualified church-controlled organization includes any church-controlled tax-exempt organization described in IRC Section 501(c)(3), **except** if the organization both:
- a. Offers goods, services, or facilities for sale to the general public, other than on an incidental basis or other than for a nominal charge which is substantially less than the cost of providing such goods, services, or facilities; and
 - b. Normally receives more than 25% of its support from either (I) governmental sources, or (II) receipts from admissions, sales of merchandise, performance of services, or finishing of facilities in related trade or business activities, or both.

21.7.2.5.13.2

(10-01-2012)

Form 8274, Churches Making the Election for Exemption From FICA

- (1) The election is made by filing Form 8274, *Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes*.
 - Form 8274 is filed after the electing organization has hired employees, but before the first date on which Form 941 (or Form 944) is due, or would otherwise be due, except for this election.
 - Form 8274 is processed by the Entity Control Function. See IRM 3.13.2, *BMF Account Numbers*.
 - Form 8274 can be recognized by Employment Code (EC) "C".
- (2) The election applies to services performed by all current and future employees of the electing organization. The election does **not** apply to:
 - Service as minister of a church
 - Members of a religious order
 - Service performed in unrelated trade or business of the church or qualified church-controlled organization
- (3) The electing organization is required to withhold federal income tax on wages, tips, and other compensation. Forms W-2 and 941 (or 944) must be filed as appropriate. The IRS will permanently revoke the election if the organization does not file Form W-2 for two years or more and does not provide the information within 60 days after a written request by the IRS.
- (4) By filing a Form 941 (or Form 944) and paying FICA taxes, the election can be permanently revoked.

21.7.2.5.13.3

(01-01-2005)

Claims (IRC Section 501(c))

- (1) Allow the claim if the TC 070 establishment date is within, or prior to, the quarter for which the claim is filed, and either of the conditions below exists:
 - a. The claim is filed under one of the exceptions from wages under IRC Section 3121(a).
 - b. There is a miscalculation of tax on a previously filed return.
- (2) Do not allow the claim if any of the conditions below exist:
 - a. A nonprofit organization requests a refund based on "constitutional rights".
 - b. It is filed for refund of FICA taxes and the establishment date posted with TC 070 is after the quarter for which it is filed.
 - c. The Form 8274 election was revoked by IRS (TC 071).
 - d. The exempt Status under IRC Section 501(c)(3) was revoked (EO Status Code 22) or denied (EO Status Code 70). See IRM 3.13.12.6.18.2, *EO Status Codes*.
- (3) Also, see IRM 21.5.3, *General Claims Procedures*, for Category A issues.

21.7.2.5.14

(01-01-2005)

State and Local Government FICA Under Section 218

- (1) Both the employer and employee share of FICA taxes are collected and reported to IRS by state and local government employers if the employees are covered under Section 218 of the Social Security Act.

- a. Section 218 provides a state may enter into a voluntary agreement with the Commissioner of Social Security to provide social security coverage for its employees and the employees of local governments within the state.
- b. Employers under Section 218 agreements are identified by Employment Code (EC) "T". See *Section 3.15*, Document 6209, IRS Processing Codes and Information, for additional information on Employment Codes.

(2) If taxpayer states they are not liable for FICA:

If	Then
EC is "T"	Inform taxpayer they are liable for FICA.
EC is not "T"	Abate any FICA taxes assessed.
Taxpayer states they did not have any employees during the period	Abate any FICA taxes assessed.
TC 150 shows zero tax and no FICA taxes or wages are shown	No adjustment action is necessary.
There are any discrepancies concerning the agreement	Advise taxpayer to contact SSA.

(3) If taxpayer writes concerning payments made to the State, advise taxpayer to contact the State.

21.7.2.5.14.1
(01-01-2005)

**Internally Generated
Transcripts (IRC Section
218 Coverage)**

- (1) Transcripts may be received from Accounting which involve Employment Code (EC) "T" or EC "G" issues.
- (2) If it can be determined taxpayer has Section 218 coverage, take the following action:
 - a. Change EC to "T" with a filing requirement of "01", if not already posted on the entity module.
 - b. After input of the EC, or if EC "T" has already posted, input TC 29X (see IRM 21.5.2.4.17, *Posting Delay Code (PDC)*) with IRNs 004, 112, and 073 to assess FICA taxes based on the wages shown on the return.
 - c. Advise taxpayer of action taken.
 - d. If no wages are reflected on return, correspond with taxpayer to obtain correct wages.
- (3) If you cannot determine taxpayer coverage, verify with appropriate State Social Security Office whether entity is covered by a Section 218 agreement.
 - a. See IRM 3.13.12.6.28.11, *Employment Code T*, for contact information.
 - b. If Section 218 coverage is elected, process as in (2) above.
 - c. If Section 218 coverage is not elected, correspond with taxpayer to resolve issues regarding social security coverage status.

21.7.2.5.15
(11-16-2023)

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

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

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

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

- (2) The procedures which follow include a general information section and a specific handling section for each of the two forms (Form 5884-C and Form 5884-D), followed by sections containing guidance which applies to the handling of both forms.
- (3) Eligible employers are directed to file Form 5884-C and Form 5884-D at the Ogden campus.
- (4) **Processing of Form 5884-C and Form 5884-D is centralized in Accounts Management (AM) at the Ogden campus.** If you receive a Form 5884-C or Form 5884-D and are not part of the centralized team, route the claim as follows:
1. If you receive a paper case, route to:
Internal Revenue Service
1973 North Rulon White Blvd
Ogden, UT 84404
MS 6700
Lead, Team B2-204
 2. If you receive a case that has already been scanned into CII, reassign to the Ogden Campus IDRS number 0435646714 and notate on AMS/CII "Form 5884-C" or **Form 5884-D** as appropriate.
- (5) **The Form 5884-C and Form 5884-D processing guidelines found in the IRM subsections which follow are for use by the centralized processing team.**

21.7.2.5.15.1
(07-28-2022)

Form 5884-C — General Information

- (1) The VOW to Hire Heroes Act of 2011 expanded the Work Opportunity Credit (WOC) to businesses that hired certain eligible qualified veterans who began work before January 1, 2013. This law also made the Work Opportunity Credit available to certain tax-exempt organizations who hire qualified veterans (see IRC 52(c)(2) and IRC 3111(e)). The initial eligibility period has been legislatively extended multiple times (Section 309 of the American Tax Relief Act of 2012 (ATRA 2012), Section 119 of the Tax Increase Prevention Act of 2014 (TIPA 2014), Section 142, Division Q of the Consolidated Appropriations Act, 2016, Section 143 of the Taxpayer Certainty and Disaster Tax Relief Act of

2019 (P.L. 116-94), and Section 113 of the *Taxpayer Certainty and Disaster Relief Act of 2020* (enacted as Division EE of the *Consolidated Appropriations Act, 2021* (P.L. 116-260))) and can now apply to qualified veterans who began work on or after November 22, 2011, and before January 1, 2026. Qualified tax-exempt organizations (organizations described in IRC 501(c) and exempt from tax under IRC 501(a)) claim this credit against the employer portion of social security tax on wages paid to all employees during the 1-year period beginning on the day a qualified veteran begins working for the organization.

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

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

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

- (3) Key points relative to the filing of Form 5884-C, *Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans*, are as follows:
 - Although the credit under IRC 3111(e) is applied against the employer social security tax liability for the employment tax period in which the credit is claimed, the liability reported on the qualified tax-exempt organization's employment tax return (Form 941, Form 943, or Form 944) is not reduced when that return is filed. Accordingly, the qualified tax-exempt organization should **not** reduce tax liabilities reported on an original or subsequently filed Schedule B (or other tax liability schedules for Forms 941, 943 and 944) by the amount of any credit claimed on Form 5884-C.
 - The IRS recommends that qualified tax-exempt organizations not reduce their required deposits in anticipation of any credit claimed on Form 5884-C. However, any balance due, including applicable penalties and/or interest, will generally be recomputed when the credit is allowed. See IRM 21.7.2.5.15.5, *CRN 290 Impact on Penalties and Interest*, for more information.
 - Any credit claimed on Form 5884-C will be refunded to the qualified tax-exempt organization (along with any applicable overpayment interest) unless the IRS corrects the Form 5884-C during processing or the organization owes other taxes (including any amounts of deferred social security taxes recorded with CRN 280 for the **same** tax period for which the Form 5884-C was filed), penalties, or interest.
 - Form 5884-C is filed separately and should not be attached to any other return filed by the qualified tax-exempt organization.
 - Form 5884-C should be filed **after** the qualified tax-exempt organization files its employment tax return for the tax period for which the credit is claimed. However, Form 5884-C **must** be filed within 2 years from the

date the tax reported on the employment tax return was paid, or 3 years from the date the original employment tax return was filed, whichever is later.

- The qualified tax-exempt organization using Form 5884-C must calculate the cumulative credit to which the qualified tax-exempt organization is entitled under IRC 3111(e) for all qualified veterans hired on or after November 22, 2011 and before January 1, 2021. The qualified tax-exempt organization must reduce the cumulative credit by any credits claimed on any Forms 5884-C filed for prior tax periods.
- The amount of the credit claimed on each Form 5884-C will be limited to the amount of employer social security tax reported on the employment tax return filed by the qualified tax-exempt organization for the employment tax period for which the credit is claimed.
- Any excess credit (i.e., credit that exceeds the employer social security tax for the period the credit is claimed) may be carried forward and will be included in the qualified tax-exempt organization's cumulative calculation on Form 5884-C for a subsequent tax period to the extent provided in the instructions for Form 5884-C.

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

- (4) Additional information on this credit may be found in the Form 5884-C instructions, *Notice 2012-13*, and under the heading "Tax-exempt Employers" on the following irs.gov webpage: *Work Opportunity Tax Credit*.
- (5) Qualified tax-exempt organizations are directed in the form instructions to file Form 5884-C at the Ogden campus.
- (6) Specific Form 5884-C processing requirements are found in IRM 21.7.2.5.15.3, *Processing Guidelines Specific to Form 5884-C*.

21.7.2.5.15.2
(07-28-2022)

Form 5884-D — General Information

- (1) As enacted by section 303(d) of the 2020 Disaster Relief Act the employee retention payroll tax credit is now available for qualified tax-exempt organizations in qualified disasters declared after December 31, 2019, for a business inoperable before December 28, 2020 because of damage sustained by reason of the qualified disaster.
- (2) Form 5884-D, *Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters* is used to claim this credit.

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

- (3) **Qualified disaster area:** For purposes of the credit claimed on Form 5884-D, the term qualified disaster area means any area with respect to which a major disaster was declared, but specifically excludes any area where a major disaster has been declared solely by reason of COVID-19.
- (4) **Qualified disaster zone:** For purposes of the credit claimed on Form 5884-D, the term qualified disaster zone means that portion of any qualified disaster area determined to warrant individual or individual and public assistance from

the federal government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of the qualified disaster.

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

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

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

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

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

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

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

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

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

- A third-party payer, such as a certified professional employer organization, a non-certified professional employer organization, or an agent under section 3504, who files an aggregate employment tax return and is filing Form 5884-D for a qualified tax-exempt organization claiming the credit should use the third party's name and EIN on Form 5884-D and should enter the qualified tax-exempt organization's name, address, and EIN on Line 1. A third-party payer who files an aggregate employment tax return must file a single separate Form 5884-D for each qualified tax-exempt organization claiming the credit in an employment tax period.
- The credit claimed on Form 5884-D does not affect the tax liability reported on the organization's employment tax returns. Accordingly, the qualified tax-exempt organization should **not** reduce tax liabilities reported on an original or subsequently filed Schedule B (or other tax liability schedules for Forms 941, 943 and 944) by the amount of any credit claimed on Form 5884-D.
- A qualified tax-exempt organization **may** reduce its required deposits for an employment tax period by the amount of its anticipated credit for that employment tax period. Any balance due, including applicable penalties and/or interest, will generally be recomputed when the credit is allowed. See IRM 21.7.2.5.15.5, *CRN 290 Impact on Penalties and Interest*, for more information.
- The IRS will refund the amount shown on line 12 of Form 5884-D, plus any interest that applies, unless the IRS corrects Form 5884-D during processing or the organization owes other taxes (including any amounts of deferred social security taxes recorded with CRN 280 for the **same** tax period for which the Form 5884-D was filed), penalties, or interest.

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

- (9) Additional information on this credit may be found in the *Instructions for Form 5884-D*.
- (10) Qualified tax-exempt organizations are directed in the form instructions to file Form 5884-D at the Ogden campus.
- (11) Specific Form 5884-D processing requirements are found in IRM 21.7.2.5.15.4, *Processing Guidelines Specific to Form 5884-D*.

21.7.2.5.15.3
(05-10-2023)

**Processing Guidelines
specific to Form 5884-C**

- (1) Qualified tax-exempt organizations claim the Work Opportunity Credit by filing Form 5884-C, *Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans*, after they file their employment tax return (Form 941, Form 943, or Form 944).

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

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

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

Note: See IRM 21.7.2.5.15.1, *Form 5884-C — General Information*, for more information on credit eligibility requirements.

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

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

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

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

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

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

- (5) Forms 5884-C are scanned into Correspondence Imaging Inventory (CII) system with Document Type 941-X, 943-X or 944-X (as appropriate) and Category Code SPC3. The scanning of a Form 5884-C systemically generates a TC 971 AC 010 and sets a -A or E- freeze which **must** be addressed before closing the case. See IRM 21.5.6.4.2, *-A Freeze*, and/or IRM 21.5.6.4.9, *E-Freeze*, for additional information. Also see the fourth paragraph of IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*, when rejecting a Form 5884-C and IRM 21.7.2.5.15.7, *Form 5884-C or Form 5884-D Filed — No TC 150 Posted*, when a Form 5884-C is received but no related original return has been posted.
- (6) Use blocking series 15, 18, or 00 as appropriate when adjusting an account per a Form 5884-C. Do **not** use blocking series 20.
- (7) Form 5884-C cases are to be worked under the 1005X program.
- (8) Forms 5884-C requesting a credit (or an increase to credit) are considered claims. Special processing instructions applicable to Forms 5884-C (and Form

5884-D) are provided in the subsections which follow. However, guidance found in IRM 21.5.3, *General Claims Procedures*, also applies to their handling.

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

1. Verify the entity information (EIN, organization name, and address) entered on the Form 5884-C matches IRS records.
2. Verify there are entries in lines 4a/4b and/or 5a/5b, in lines 6 through 10, and in either line 11 or 12, as appropriate.
3. Verify the Form 5884-C is signed. Form 5884-C signature requirements are the same as for Form 94XX. See IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures.
4. Verify the tax form and tax period for which the Form 5884-C was filed. If blocks on lines 2 and/or 3 are not marked, attempt to determine the correct tax form and tax period by comparing the line 9 entry to posted return data. If not found, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-C with Letter 916C.
5. Compare the entry on line 9 to the appropriate wage/tips figure(s) on the account being adjusted. Math verify lines 10 and 11 **(only)** to ensure the claim amount does not exceed the employer share of social security tax

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- (10) Eligibility for the credit claimed on Form 5884-C is limited to qualified tax-exempt organizations (organizations described in IRC 501(c) and exempt from tax under IRC 501(a)). Review the entity and EO submodule data on INOLES and follow the instructions in the table below to determine if the Form 5884-C was filed by an eligible entity and the appropriate handling:

If	And	Then
There is an EO submodule	The EO status is 18, 19, 20, 22, 70, 71, 72, 97, 98 or 99	Send the claim CAT-A.

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

- (11) In addition to the claims described in the first row of the table in (9) above, send all Forms 5884-C (including amended Forms 5884-C) reflecting a line 11

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- (12) After applying the guidance provided above for verifying the form is processable, continue processing Form 5884-C cases as per guidance in either IRM 21.7.2.5.15.6, *Form 5884-C or Form 5884-D Filed — TC 150 Posted*, or IRM

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

21.7.2.5.15.4
(05-10-2023)

**Processing Guidelines
Specific to Form 5884-D**

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

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

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

Note: See IRM 21.7.2.5.15.2, *Form 5884-D — General Information*, and the *Instructions for Form 5884-D* for more information on credit eligibility requirements.

- (3) Claims on Form 5884-D can be filed for tax period 201912 and subsequent on MFT 01 (Form 941), MFT 11 (Form 943), and MFT 14 (Form 944). Reject any Form 5884-D filed for a tax period earlier than 201912 or filed under any other MFT. As appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C explaining that the form was filed for an invalid tax period or tax account.
- (4) Credit Reference Number (CRN) 290 is used to adjust the Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters (as well as the Work Opportunity Credit (WOC) claimed on Form 5884-C). Enter as a positive figure to increase the credit or as a negative figure to decrease the credit. The CRN 290 input will generate a TC 766 (increase) or TC 767 (decrease).

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

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

- (5) Forms 5884-D are scanned into Correspondence Imaging Inventory (CII) system with Document Type 941-X, 943-X or 944-X (as appropriate) and Category Code SPC3. The scanning of a Form 5884-D will systemically generate a TC 971 AC 010 and set a -A or E- freeze which **must** be addressed before closing the case. See IRM 21.5.6.4.2, *-A Freeze*, and/or IRM 21.5.6.4.9, *E- Freeze*, for additional information. Also see the fourth paragraph of IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*, when rejecting a Form 5884-D and IRM 21.7.2.5.15.7, *Form 5884-C or Form 5884-D Filed —*

No TC 150 Posted, when a Form 5884-D is received but no related original return has been posted.

- (6) Use blocking series 15, 18, or 00 as appropriate when adjusting an account per a Form 5884-D. Do **not** use blocking series 20.
- (7) Form 5884-D cases are to be worked under the 1005X program.
- (8) Forms 5884-D requesting a credit (or an increase to credit) are considered claims. Special processing instructions applicable to Form 5884-D (and Form 5884-C) are provided in the following subsections. However, guidance found in IRM 21.5.3, *General Claims Procedures*, also applies to their handling.
- (9) **Verify the following items to ensure the Form 5884-D is complete for processing:**
 1. Verify the entity information (EIN, organization name, and address) entered on the Form 5884-D matches IRS records.
 2. Verify the Form 5884-D is signed. Form 5884-D signature requirements are the same as for Form 94XX. See IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures.
 3. Verify either Line 2a or Line 2b is checked "yes":
 - If neither line is checked "yes", make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter that an entry on Line 2a and/or 2b is required for form processing purposes.
 - If both lines are checked "no", "no consider" the Form 5884-D and indicate in Letter 916C that based on their entries on Lines 2a and 2b that they are not eligible to claim the credit.
 4. Verify information has been entered in line 3 as follows:
 - If there is an entry in column a, verify it corresponds to a qualified disaster zone listed in the *Instructions for Form 5884-D*.
 - If there is a valid entry in column a, but no entry in column b, continue processing the Form 5884-D.
 - If there is an entry in column b but no entry in column a, review the list of qualified disaster zones in the *Instructions for Form 5884-D*. If the correct qualified disaster zone can be determined, continue processing the Form 5884-D. If not, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-C with Letter 916C and indicate in the letter that an entries in all three columns of line 3 on Form 5884-D are required for form processing purposes.
 - If there is no entry in column b **and** no entry in column a, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter that an entries in all three columns of line 3 on Form 5884-D are required for form processing purposes.
 - If there is no entry in column c, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone

- number is available, reject the Form 5884-D with Letter 916C and indicate in the letter that an entries in all three columns of line 3 on Form 5884-D are required for form processing purposes.
5. Verify the tax form and tax period for which the Form 5884-D was filed.
 - If blocks on lines 4 and/or 5 are not marked, attempt to determine the correct tax form and tax period by comparing the Line 10 entry to posted return data. If not found, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C.
 - If the Form 5884-D was not filed for a valid tax form/tax period, formally disallow the claim and issue Letter 105C as appropriate.
 6. Verify there are entries in Lines 6a and 6b, Line 7, and Lines 10, 11a, and 11d, and in either Line 12 or Line 13, as appropriate (Lines 8 and 9 are only required to account for carryforwards and may not be completed on every Form 5884-D). If there are missing required entries that cannot be mathematically perfected, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter which required Form 5884-D entries were missing.
 7. Multiply the number entered on Line 7 by \$6,000.
 8. Multiply the **lesser** (smaller) of the amount reported on Line 6a or the amount calculated in Step 7 above by 40% (0.40). Use the **lesser** (smaller) of this calculated amount or the amount entered on Line 6b for continued verification in Step 9 and Step 10 below.
 9. If there is an entry on Line 8, math verify Line 9 or Line 13 as appropriate.
 10. Compare the entry on Line 10 to the appropriate wage/tips figure(s) on the account being adjusted. Math verify Lines 9, 10, 11a, 11d and 12 to ensure any claim amount does not exceed the employer share of social

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- (10) Eligibility for the credit claimed on Form 5884-D is limited to qualified tax-exempt organizations (organizations described in IRC 501(c) and exempt from tax under IRC 501(a)). Review the entity and EO submodule data on INOLES and follow the instructions in the table below to determine if the Form 5884-C was filed by an eligible entity and the appropriate handling:

If	And	Then
There is an EO submodule	The EO status is 18, 19, 20, 22, 28, 70, 71, 72, 97, 98, or 99	Send the claim CAT-A.

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

- (11) In addition to the claims described in the first row of the table in (10) above, send all Forms 5884-D (including amended Forms 5884-D) reflecting a line 12

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- (12) After applying the guidance provided above for verifying the form is processable, continue processing Form 5884-D cases as per guidance in either IRM 21.7.2.5.15.6, *Form 5884-C or Form 5884-D Filed — TC 150 Posted*, or IRM

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

21.7.2.5.15.5
(07-28-2022)

**CRN 290 Impact on
Penalties and Interest**

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

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

- (2) **FTF penalty:** For purposes of any late filing penalty, the CRN 290 credit is considered a timely credit as of the return due date for the tax period to which it is applied. Similarly, a reversal of the credit is considered a reduction in timely credits as of the return due date. Accordingly, the computer will generally recompute the FTF penalty systemically with CRN 290 adjustments unless the penalty was previously restricted.
- (3) **FTP penalty:** For FTP penalty purposes, allowances and reversals of a CRN 290 credit will be treated in the same manner as an increase or decrease to tax liability **even though** we are not actually increasing or decreasing recorded tax when making these adjustments. When allowing a CRN credit (or increasing the amount allowed), the computer will accurately compute FTP if there has not been a previous tax assessment on the account. However, if there has been a previous tax increase on the account, or if the credit is being reversed in part or full, the FTP penalty will generally need to be manually computed and restricted as discussed in (2) of IRM 21.7.2.5.15.6, *Form 5884-C or Form 5884-D Filed — TC 150 Posted*, and IRM 21.7.2.5.15.10, *CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13*.
- (4) **Overpayment interest:** For the purposes of calculating any applicable overpayment interest, a CRN 290 credit will be considered to be available as of the return due date for the tax period for which the Form 5884-C or Form 5884-D was filed.

Note: The 45-day interest rule for claims and amended returns applies to Forms 5884-C and Forms 5884-D claiming (or increasing) a CRN 290 credit. See (10) through (13) of IRM 21.5.3.4, *General Claims Procedures*, and IRM 20.2.4.7.5.4, *45-Day Rule and Master File (Amended Returns and Claims)*, for more information, including instructions for inputting the date the processable claim was received by the IRS as the Amended Claims Date on ADJ54.

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

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

21.7.2.5.15.6
(07-28-2022)

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

- (1) After considering all verification requirements in IRM 21.7.2.5.15.3, *Processing Guidelines Specific to Form 5884-C*, or IRM 21.7.2.5.15.4, *Processing Guidelines Specific to Form 5884-D*, follow the procedures provided in the table below to process a Form 5884-C or Form 5884-D when there is a TC 150 posted to the tax account for which the Form 5884-C or Form 5884-D was filed.

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

If	And	Then
The Form 5884-C or Form 5884-D reflects both a claim amount and an amount due (i.e., entries on lines 11 and 12 on Form 5884-C or lines 12 and 13 on Form 5884-D) <i>regardless</i> of whether there is a previously posted CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed	The sum of either lines 11 and 12 on Form 5884-C or lines 12 and 13 on Form 5884-D would be a net amount due	Treat the net amount due as if it had been reported on line 12 of Form 5884-C or Line 13 of Form 5884-D and process as per procedures in IRM 21.7.2.5.15.10, <i>CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13</i> . Exception: Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance on resolving the case if there is documentation attached indicating the separate amounts reported as increases and decreases apply to different tax periods.
The Form 5884-C or Form 5884-D reflects both a claim amount and an amount due (i.e., entries on lines 11 and 12 of Form 5884-C or lines 12 and 13 of Form 5884-D) regardless of whether there is a previously posted CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed	The sum of either lines 11 and 12 on Form 5884-C or lines 12 and 13 on Form 5884-D would be a net credit	Continue processing as per the table guidance below treating the net credit as if that amount had been claimed on line 11 of Form 5884-C or line 12 of Form 5884-D. Exception: Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance on resolving the case if there is documentation attached indicating the separate amounts reported as increases and decreases apply to different tax periods.
The Form 5884-C or Form 5884-D reflects an amount due (i.e., an entry on line 12 of Form 5884-C or line 13 of Form 5884-D) <i>regardless</i> of whether there is a CRN 290 credit posted to the tax period for which the Form 5884-C or Form 5884-D was filed		Process as per procedures in IRM 21.7.2.5.15.10, <i>CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13</i> .
Line 11 of Form 5884-C or line 12 of Form 5884-D reflects a credit amount	There is no previous CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed	Input a CRN 290 transaction to allow the amount claimed on line 11 of Form 5884-C or line 12 of Form 5884-D using blocking series 15, 18, or 00 as appropriate. Input the appropriate Amended Claims Date with the adjustment.

If	And	Then
Line 11 of Form 5884-C or line 12 of Form 5884-D reflects a credit amount	There is a previous CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed which is for the same amount as shown on the current form	Treat as a previous action situation. Input a TC 290 \$.00 to release the -A freeze.
Line 11 of Form 5884-C or line 12 of Form 5884-D reflects a credit	There is a previous CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed which is less than what is shown on the current form (i.e., the Form 5884-C or Form 5884-D reflects an increase to credit claimed)	Input a CRN 290 transaction to allow the difference between the net posted CRN 290 amount and the amount claimed on line 11 of Form 5884-C or line 12 of Form 5884-D using blocking series 15, 18, or 00 as appropriate. Input the appropriate Amended Claims Date with the adjustment. Exception: For Form 5884-C, if there is documentation attached which indicates the amount claimed on the current Form 5884-C is an additional amount (for example, the credit claimed on the current Form 5884-C is in regards to a qualified veteran not claimed on the previously filed Form 5884-C for the same tax period), allow the full amount claimed on the current Form 5884-C.

If	And	Then
Line 11 of Form 5884-C or line 12 of Form 5884-D reflects a credit	There is a previous CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed which is more than what is shown on the current form (i.e., the Form 5884-C or Form 5884-D reflects a decrease to credit claimed)	<p>Treat this situation as if the difference between the amount previously allowed and the amount claimed on the new Form 5884-C or Form 5884-D (i.e., the credit amount to be reversed) had been reported as an amount due on line 12 for Form 5884-C or line 13 of Form 5884-D and process according to the procedures in the second row of the table in (3) of IRM 21.7.2.5.15.10, <i>CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13</i>.</p> <p>Exception: For Form 5884-C, if there is documentation attached which indicates the amount claimed on the current Form 5884-C is an additional amount (for example, the credit claimed on the current Form 5884-C is in regards to a qualified veteran not claimed on the previously filed Form 5884-C for the same tax period), allow the full amount claimed on the current Form 5884-C.</p>

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

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

- (2) **Special FTP penalty procedures when allowing CRN 290 credits:** See (3) in IRM 21.7.2.5.15.10, *CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13*. If an FTP penalty was charged in association with an additional tax assessment made after the original return posted, special procedures must be applied when allowing a CRN 290 credit as per the following table:

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

Reminder: The procedures above do not apply to FTP penalty assessments associated with the original return. The computer will generally accurately recompute penalties and interest associated with original return filing when allowing a CRN 290 credit unless penalties and/or interest were previously restricted. See IRM 21.7.2.5.15.5, *CRN 290 Impact on Penalties and Interest*, for more information.

21.7.2.5.15.7

(07-28-2022)

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

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

If	And	Then
The Form 5884-C or Form 5884-D was received with a Form 94X		See IRM 21.7.2.5.15.8, <i>Form 5884-C or Form 5884-D Filed with Form 94X Original or Duplicate Return</i> .

If	And	Then
The Form 5884-C or Form 5884-D was received with a Form 94XX		See IRM 21.7.2.5.15.9, <i>Form 5884-C or Form 5884-D Filed with Form 94XX</i> .
There is an indication on the account, Form 5884-C, or Form 5884-D that an employment tax return was filed		<ol style="list-style-type: none"> 1. Monitor the account for the posting of the employment tax return. 2. Process the Form 5884-C or Form 5884-D as per handling instruction in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>.
There is an indication on the account, Form 5884-C, or Form 5884-D that an employment tax return was filed	More than 60 days have passed since the normal due date for filing the employment tax return or from the known date of actual filing and the return has not posted	<ul style="list-style-type: none"> • If a copy of the employment tax return is available, send it to Submission Processing (retain a copy with the Form 5884-C or Form 5884-D) to be processed, monitor it to posting, and then process the Form 5884-C or Form 5884-D as per handling instruction in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>. • If a copy of the employment tax return is not available, make two attempts to contact the taxpayer for a copy of their employment tax return if a telephone number is available. Follow procedures in the first bullet above if a copy is obtained from the taxpayer. • If a copy of the employment tax return cannot be obtained, reject the Form 5884-C or Form 5884-D using Letter 916C. Advise the taxpayer that we cannot process it because we have no record of receiving their original return and to refile the Form 5884-C or Form 5884-D after they file a newly signed copy of their employment tax return.
There is an open TDI on the tax period for which the Form 5884-C or Form 5884-D was filed	There is no indication on the Form 5884-C or Form 5884-D that an employment tax return was filed	Reject the Form 5884-C or Form 5884-D using Letter 916C and include the following text in an open paragraph: “We are unable to process your Form [specify Form 5884-C or Form 5884-D] because we have no record of receiving your original Form [enter form number] for [enter tax period]. You may resubmit your Form [specify Form 5884-C or Form 5884-D] for our consideration after you file your original employment tax return.”

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

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

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

21.7.2.5.15.8
(07-28-2022)
Form 5884-C or Form 5884-D Filed with Form 94X (Original or Duplicate) Return

- (1) Taxpayers are instructed to file Form 5884-C and Form 5884-D separately from the associated employment tax returns. However, some taxpayers may file a Form 5884-C or Form 5884-D with an original or duplicated filed Form 94X despite the instructions.
- (2) If Submission Processing receives a Form 5884-C or Form 5884-D with a Form 94X for the same tax period, Submission Processing will process the original return, notate on the Form 5884-C or Form 5884-D that it was received with an original return, and route the Form 5884-C or Form 5884-D with a copy of the Form 94X to be scanned into CII and assigned to the designated AM unit for handling.
- (3) If a Form 5884-C or Form 5884-D is received with a Form 94X attached, handle as follows:

If	And	Then
The Form 94X, Form 5884-C, or Form 5884-D has a notation made by Submission Processing as discussed in (2) above		Follow procedures in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i> , or IRM 21.7.2.5.15.7, <i>Form 5884-C or Form 5884-D Filed — No TC 150 Posted</i> , as appropriate.
The Form 94X, Form 5884-C, or Form 5884-D does not have a notation made by Submission Processing as discussed in (2) above	There is no TC 150 posted to the tax period for which the Form 5884-C or Form 5884-D was filed	<ol style="list-style-type: none"> 1. Forward the Form 94X to Submission Processing to be processed to the account (retain a copy of the Form 94X with the Form 5884-C or Form 5884-D). 2. Monitor the account until the TC 150 posts. 3. Process the Form 5884-C or Form 5884-D as per handling instructions in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>.
The Form 94X, Form 5884-C, or Form 5884-D does not have a notation made by Submission Processing as discussed in (2) above	There is a posted TC 150 which matches the Form 94X received with the Form 5884-C or Form 5884-D (i.e., True Duplicate)	Process the Form 5884-C as per handling instructions in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i> .

If	And	Then
The Form 94X, Form 5884-C, or Form 5884-D does not have a notation made by Submission Processing as discussed in (2) above	There is a posted TC 150 which reflects more tax than the Form 94X received with the Form 5884-C or Form 5884-D	<ol style="list-style-type: none"> 1. Research the taxpayer account for common situations such as misapplied tax returns or an unprocessed Form 94XX. If such a situation is identified, take the appropriate action to resolve that issue and then process the Form 5884-C or Form 5884-D as per handling instructions in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>. 2. If the taxpayer's intent cannot be determined through account research, make two attempts to contact the taxpayer if a telephone number is available and take the appropriate action based on information provided by the taxpayer. 3. If unable to resolve the issue as per items 1) and 2) above, input a TC 290 for \$.00 to release the -A freeze. Reject the Form 94X return and Form 5884-C or Form 5884-D using Letter 4384C. Explain that we are unable to process the documents because the Form 94X does not match our records. Advise the taxpayer to file the appropriate Form 94XX if their original return was incorrect and advise the taxpayer to refile the Form 5884-C or Form 5884-D separately or with a Form 94XX. Also see IRM 21.5.3.4.2, <i>Tax Decrease or Credit Increase Processing</i>. <p>Exception: Procedures in IRM 21.5.3.4.3, <i>Tax Decrease and Statute Consideration</i>, must be followed if the Form 5884-C or Form 5884-D was received within 180 days of the Refund Statute Expiration Date (RSED).</p>

If	And	Then
The Form 94X, Form 5884-C, or Form 5884-D does not have a notation made by Submission Processing as discussed in (2) above	There is a posted TC 150 which reflects less tax than the Form 94X received with the Form 5884-C or Form 5884-D	<ol style="list-style-type: none"> 1. Research the taxpayer account for common situations such as misapplied tax returns or an unprocessed Form 94XX. If such a situation is identified, take the appropriate action to resolve that issue and then process the Form 5884-C or Form 5884-D as per handling instructions in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>. 2. If the taxpayer's intent cannot be determined through account research, make two attempts to contact the taxpayer if a telephone number is available and take the appropriate action based on information provided by the taxpayer. 3. If unable to resolve the issue as per items 1) and 2) above, make the appropriate tax increase per the Form 94X. See the general procedures in IRM 21.7.2.4.4, <i>Adjusted Employer's Federal Tax Return or Claim for Refund</i>, and the specific procedures applicable to the type of Form 94XX which should have been filed (e.g., if an amended or supplemental Form 941 is received reporting a tax increase, follow IRM 21.7.2.4.5.6.3, <i>Form 941-X Tax Increases — Adjusted Employment Tax Return</i>). Send Letter 4384C and include the paragraph that explains we have adjusted their account but that they must use one of the "X" forms for any future corrections. 4. Process the Form 5884-C or Form 5884-D as per handling instructions in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>.

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

21.7.2.5.15.9
(07-28-2022)

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

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

If	Then
There is no TC 150 posted	<ol style="list-style-type: none"> 1. Follow the procedures in IRM 21.7.2.4.4.6, <i>Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted</i>. 2. Once a TC 150 is posted and any tax changes reported on the Form 94XX are processed, process the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>.
The Form 94XX reflects no tax data or reflects only the credit claimed on the Form 5884-C or Form 5884-D	Process the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i> .
The Form 94XX reflects a tax increase	<ol style="list-style-type: none"> 1. Process the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>. However, use Hold Code 1 if allowing the CRN 290 credit or if there are other credits on the account needed to pay the Form 94XX tax increase. 2. Process the Form 94XX using applicable procedures. However, use a post delay code of 1 cycle with this adjustment. <p>Note: Because of the unique nature of this credit, CRN 290 adjustments should generally NOT be combined with other tax or credit adjustments in a single ADJ54 input.</p>
The Form 94XX reflects a tax decrease	<ol style="list-style-type: none"> 1. Process the Form 94XX using applicable procedures. However, use Hold Code 1 if Line 12 of Form 5884-C or Line 13 of Form 5884-D reflects an amount due. 2. Process the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.15.6, <i>Form 5884-C or Form 5884-D Filed — TC 150 Posted</i>. However, use a post delay code of 1 cycle with this adjustment. <p>Note: Because of the unique nature of this credit, CRN 290 adjustments should generally NOT be combined with other tax or credit adjustments in a single ADJ54 input.</p>

21.7.2.5.15.10
(07-28-2022)

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

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

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

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

- (3) After considering all verification requirements in either (as appropriate) IRM 21.7.2.5.15.3, *Processing Guidelines Specific to Form 5884-C*, or IRM 21.7.2.5.15.4, *Processing Guidelines Specific to Form 5884-D*, follow the procedures provided in the table below to process a Form 5884-C showing an amount due on line 12 or a Form 5884-D showing an amount due on Line 13.

If	Then
There is no TC 150 posted for the tax period for which the Form 5884-C or Form 5884-D was filed.	Follow procedures in IRM 21.7.2.5.15.7, <i>Form 5884-C or Form 5884-D Filed — No TC 150 Posted</i> .
The amount reported due on line 12 of Form 5884-C or line 13 of Form 5884-D is less than or equal to the net previously posted CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed.	Input a CRN 290 transaction to reverse the amount reported on line 12 of Form 5884-C or line 13 of Form 5884-D. See (4) and (5) below for required actions with regards to penalties and interest.
The amount reported due on line 12 of Form 5884-C or line 13 of Form 5884-D is more than the net previously posted (non-zero) CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed.	<ol style="list-style-type: none"> 1. Input a CRN 290 transaction to fully reverse the net posted (non-zero) CRN 290 on the tax period for which the Form 5884-C or Form 5884-D was filed. See (4), (5), and (6) below for required actions with regards to penalties and interest. 2. Determine the remaining amount of credit reversal to be addressed by subtracting the amount reversed in step 1) from the amount shown on line 12 of Form 5884-C or line 13 of Form 5884-D. 3. Address the remaining amount of credit to be reversed by following the procedures provided in the next row of this table.
There is no previously posted net CRN 290 credit on the period for which the Form 5884-C or Form 5884-D was filed	<ol style="list-style-type: none"> 1. Review the employment tax accounts for the tax periods immediately preceding the tax period shown on the Form 5884-C or Form 5884-D. Locate the most recent tax period reflecting the allowance of a CRN 290 credit. 2. Input a CRN 290 to reverse the previously posted credit allowance for the amount shown on line 12 of the Form 5884-C or line 13 of Form 5884-D. See (4) and (6) below for required actions with regards to penalties and interest. If the amount on line 12 of Form 5884-C or line 13 of Form 5884-D exceeds the CRN credit allowed on the most recent tax period, reverse the entire posted CRN 290 on that most recent tax period. If the taxpayer paid the amount due on line 12 of Form 5884-C or line 13 of Form 5884-D, transfer credit as appropriate to the tax period in which the CRN 290 credit reversal was actually made. 3. If the full amount reported on line 12 of Form 5884-C or line 13 of Form 5884-D has not been fully accounted for by credit reversal(s), repeat steps 1) and 2) until the full amount reported on line 12 of Form 5884-C or line 13 of Form 5884-D has been accounted for by credit reversals.

- (4) **Special FTP penalty and underpayment interest procedures when reversing CRN 290 credits:** Due to systemic limitations associated with use

of CRN 290 for administering this credit, the computer is generally unable to accurately calculate the FTP penalty or underpayment interest when CRN 290 credits are reversed in part or whole. See (3) and (6) in IRM 21.7.2.5.15.10, *CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13*. The special procedures in the tables in (5) and (6) below **must** be followed when reversing CRN 290 credits as per the guidance in (3) above.

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

If	And	Then
The CRN 290 amount to be reversed has been paid by the time the adjustment is being input		Input the appropriate CRN 290 reversal with a TC 270 for \$.00 and close the case. Accurate underpayment interest will be systemically generated with the adjustment.
The CRN 290 amount to be reversed has not been paid by the time the adjustment is being input		<ol style="list-style-type: none"> 1. Input the appropriate CRN 290 reversal with a TC 270 for \$.00. Accurate underpayment interest will be systemically generated with the adjustment. 2. Suspend the case for 60 days and monitor the account for the posting of a payment. 3. Continue processing the case as per the guidance in the last three rows of this table.
The case was suspended as per instructions in the second row of this table	Payment is received within 21 days (10 days for amounts of \$100,000 or the 23c date for the adjustment	No additional penalties or interest are due. Close the case.
The case was suspended as per instructions in the second row of this table	Payment is received but not within 21 days (10 days for amounts of for the adjustment	<ol style="list-style-type: none"> 1. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the date of payment. 2. Input an adjustment with a TC 270 using the amounts computed in step 1). Accurate underpayment interest will be systemically generated with the adjustment. 3. Close the case.

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If	And	Then
The case was suspended as per instructions in the second row of this table	Payment is not received by the close of the 60 day suspense period.	<ol style="list-style-type: none"> 1. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the 23c date for the adjustment to be input in step 2) below. 2. Input an adjustment with a TC 270 using the amount computed in step 1) above. Accurate underpayment interest will be systemically generated with the adjustment. 3. Close the case.

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

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

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If	And	Then
The case was suspended as per instructions in the second row of this table	Payment is received but not within 21 days (10 business days for amounts date for the adjustment	<ol style="list-style-type: none"> 1. Compute additional interest due on the amount of the CRN 290 credit reversal and the previously input TC 340 amount from the 23c date of the previous adjustment to the date of payment. 2. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the date of payment. 3. Input an adjustment with a TC 340 and TC 270 using the amounts computed in steps 1) and 2). 4. Close the case.
The case was suspended as per instructions in the second row of this table	Payment is not received by the close of the 60 day suspense period.	<ol style="list-style-type: none"> 1. Compute additional interest due on the amount of the CRN 290 credit reversal and the previously input TC 340 amount from the 23c date of the previous adjustment to the 23c date for the adjustment to be input in step 3 below. 2. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the 23c date for the adjustment to be input in step 3 below. 3. Input an adjustment with a TC 340 and TC 270 using the amounts computed in steps 1) and 2). 4. Close the case.

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

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

Example: The IRS receives a Form 5884-C for the second quarter of 2021 on September 16, 2021 along with a payment of \$200 which is posted to the second quarter of 2021. The Form 5884-C reports a balance owed of \$200 on line 12. The taxpayer is a quarterly Form 941 filer and previously claimed a CRN 290 credit of \$450 on the second quarter of 2021. To record the \$200 owed in this example, a CRN 290 reversal transaction for \$200 would be input to the second quarter of 2021. No FTP penalty would be owed because the amount due was paid before the credit reversal was made, so a TC 270 for \$.00 must be input to prevent the computer from charging the penalty from the second quarter due date to the date of payment. The computer will accurately compute underpayment interest in this example from July 31, 2021 (the second quarter due date) to September 16, 2021 (date of payment) and issue a bill for the correct amount due. The CRN 290 and TC 270 transactions must be input with the same ADJ54.

Example: The IRS receives a Form 5884-C for the third quarter of 2021 on November 15, 2021 along with a payment of \$500 which is posted to the third quarter of 2021. The Form 5884-C reports a balance owed of \$500 on line 12. The taxpayer is a quarterly Form 941 filer and claimed a CRN 290 credit of \$900 on the second quarter of 2021 and a CRN 290 credit of \$750 on the first quarter of 2020. To record the \$500 owed in this example, a CRN 290 reversal transaction for \$500 would be input to the second quarter of 2021 and the \$500 payment would be transferred from the third quarter to the second quarter. No FTP penalty would be owed because the amount due was paid before the credit reversal was made, so a TC 270 for \$.00 must be input to prevent the computer from charging the penalty from the second quarter due date to the date of payment. Underpayment interest must be manually computed and assessed with a TC 340 on the \$500 credit reversal from October 31, 2021 (the third quarter due date) to the November 15, 2021 payment date and manually assessed with a TC 340. The CRN 290, TC 270, and TC 340 transactions must be input with the same ADJ54 on the second quarter account.

Example: The IRS receives a Form 5884-C for the fourth quarter of 2021 on February 17, 2022 without payment. The Form 5884-C reports a balance owed of \$1,200 on line 12. The taxpayer is a quarterly Form 941 filer and claimed a CRN 290 credit of \$2,500 on the third quarter of 2021 and a CRN 290 credit of \$750 on the first quarter of 2021. To record the \$1,200 owed in this example, a CRN 290 reversal transaction for \$1,200 would be input to the third quarter of 2021. The case is worked on March 9, 2022, so the adjustment will carry a 23c date of April 4, 2022. Because the amount due for the credit reversal was not paid by the time the adjustment is being made, the CRN 290 reversal adjustment will be input with a TC 270 for .00 and a TC 340 for the amount of interest calculated as due from January 31, 2022 to April 4, 2022. The case is then suspended for 60 days (counting days from March 9, 2022). On April 20, 2022, the case is reviewed and it is seen that a payment for the CRN 290 reversal and underpayment interest assessed with TC 340 posted to the account on April 11, 2022. Since payment was received within 21

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penalty or interest would be due and the case would be closed with no additional action.

Example: The IRS receives a Form 5884-C for the fourth quarter of 2021 on January 25, 2022 along with a payment of \$700 which is posted to the fourth quarter of 2021. The Form 5884-C reports a balance owed of \$700 on line 12. The taxpayer is a quarterly Form 941 filer and claimed a CRN 290 credit of \$300 on the third quarter of 2021, a CRN 290 credit of \$500 on the second quarter of 2021, and a CRN 290 credit of \$200 on the first quarter of 2021. To record the \$700 owed in this example, a CRN 290 reversal transaction for \$300 would be input to the third quarter of 2021, \$300 of the payment dated January 25, 2022 on the fourth quarter would be transferred to the third quarter, and penalties and interest associated with this portion of the credit reversal would be restricted to zero amounts (with a TC 270 \$.00 and TC 340 \$.00 on the same ADJ54 input as the CRN 290 credit reversal) since payment was received before the fourth quarter 2021 return due date of January 31, 2022. The remaining \$400 of the amount reported owed on Line 12 of

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

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

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

21.7.2.5.16
(01-20-2016)
**IRC Section 132(f)
Transportation Benefit
Exclusion**

- (1) Certain fringe benefits, subject to limitations, are excludable from gross income under IRC Section 132, including qualified transportation benefits under IRC Section 132(f)(2). These amounts are also excluded from FICA and federal income tax withholding. See "Transportation (Commuting) Benefits" in Publication 15-B, *Employer's Tax Guide to Fringe Benefits*, for more information.
- (2) As enacted, the excludable limit for combined commuter highway vehicle transportation and transit passes under (A) of IRC Section 132(f)(2) was less than the excludable limit for qualified parking under (B). However, subsequent legislation equalized the excludable amounts (also termed transportation or transit benefit parity) under (A) and (B) of IRC Section 132(f)(2) as follows:
 - Section 1151 of the American Recovery and Reinvestment Act of 2009 (ARRA 2009) equalized the excludable limits for the period March 2009 through December 31, 2010.
 - Section 727 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extended the equalization of excludable limits for the period of January 1, 2011 through December 2011.
 - Section 203 of the American Tax Relief Act of 2012 (ATRA 2012) retroactively equalized the excludable limits for the period January 1, 2012 through December 31, 2012 and extended the equalization through December 31, 2013.
 - Section 103 of the Tax Increase Prevention Act of 2014 (TIPA 2014) retroactively equalized the excludable limits for the period January 1, 2014 through December 31, 2014.
 - Section 105 of the Consolidated Appropriations Act, 2016, permanently equalized the excludable limits for periods after December 31, 2014. Due to the date of enactment, the equalization was retroactive for periods within the 2015 tax year.

Caution: The amounts of excludable qualified transit benefits are adjusted annually for inflation. See "Transportation (Commuting) Benefits" in the appropriate year version of Publication 15-B, *Employer's Tax Guide to Fringe Benefits*, for more information.

21.7.2.5.16.1
(01-20-2016)
**FICA Claims for
Calendar Year 2012
Transit Benefit
Exclusion**

- (3) The three subsections which follow describe guidance that was provided to employers for applying retroactive transit benefit parity for 2012 under ATRA 2012, for 2014 under TIPA 2014, and for 2015 under the Consolidated Appropriations Act, 2016.
- (1) Section 203 of the American Tax Relief Act of 2012 (ATRA 2012) retroactively increased the monthly transit benefit exclusion under IRC Section 132(f)(2)(A) from \$125 to \$240 per participating employee for the period of January 1 through December 31, 2012.
- (2) *Notice 2013-8* provided guidance to employers regarding the retroactive application of the increased exclusion for 2012 and provided a special administrative procedure for employers to use in filing Form 941 (or other required employment or railroad retirement tax returns) for the fourth quarter of 2012 to reflect changes in the excludable amount for transit benefits provided in all quarters of 2012 and in filing Forms W-2. This special administrative procedure was for employers that provided transit benefits during 2012 in excess of \$125 per month up to \$240 per month (excess transit benefits).
- (3) Employers who repaid or reimbursed the overcollected FICA on the excess transit benefits for all four quarters of 2012 on or before filing the fourth quarter Form 941 (or other required employment or railroad retirement tax return) were permitted to reduce the fourth quarter Wages, tips, and compensation reported on line 2, Taxable social security wages on 5a, and Taxable Medicare wages and tips on line 5c (or equivalent lines on other required employment tax returns) by the excess transit benefits for all four quarters of 2012. By taking advantage of this special administrative rule, employers could avoid having to file a Form 941-X (or other required "X" form) for each quarter of 2012 and avoid having to file Forms W-2c.

Note: To ensure required tax liability schedules matched the tax reported on employment tax returns, employers following the special administrative procedure provided in *Notice 2013-8* were advised to reduce the last liability reported on the tax liability schedule for the fourth quarter by the amount of the correction made to tax. If the correction made under the special administrative procedure exceeded the amount of the last tax liability, additional tax liabilities on the schedule were to be reduced in reverse date order until the full amount of the correction being made was absorbed.

- (4) Employers who filed the fourth quarter Form 941 (or other required employment or railroad retirement tax return) prior to the issuance of *Notice 2013-8*, employers who chose not to follow the special administrative procedure, and employers who were unable to repay or reimburse all or some of the employees within the required time frame, must use Form 941-X (or other required "X" form) to make an adjustment or claim a refund for any quarter with regard to overpayment of tax on the excess transit benefits after repaying or reimbursing employees or, for refund claims, securing consents from its employees.

21.7.2.5.16.2
(01-20-2016)
**FICA Claims for
Calendar Year 2014
Transit Benefit
Exclusion**

- (1) Section 103 of the Tax Increase Prevention Act of 2014 (TIPA 2014) retroactively increased the monthly transit benefit exclusion under IRC Section 132(f)(2)(A) from \$130 to \$250 per participating employee for the period of January 1 through December 31, 2014.

- (2) *Notice 2015-2* provided guidance to employers regarding the retroactive application of the increased exclusion for 2014 and provided a special administrative procedure for employers to use in filing Form 941 (or other required employment or railroad retirement tax returns) for the fourth quarter of 2014 to reflect changes in the excludable amount for transit benefits provided in all quarters of 2014 and in filing Forms W-2. This special administrative procedure was for employers that provided transit benefits during 2014 in excess of \$130 per month up to \$250 per month (excess transit benefits).
- (3) Employers who repaid or reimbursed the overcollected FICA (including Additional Medicare Tax (AdMT)) on the excess transit benefits for all four quarters of 2014 on or before filing the fourth quarter Form 941 (or other required employment or railroad retirement tax return) were permitted to reduce the fourth quarter Wages, tips, and compensation reported on line 2, Taxable social security wages on 5a, Taxable Medicare wages on line 5c, and Taxable wages and tips subject to Additional Medicare Tax withholding on line 5d (or equivalent lines on other required employment tax returns) by the excess transit benefits for all four quarters of 2014. By taking advantage of this special administrative rule, employers could avoid having to file a Form 941-X (or other required "X" form) for each quarter of 2014 and avoid having to file Forms W-2c.

Note: To ensure required tax liability schedules matched the tax reported on employment tax returns, employers following the special administrative procedure provided in *Notice 2015-2* were advised to reduce the last liability reported on the tax liability schedule for the fourth quarter by the amount of the correction made to tax. If the correction made under the special administrative procedure exceeded the amount of the last tax liability, additional tax liabilities on the schedule were to be reduced in reverse date order until the full amount of the correction being made was absorbed.

Caution: The ability to repay or reimburse employees for overcollected Additional Medicare Tax which was deducted or withheld in 2014 was an exception to the rule that employers may not repay or reimburse Additional Medicare Tax withholding after the end of the year for which it was withheld. As always, employers may not repay or reimburse federal income tax withholding after the end of the year for which it was withheld.

- (4) Employers who filed the fourth quarter Form 941 (or other required employment or railroad retirement tax return) prior to the issuance of *Notice 2015-2*, employers who chose not to follow the special administrative procedure, and employers who were unable to repay or reimburse all or some of the employees within the required time frame, must use Form 941-X (or other required "X" form) to make an adjustment or claim a refund for any quarter with regard to overpayment of social security and Medicare taxes on the excess transit benefits after repaying or reimbursing employees or, for refund claims, securing consents from its employees. However, employers filing Forms 941-X may not repay or reimburse federal income tax withholding or Additional Medicare Tax withholding after the end of the year for which it was withheld.

21.7.2.5.16.3
(01-20-2016)
**FICA Claims for
Calendar Year 2015
Transit Benefit
Exclusion**

- (1) Section 105 of the Consolidated Appropriations Act, 2016, retroactively increased the monthly transit benefit exclusion under IRC Section 132(f)(2)(A) from \$130 to \$250 per participating employee for the period of January 1 through December 31, 2015.
- (2) *Notice 2016-6* provides guidance to employers regarding the retroactive application of the increased exclusion for 2015 and provides a special administrative procedure for employers to use in filing Form 941 (or other required employment or railroad retirement tax returns) for the fourth quarter of 2015 to reflect changes in the excludable amount for transit benefits provided in all quarters of 2015 and in filing Forms W-2. This special administrative procedure is for employers that provided transit benefits during 2015 in excess of \$130 per month up to \$250 per month (excess transit benefits).
- (3) Employers who repay or reimburse the overcollected FICA (including Additional Medicare Tax (AdMT)) on the excess transit benefits for all four quarters of 2015 on or before filing the fourth quarter Form 941 (or other required employment or railroad retirement tax return) are permitted to reduce the fourth quarter Wages, tips, and compensation reported on line 2, Taxable social security wages on 5a, Taxable Medicare wages on line 5c, and Taxable wages and tips subject to Additional Medicare Tax withholding on line 5d (or equivalent lines on other required employment tax returns) by the excess transit benefits for all four quarters of 2015. By taking advantage of this special administrative rule, employers can avoid having to file a Form 941-X (or other required "X" form) for each quarter of 2015 and avoid having to file Forms W-2c.

Note: To ensure required tax liability schedules matched the tax reported on employment tax returns, employers following the special administrative procedure provided in *Notice 2016-6* are advised to reduce the last liability reported on the tax liability schedule for the fourth quarter by the amount of the correction made to tax. If the correction made under the special administrative procedure exceeds the amount of the last tax liability, additional tax liabilities on the schedule are to be reduced in reverse date order until the full amount of the correction being made is absorbed.

Caution: The ability to repay or reimburse employees for overcollected Additional Medicare Tax which was deducted or withheld in 2015 is an exception to the rule that employers may not repay or reimburse Additional Medicare Tax withholding after the end of the year for which it was withheld. As always, employers may not repay or reimburse federal income tax withholding after the end of the year for which it was withheld.

- (4) Employers who filed the fourth quarter Form 941 (or other required employment or railroad retirement tax return) prior to the issuance of *Notice 2016-6*, employers who choose not to follow the special administrative procedure, and employers who are unable to repay or reimburse all or some of the employees within the required time frame, must use Form 941-X (or other required "X" form) to make an adjustment or claim a refund for any quarter with regard to overpayment of social security and Medicare taxes on the excess transit benefits after repaying or reimbursing employees or, for refund claims, securing consents from its employees. However, employers filing Forms 941-X may not repay or reimburse federal income tax withholding or Additional Medicare Tax withholding after the end of the year for which it was withheld.

21.7.2.5.17
(10-01-2018)

DOMA (United States v. Windsor) Related Employment Tax Claims

- (1) In *United States v. Windsor*, 570 U.S. 12, 133 S. Ct. 2675 (2013), the Supreme Court held section 3 of the Defense of Marriage Act (DOMA) to be unconstitutional and found that it was impermissible to deny federal recognition to marriages that are valid under state law.
- (2) Subsequent to the Court's decision, the Service issued Rev. Rul. 2013-17, effective September 16, 2013, with the following guidance on tax treatment of same-sex spouses:
 1. For federal tax purposes, the terms "spouse", "husband and wife", "husband", and "wife" include an individual married to a person of the same sex if the individuals are lawfully married under state law, and the term "marriage" includes such a marriage between individuals of the same sex.
 2. For federal tax purposes, the Service adopted a general rule recognizing a marriage of same-sex individuals that was validly entered into in a state whose laws authorize the marriage of two individuals of the same sex even if the married couple resides in a state that does not recognize the validity of same-sex marriages.
 3. For federal tax purposes, the terms "spouse", "husband and wife", "husband", and "wife" do not include individuals (whether of the opposite sex or the same sex) who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under state law that is not denominated as a marriage under the laws of that state, and the term "marriage" does not include such formal relationships.

Note: On June 26, 2015, the Supreme Court held in *Obergefell v. Hodges*, 576 U.S. 135 S.Ct. 2584 (2015) that all states must allow same-sex couples to marry on the same terms and conditions as opposite-sex couples. Therefore, for federal tax purposes, the Service recognizes a marriage of same-sex individuals that was validly entered into in any state, regardless of the married couple's place of domicile.

- (3) As a result of the Court's decision, certain amounts previously deemed to be wages for employment tax purposes (also referred to as "imputed wages") are no longer taxable for federal tax purposes.
- (4) The Service issued *Notice 2013-61* to provide guidance to employers regarding the application of *United States v. Windsor* to employment taxes. *Notice 2013-61* included special administrative procedures for employers to use in filing original and corrected returns for tax periods 2013 and earlier (so long as the Refund Statute Expiration Date (RSED) had not expired). IRM 21.7.2 previously included detailed guidance on handling claims filed under those special administrative procedures. See archived versions of this IRM if information on previous handling is needed.

21.7.2.5.18
(10-01-2024)

Claims Citing Rev. Rul. 90-72 (SUB-pay)

- (1) Rev. Rul. 90-72 provides a limited administrative exception from FICA, FUTA and RRTA taxes for certain payments that supplement state unemployment compensation (sometimes referred to as SUB-pay). The revenue ruling provides for an exception from FICA, FUTA, and RRTA taxes for a stream of payments coordinated with the receipt of unemployment compensation but specifically indicates that lump-sum payments (e.g., severance pay) do not qualify for the exception.

- (2) Claims citing Rev. Rul. 90-72 are CAT-A criteria. See *Exhibit 21.5.3-2, Examination Criteria (CAT-A) — General*.

21.7.2.5.19
(10-19-2015)

**CP 148A and CP 148B -
Dual Notice of Address
Change**

- (1) Beginning in 2015, any address change made on a BMF entity with open employment tax filing requirements generates two notices to the taxpayer:
- CP 148A: Confirmation of address change mailed to the taxpayer's new address.
 - CP 148B: Confirmation of address change, mailed to the taxpayer's previous address

Note: Paper responses to CP 148A and CP 148B are worked in BMF Entity per procedures in IRM 3.13.2.4.9, *CP 148A and CP 148B, Dual Notice of Address Change*. Any paper responses received in AM inventory are to be rerouted to that operation for handling.

- (2) The following Transaction Codes (TC) can reflect address changes and will trigger issuance of a CP 148A and a CP 148B:
- TC 013, "Name Change"
 - TC 014, "Address Change"
 - TC 016, "Miscellaneous Change Entity Codes"
 - TC 150, "Return Filed & Tax Liability Assessed" (if showing on ENMOD or BMFOLE)

Note: See (5) of IRM 3.13.2.4.9 if guidance on researching address changes is needed.

Caution: IRS notices for business entities generate with a maximum of four address lines. If there are more than four address elements (Sort Name, Care Of Name, etc.) in the IRS record for the taxpayer's address, what will print on the second address line of a notice is variable and is determined based on a priority system. So, the address element that was changed may not be present on the notice generated to the taxpayer. Accordingly, it is important to thoroughly research account records to verify the source of any address change to which the taxpayer is responding.

- (3) Handle responses to CP 148A and CP 148B received via the toll-free lines as follows:

If	Then
Taxpayer agrees with address change but is confused/concerned why we sent one or both of the notices	Explain to the taxpayer that the IRS is required by law to send employers notices to both their previous address and to their new address if an address change is recorded for their account. These address change confirmation notices are intended to guard against inappropriate address change requests being made against their wishes.

If	Then
Taxpayer receives one or both notices, disagrees with address change	<ol style="list-style-type: none"> 1. Correct the address per the information provided by the taxpayer. See (3) in IRM 21.1.3.20, <i>Oral Statement Authority</i>, and (2) in IRM 21.5.2.4.2, <i>Adjustments With Oral Statement</i>, for more information. 2. Advise the taxpayer the change was made and that a new CP 148A and CP 148B will be issued to the current and new address.
Taxpayer receives one or both notices, disagrees with address change and questions the source of address change that was made	<ol style="list-style-type: none"> 1. Correct the address per the information provided by the taxpayer. See (3) in IRM 21.1.3.20, <i>Oral Statement Authority</i>, and (2) in IRM 21.5.2.4.2, <i>Adjustments With Oral Statement</i>, for more information. 2. Advise the taxpayer the change was made and that a new CP 148A and CP 148B will be issued to the current and new address. 3. Conduct online research to determine, if possible, the source of the previous address change: <ul style="list-style-type: none"> • If appropriate, share information for the previous address change with the taxpayer. • If the information provided does not satisfy the taxpayer's concerns, advise the taxpayer to respond to the CP 148A and/or CP 148B expressing their concerns in writing.

Note: Responses to Spanish versions of these notices, CP 848A and CP 848B, are to be handled in the same manner as CP 148A and CP 148B.

Reminder: Address any other issue raised by the taxpayer as appropriate.

Caution: If the caller is unable to pass disclosure verification requirements (see IRM 21.1.3.2.3, *Required Taxpayer Authentication*), advise the caller to respond to the CP 148A and/or CP 148B in writing.

21.7.2.5.20
(07-27-2018)

**Exclusion of Indian
General Welfare Benefits**

- (1) Indian general welfare benefits are excluded from gross income per provisions of the Tribal General Welfare Exclusion Act of 2014.
- (2) Related BMF claims may be received on Form 843 or Form 945-X. These claims can be identified by the presence of one or more of the following key words in the explanation section of the claim or written across the top margin of the form:
 - Tribal General Welfare Exclusion Act of 2014
 - H.R. 3043
 - Notice 2012-75
 - Rev. Proc. 2015-35
 - General Welfare
- (3) Do not process these claims. Route any claims identified for this issue to:
Internal Revenue Service
GECS M/S 7700 Attn: Kent Packer
1973 North Rulon White Blvd
Ogden, UT 84404

21.7.2.5.21
(04-27-2023)

**Form 8974, Qualified
Small Business Payroll
Tax Credit for Increasing
Research Activities**

- (1) Section 121(a) of the Protecting Americans from Tax Hikes (PATH) Act of 2015, Division Q of P.L. 114-113 permanently extended the Credit for Increasing Research Activities. This non-refundable credit is generally used to reduce federal income tax liability and is claimed by completing Form 6765, *Credit for Increasing Research Activities*, and Form 3800, *General Business Credit*, which are attached to an income tax return.

Note: See IRM 21.7.4.4.8.3.5, *Form 6765, Credit for Increasing Research Activities*, for information on processing claims for the credit on income tax returns.

- (2) Section 121(c) of the PATH Act added IRC Section 41(h) and IRC Section 3111(f) which allow certain qualified small businesses to apply a portion of the income tax credit for increasing research activities as a payroll tax credit against the employer's portion of social security tax.
- The payroll tax credit is in lieu of an income tax credit and is a non-refundable credit (i.e., reduces tax liability).
 - Qualified small businesses elect the payroll tax credit on Form 6765 filed with a timely filed (including extensions) original income tax return. Once made, the election may only be revoked with the consent of the IRS.
 - Qualified small businesses may make the election on Form 6765 for no more than five tax years.
 - For tax years beginning after December 31, 2015 and before January 1, 2023, employers may elect to apply up to \$250,000 for each eligible income tax period against employer's share of social security taxes reported on one or more specified employment tax returns (i.e., until the credit is fully utilized).

Note: For ease of reference, the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" is generally referred to as the "QSB Research Credit" throughout this IRM.

- (3) Section 13902 of P.L. 117-169, the Inflation Reduction Act of 2022, increased and modified the QSB Research Credit.
- For tax years beginning after December 31, 2022, the maximum amount for which an election can be made on Form 6765 was increased to \$500,000.
 - Starting in the first quarter of 2023, the payroll tax credit is first used to reduce the employer's share of social security tax up to \$250,000 per quarter and any remaining credit reduces the employer's share of Medicare tax for the quarter. (Credit amounts so applied may include election amounts arising from income tax returns filed for tax years beginning before January 1, 2023.) Any remaining credit, after reducing the employer's share of social security tax and the employer's share of Medicare tax, is then carried forward to the next quarter.
- (4) Form 8974, *Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, is used by taxpayers to compute the amount of QSB Research Credit that they are eligible to claim on an employment tax return for a particular tax period after accounting (in Part 1) for any credits claimed on previously filed employment tax returns. Form 8974 must be attached as sup-

porting documentation to any original employment tax return on which the credit is claimed and to any Form 94XX filed to claim or adjust a QSB Research Credit.

Note: Companies filing aggregate employment tax returns (e.g., IRC 3504 agents, etc.) are required to attach a Form 8974 for each client taking the QSB Research Credit.

- (5) An eligible taxpayer must file their income tax return with Form 6765 attached reflecting the binding election **before** they can claim the QSB Research Credit on an employment tax return with Form 8974. The QSB Research Credit can then be claimed starting with the first employment tax return filed reporting wages and tax for a calendar quarter beginning **after** the income tax return was filed.

Example: On March 10, 2025, a taxpayer files their Form 1120 for calendar year 2024 with Form 6765 attached reflecting an election to claim an amount for the QSB Research Credit on their employment tax returns. The taxpayer files quarterly Form 941 to report employment taxes. The taxpayer may first claim the QSB Research Credit on their Form 941 for the second quarter of 2025 since that tax period begins April 1, 2025 which is after the filing date of the income tax return.

Example: On July 15, 2025, a taxpayer files their Form 1120 for calendar year 2024 with Form 6765 attached reflecting an election to claim an amount for the QSB Research Credit on their employment tax returns. The taxpayer files quarterly Form 941 to report employment taxes. The taxpayer may first claim the QSB Research Credit on their Form 941 for the fourth quarter of 2025 since that tax period begins October 1, 2025 which is after the filing date of the income tax return.

Example: On August 5, 2025, a taxpayer files their Form 1120 for calendar year 2024 with Form 6765 attached reflecting an election to claim an amount for the QSB Research Credit on their employment tax returns. The taxpayer files annual Form 943 to report employment taxes. The taxpayer may first claim the QSB Research Credit on their Form 943 for calendar year 2025 since that return includes the fourth calendar quarter of 2024 which begins after the filing date of the income tax return.

Example: On November 3, 2024, a taxpayer files their Form 1120 for calendar year 2023 with Form 6765 attached reflecting an election to claim an amount for the QSB Research Credit on their employment tax returns. The taxpayer files annual Form 944 to report employment taxes. Since the Form 1120 was filed during the last calendar quarter of 2024, the taxpayer may first claim the QSB Research Credit on their Form 944 for calendar year 2025.

Note: The first full calendar year income tax return on which an eligible taxpayer could make an election to claim the QSB Research Credit against employment taxes was 2016.

- (6) **Credit limitations:**

- For tax years beginning before January 1, 2023, the maximum amount of research credit for which an election could be made on Form 6765 to be applied against employment tax returns was \$250,000 per tax year (i.e., on the income tax return side). However, the only limitation on the amount of the credit so elected that could be taken on a particular associated employment tax return filed for tax periods beginning before January 1, 2023 was the employer's share of social security tax. So, the credit taken on a particular employment tax return could exceed \$250,000 if the taxpayer was applying credits from multiple elections, either due to carrying forward credits that could not be previously fully utilized or in the filing of an aggregate employment tax return filer.
 - For tax years beginning after December 31, 2022, the election that can be taken on the income tax return with Form 6765 was increased to \$500,000. However, changes to how the credit is applied against employment tax returns were effective with the first calendar quarter of 2023, including for amounts arising from earlier tax years which had not been fully utilized. Up to \$250,000 of the election amount(s) may be applied to the employer's share of social security tax reported for a particular employment tax period, the remainder is then applied against the employer's share of Medicare taxes for a particular employment tax period, and any amounts remaining thereafter may be carried forward until fully utilized.
- (7) Most questions from employers about the QSB Research Credit (including questions about elections, credit limitations, and how the credit is applied against employment taxes) can be resolved by directing the employer to the forms, form instructions, or *Notice 2017-23*. Employers can also be directed to related information on the [irs.gov](https://www.irs.gov) website at *Qualified Small Business Payroll Tax Credit for Increasing Research Activities*:
- (8) For Form 8974 handling guidance:
- See IRM 21.7.2.5.21.1, *Processing Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for guidance on processing Form 8974 filed with a Form 94XX.
 - See IRM 21.7.2.5.21.2, *Form 94XX Claiming QSB Research Credit — Missing Form 8974*, for guidance on processing Forms 94XX reporting changes to QSB Research Credits without Form 8974 attached.
 - See IRM 21.7.2.4.3.4, *Loose Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for guidance on handling loose Forms 8974.

21.7.2.5.21.1
(04-27-2023)
**Processing Form 8974,
Qualified Small
Business Payroll Tax
Credit for Increasing
Research Activities**

- (1) This subsection provides specialized handling guidance for Form 8974 attached to a Form 94XX or to a duplicate filed employment tax return being processed as a Form 94XX. All other Form 94XX processing guidelines and requirements also apply to Forms 94XX with Form 8974 attached.

Note: For Form 94XX cases with missing Form 8974, see IRM 21.7.2.5.21.2, *Form 94XX Claiming QSB Research Credit — Missing Form 8974*.

Note: For loose Form 8974 cases, see IRM 21.7.2.4.3.4, *Loose Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*.

(2) IRN 119 is used along with TC 290, TC 291, or TC 298 (as appropriate) to record adjustments to the QSB Research Credit on Form 941, Form 943, and Form 944 tax accounts.

- IRN 119 is valid for Form 941 (tax period 201706 and subsequent), Form 943 (tax period 201712 and subsequent), and Form 944 (tax period 201712 and subsequent).
- An increase to the credit will be recorded with a positive IRN 119 amount and a corresponding decrease to tax (i.e., a TC 291 for the same amount if no other changes were reported).
- A decrease to the credit will be recorded with a negative IRN 119 amount and a corresponding increase to tax (i.e., a TC 290/298 for the same amount if no other changes were reported).

Example: A Form 941-X is filed with Form 8974 attached claiming an increase to the QSB Research Credit in the amount of \$75. Assuming all processing requirements are met, the adjustment to be made would be a TC 291 for \$75.00- and an IRN 119 for \$75.00.

Example: A Form 941-X is filed with Form 8974 attached reporting a decrease to the QSB Research Credit in the amount of \$90. Assuming all processing requirements are met, the adjustment to be made would be a TC 290 (or TC 298 as applicable) for \$90.00 and an IRN 119 for \$90.00-.

Example: A Form 941-X is filed with Form 8974 attached claiming an increase to the QSB Research Credit in the amount of \$50. The Form 941-X also reports social security and Medicare wage increases of \$1,000 each and a corresponding increase to social security and Medicare taxes in the amount of \$153.00. Assuming all processing requirements are met, the adjustment to be made would be a TC 290 (or TC 298 as applicable) for \$103.00, an IRN 004 for \$1,000.00, an IRN 073 for \$1,000, an IRN 112 for \$153.00 and an IRN 119 for \$50.00.

Note: IRN 119 can be combined on Command Code ADJ54 adjustments with any other IRN valid for the form being adjusted.

(3) An increase to the credit (i.e., decrease to tax) may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A) — General*.

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(4) In addition to all other verification requirements applicable to the Form 94XX (or original tax return) to which a Form 8974 is attached, the following items are required to be verified on Form 8974 prior to processing:

1. Verify a name and EIN were entered in entity section of Form 8974.

Note: Companies filing aggregate employment tax returns (e.g., IRC 3504 agents, etc.) are required to file a Form 8974 for each client taking a QSB Research Credit. So, there may be multiple Forms 8974 attached to a single Form 94XX and these Forms 8974 may reflect the client's information in the entity section of Form 8974

rather than that of the company under whose EIN the QSB Research Credit is being claimed.

2. Verify the taxpayer claiming the QSB credit has filing requirements for the type of employment tax return identified on Form 8974. If the taxpayer does not have employment tax filing requirements, use Letter 4384C to reject the Form 94XX and Form 8974 and inform the taxpayer in the letter that we cannot consider the requested changes since our records indicate they do not file employment tax returns.
3. Verify the taxpayer filed an original employment tax return for the calendar year and quarter (if applicable) being corrected. If the taxpayer has employment tax filing requirements but no return is posted, see IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted*, for handling guidance.

Caution: If the QSB Research Credit is being filed for an employment tax return period beginning earlier than April 1, 2017 for Form 941 or earlier than January 1, 2017 for Form 943 and Form 944, contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

4. Verify the taxpayer filed the correct version of Form 8974 for the tax period under consideration.
 - Adjustment requests filed for tax periods 202212 and prior must be filed with Form 8974 having a revision date of December 2017.
 - Adjustment requests filed for tax periods 202303 and subsequent must be filed with a Form 8974 having a revision date of March 2023 or later.
 - If the taxpayer filed the adjustment request with an incorrect Form 8974 version, use Letter 4384C to reject the Form 94XX and Form 8974 and inform the taxpayer in the letter that we cannot consider the requested changes because the incorrect Form 8974 version was submitted.
5. Verify the taxpayer identified in Part 1 of Form 8974 has filed an original income tax return for the specified form type and tax period.

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a) If there is more than one Form 8974 attached to the Form 94XX, or if multiple EINs are listed in Part 1 of Form 8974, or if there is a single EIN listed in Part 1 of Form 8974 and it does not match the EIN on the Form

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b) If more than one income tax return is listed in Part 1 of Form 8974 (all

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c) If the taxpayer identified in Part 1 of Form 8974 does not file Form 1040, Form 1065, Form 1120, Form 1120-F, or Form 1120S income tax returns, they are **not** eligible to claim the QSB Research Credit. If the taxpayer enters an income tax return other than one of those specified (or its corresponding amended income tax form), or research shows they file an income tax return other than one printed on Line 1 of Form 8974, reject the claim with Letter 916C. Advise the taxpayer in the letter that we

cannot consider the amount claimed on their Form 8974 because our records show their organization type is not eligible to claim the QSB Research Credit.

d) If the income tax return has not posted and the date entered on Line 3 of Form 8974 is less than 30 days prior to the received date of the Form 8974, suspend the case for 40 days and monitor for posting of the income tax return. If the return posts, continue to process as appropriate.

e) If the date entered is 30 days or more from the received date of the Form 8974, or the suspense period has passed and no income tax return is posted, follow the instructions in (5) below to reject the Form 94XX and Form 8974 with instructions to refile their QSB Research Credit claim after they file their income tax return.

6. Verify the Form 8974 has been filed for an employment tax period covering a calendar quarter that began **after** the income tax return identified in Part 1 of Form 8974 was filed. See (5) in IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities*, for guidance. If the Form 8974 was filed for an employment tax period before what is permitted based on when the identified income tax return was filed, follow procedures in IRM 21.5.3.4.6.3, *No Consideration Procedures* and instruct the taxpayer to refile their QSB Research Credit claim for the appropriate tax period.

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Caution: For timely filed returns, TXMOD and BMFOL return received dates fields reflect the associated return due date rather than the actual filing date. In some cases, it may be necessary to review MeF to verify the true filing date of the income tax return (if filed electronically) to verify the Form 8974 has been

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7. Continue processing the Form 8974 as per instructions below in (5) or (6) based on the tax period for which the filing was made.

(5) **Math verification of Forms 8974 filed for tax periods 202212 and earlier:**

- a. Verify the figures reported on Line 8 and Line 9 in Part 2 of Form 8974 agree with the amounts on the corresponding lines of the Form 94XX (or employment tax return) **and** math verify Lines 8 through 11 of Form 8974 to ensure the amount of QSB Research Credit claimed does not exceed the employer's share of social security tax.

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- b. Verify the figure reported on Line 12 of Form 8974 is the lesser of the entry on Line 7 or the math verified amount for 11 and agrees with the amount reported for the QSB Research Credit claimed on the corresponding line of the Form 94XX (or employment tax return). If the Line 12 entry, or the corresponding figure on the Form 94XX (or employment tax return), exceeds the lesser of the Line 7 or verified Line 11 amounts
- or verified Line 11 amounts.

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Note: If the amount to be recorded for the credit is less than the taxpayer's entry on Line 12 of Form 8974 or the corresponding line of the Form 94XX (or employment tax return), follow partial disallowance procedures in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*, including issuing the appropriate Letter 106C.

(6) **Math verification of Forms 8974 filed for tax periods 202303 and later:**

- a. Verify the figures reported on Line 8 and Line 9 in Part 2 of Form 8974 agree with the amounts on the corresponding lines of the Form 94XX (or employment tax return) **and** math verify Lines 8 through 11 of Form 8974 to ensure the amount of QSB Research Credit claimed does not exceed the employer's share of social security tax.

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- b. Verify the figure reported on Line 12 of Form 8974 is the lesser of the entry on Line 7, the math verified amount for 11, or \$250,000.
- c. Math verify the figure reported on Line 13 of Form 8974 by subtracting the verified figure for Line 12 (from Step b above) from the taxpayer entry on Line 7 of Form 8974.
- d. Verify the figure reported on Line 14 in Part 2 of Form 8974 agrees with the amount on the corresponding line of the Form 94XX (or employment tax return) **and** math verify Lines 14 and 15 of Form 8974 to ensure the amount of QSB Research Credit claimed does not exceed the employer's share of Medicare tax.

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- e. Verify the figure reported on Line 16 of Form 8974 is the lesser of the entry on Line 15 or the math verified amount for 13 (from Step c above).
- f. Math verify Line 17 of Form by adding the math verified figures for Line 12 and Line 16 of Form 8974. This is the amount of QSB research credit to be recorded as per guidance in (7) and (8) below.

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Note: If the amount to be recorded for the credit is less than the taxpayer's entry on Line 17 of Form 8974 or the corresponding line of the Form 94XX (or employment tax return), follow partial disallowance procedures in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*, including issuing the appropriate Letter 106C.

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if a telephone number is available. Otherwise, follow procedures in IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*. Use Letter 4384C to reject the claim and identify the missing information in the letter. When rejecting the Form 94XX, follow IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*, and (9) in IRM 21.5.1.5.6, *Incomplete CII claims*, for the correct input of TC 971-270 and release of the applicable freeze code (use Blocking Series 20 if inputting a TC 290 .00 to release the -A freeze in this situation).

Exception: Do not contact the taxpayer to request a missing income tax return. Address missing income tax returns as per a), b), c), d), and e) in Step 5 in (4) above.

Caution: The individual contacted by phone must be authorized to prepare taxpayer's employment tax returns. Document the case history with the date, time, name of individual contacted, and information obtained from the individual.

- (8) After applying the verification procedures (as appropriate) in (4), (5), (6), and (7) above, continue processing complete QSB Research Credit claims and requests for adjustment as per the general procedures in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, and the specific procedures applicable to the type of Form 94XX filed (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Record any changes to the QSB Research credit with IRN 119 as appropriate per guidance in (2) above.

Exception: If the Form 8974 is attached to an original return filed in response to a 6020(b) assessment, continue processing per handling guidance in IRM 21.7.9.4.1.6, *Duplicate Filing Conditions Involving Returns Prepared Under IRC Section 6020(b)*.

Reminder: Credit limitations are discussed in (10) of IRM 21.7.2.5.21, *Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research*

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21.7.2.5.21.2
(10-01-2018)

**Form 94XX Claiming
QSB Research Credit —
Missing Form 8974**

- (1) On occasion, a taxpayer may submit a Form 94XX (or employment tax return) with an entry for the QSB Research Credit but fail to attach Form 8974 as would usually be required.
- (2) Handle missing Form 8974 situations as follows:

If	And	Then
The entry on Form 94XX (or employment tax return) is equal to the amount of credit previously allowed for the tax period identified.		A Form 8974 is not required. Continue to process the Form 94XX (or employment tax return) as appropriate.

If	And	Then
The entry on Form 94XX (or employment tax return) reflects a decrease to a previously allowed credit amount (i.e., would result in a tax increase)		<div><div><div>1. Continue to process the Form 94XX (or employment tax return) as appropriate and complete the change to the QSB Research Credit as requested (using IRN 119) if all other requirements are met (see IRM 21.7.2.5.21.1, <i>Processing Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities</i>).</div><div>2. Close the case and issue Letter 4384C stating we processed the adjustment requested on their Form 94XX but that the required Form 8974 was not attached. Instruct the taxpayer to submit the missing Form 8974.</div></div><div>Note: A taxpayer response with the missing Form 8974 will be treated as a new case.</div></div>

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If	And	Then
The entry on Form 94XX (or employment tax return) reflects an increase to a previously allowed credit amount or no credit was previously claimed (i.e., would result in tax decrease)	The Form 94XX (or employment tax return) also reflects other tax changes which, considered on their own, would result in a net tax decrease	<ol style="list-style-type: none"> 1. Make two attempts to secure the missing Form 8974 by phone if a telephone number is available. If the missing Form 8974 is secured, continue processing as per instructions in IRM 21.7.2.5.21.1, <i>Processing Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities</i>, and disregard the instructions which follow in this table. Otherwise, if there is no telephone number, or there was and efforts to secure the missing Form 8974 via phone were unsuccessful, go to step 2) immediately below. 2. Continue to process the other changes reported Form 94XX (or employment tax return) as appropriate but do not allow the requested change to the QSB Research Credit. 3. Follow partial disallowance procedures in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>, including issuing the appropriate Letter 106C. Advise the taxpayer that we processed the other changes requested but could not allow the QSB Research Credit change because the required Form 8974 was not attached.

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If	And	Then
The entry on Form 94XX (or employment tax return) reflects an increase to a previously allowed credit amount or no credit was previously claimed (i.e., would result in tax decrease)	The Form 94XX (or employment tax return) also reflects other tax changes which, considered on their own, would result in a net tax increase	<div>1. Continue to process the other changes reported Form 94XX (or employment tax return) as appropriate but do not allow the requested change to the QSB Research Credit.</div> <div>2. Issue Letter 4384C. Advise the taxpayer that we processed the other changes requested but could not allow the QSB Research Credit change because the required Form 8974 was not attached.</div>

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If	And	Then
The entry on Form 94XX (or employment tax return) reflects an increase to a previously allowed credit amount or no credit was previously claimed (i.e., would result in tax decrease)	The change to the QSB Research Credit is the only correction being made	<ol style="list-style-type: none"> 1. Make two attempts to secure the missing Form 8974 by phone if a telephone number is available. If the missing Form 8974 is secured, continue processing as per instructions in IRM 21.7.2.5.21.1, <i>Processing Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities</i>, and disregard the instructions which follow in this table. Otherwise, if there is no telephone number, or there was and efforts to secure the missing Form 8974 via phone were unsuccessful, go to step 2) immediately below. 2. Reject the Form 94XX using Letter 4384C. Inform the taxpayer Form 8974 must be attached to their Form 94XX (specify form) when changes are requested to amounts of QSB Research Credit claimed. When rejecting the Form 94XX, follow IRM 21.5.3.4.2, <i>Tax Decrease or Credit Increase Processing</i>, and (9) in IRM 21.5.1.5.6, <i>Incomplete CII claims</i>, for the correct input of TC 971-270 and release of the applicable freeze code (use Blocking Series 20 if inputting a TC 290 .00 to release the -A freeze in this situation).

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

21.7.2.6

(01-01-2005)

CT-1, CT-2 Railroad Tax Returns

(1) This section contains information on:

- Form CT-1, *Employer's Annual Railroad Retirement Tax Return*
- Form CT-2, *Employee Representative's Quarterly Railroad Tax Return*
- Unexplained adjustments to Form CT-1 (CP 177)
- Railroad Retirement Board (RRB) Employer Status Determinations

- (2) A revised Memorandum of Understanding (MOU) was executed by RRB and IRS in March 2010 (Agreement between RRB and IRS (2010)) to govern data sharing between the two agencies.

21.7.2.6.1
(10-01-2019)

What are Forms CT-1 and CT-2?

- (1) Form CT-1, *Employer's Annual Railroad Retirement Tax Return*, is used to report and pay railroad retirement taxes (including Additional Medicare Tax (AdMT)) imposed on compensation paid to railroad employees.
- Form CT-1 is a calendar year return due by the last day of February of the following year.
 - The MFT is 09
 - Tax Class 7
 - Document Code 11
- (2) Form CT-2, *Employee Representative's Quarterly Railroad Tax Return*, is used to report railroad retirement taxes (including AdMT) imposed on compensation received by employee representatives.
- Form CT-2 is a quarterly return due the last day of the second month following the end of the quarter.
 - It is filed using the representative's Social Security Number (SSN).
 - Forms CT-2 are processed to NMF.
 - The MFT is 72
 - Tax Class 6
 - Document Code 2
- (3) Original Form CT-1 and Form CT-2 tax returns are processed at the Kansas City Processing Campus (KCSPC). However, all related claims and correspondence must be routed or coordinated as detailed in IRM 21.7.2.6.4.1, *Required Routing for Form CT-1 and Form CT-1X Inquiries and Claims*.

21.7.2.6.2
(10-01-2014)

Imposition of RRTA Tax (Forms CT-1)

- (1) The Railroad Retirement Tax Act (RRTA) imposed two tiers of taxes on employee compensation. Tier I is designed to mirror the taxes imposed by the Federal Insurance Contributions Act (FICA) and Tier II is an additional tax to provide a pension benefit. Both the employer and the employee are subject to Tier I and Tier II taxes.
- A railroad employer must withhold Tier I and Tier II taxes from each employee's compensation.
 - A railroad employer who does not withhold the applicable tax is liable for that tax.
- (2) Forms CT-1 do not include any listing of employees' names, account numbers, or amount of compensation paid (except for statements attached in certain circumstances to support adjustments to Tier I and Tier II). The railroad employer provides wage information reports directly to the Railroad Retirement Board (RRB). The railroad employer reports railroad retirement compensation, Tier I tax, Tier II tax, Medicare tax and Additional Medicare Tax in Box 14 of Form W-2.

21.7.2.6.3
(10-01-2013)

Imposition of RRTA Tax (Forms CT-2)

- (1) RRTA also imposes the same two tiers of taxes described in (1) of IRM 21.7.2.6.2, *Imposition of RRTA Tax (Forms C-1)*, on employee representatives. The employee representative is liable for both the employer and the employee portion of the Tier I taxes and the employer portion of the Tier II taxes.

21.7.2.6.4
(01-01-2005)
**Forms CT-1 and CT-2
Research**

- (1) This section discusses research on Forms CT-1 and CT-2.

21.7.2.6.4.1
(10-01-2019)
**Required Routing for
Form CT-1 and Form
CT-1X Inquiries and
Claims**

- (1) Forms, claims or correspondence received at other campuses must be routed or coordinated with:

IRS
Large Corp/Technical Unit (LCTU)
Stop 537G
7940 Kentucky Dr.
Florence, KY 41042

Note: For Form CT-1 cases in debit status that are being routed as above, input a STAUP for 8 cycles and send Letter 86C to advise taxpayer the case is being transferred. Notate the routing form that the STAUP and letter action were taken.

Note: Original Form CT-1 tax returns are filed and processed in Submission Processing at the Kansas City campus.

- (2) For inquiries received via the toll-free line, prepare Form 4442/e4442 and EEFax to the Technical Unit at 855-307-3090, Team 402.

21.7.2.6.4.2
(10-01-2024)
**Form CT-1 and Form
CT-2 Tax Rates
(including Additional
Medicare Tax)**

- (1) There are separate tax rates for Tier I and Tier II taxes for both employers and employees.
- (2) Tier I taxes are equivalent to FICA taxes. Since Tier I and Tier II have separate wage bases, separate lines appear on the return. The Medicare portion of the Tier I tax is 1.45% of all compensation for both the employer and employee (2.9% total).
- (3) The Tier I portion equivalent to the social security portion is 6.2% for both employer and employee (12.4% total). Tier I taxes are withheld from wages and tips only up to a wage limit. The table below shows the Tier I wage limits from year to year.

Tax Year	Taxable Amount
2015 - 2016	On the first \$118,500
2017	On the first \$127,200
2018	On the first \$128,400
2019	On the first \$132,900
2020	On the first \$137,700
2021	On the first \$142,800
2022	On the first \$147,000
2023	On the first \$160,200

Tax Year	Taxable Amount
2024	On the first \$168,600

- (4) An Additional Medicare Tax (AdMT) is effective for tax periods beginning after December 31, 2012:
- The AdMT tax rate is 0.9%.
 - Employers are required to withhold AdMT at the specified tax rate from wages and tips paid to an employee in excess of \$200,000 for a calendar year beginning with the payroll period in which the threshold is exceeded and continuing each pay period until the end of the calendar year.
 - AdMT is in addition to the 1.45% Medicare tax rate withheld from employee wages and tips.
 - AdMT is only imposed on the employee. There is no employer share of AdMT.
 - Amounts of AdMT withheld by the employer will be reported on the employee's Form W-2.
 - While employers will begin withholding the Additional Medicare Tax (AdMT) as soon as wages paid to an employee exceed the \$200,000 threshold, the final amount owed or refunded will be calculated as part of the individual's income tax return. Employers may **not** increase or decrease amounts of AdMT withheld from wages/tips paid to an employee based on an employee's expectation that they will owe more or less tax when filing their individual income tax return. Employees who expect to owe more AdMT than is withheld from their wages should make estimated tax payments and/or use Form W-4, *Employee's Withholding Allowance Certificate*, to request additional income tax withholding which will be applied against taxes shown on their individual tax return, including any AdMT liability.
 - Lines were added to 2013 and subsequent railroad retirement tax returns for the purpose of reporting amounts of AdMT withheld.
 - IRN 070 will be used to record adjustments to Additional Medicare Tax on Form CT-1 accounts (along with other tax corrections).
 - Although employers are required to calculate, withhold and report Additional Medicare Tax in a manner similar to other RRTA taxes, the tax treatment closely follows income tax withholding procedures. AdMT cannot be corrected after the close of a tax year unless the issue constitutes an administrative error, IRC Section 3509 rates are being applied, or as the result of an Examination. This is true even if AdMT was erroneously withheld. See IRM 21.7.2.4.4.3, *Income Tax Withholding, Backup Withholding, and Additional Medicare Tax Adjustments*, IRM 21.7.2.4.4.3.1, *Administrative Errors*, and IRM 21.7.2.5.4, *IRC Section 3509*, for more information.
 - Information on AdMT is found throughout this IRM, in Publication 15, and instructions for railroad retirement tax returns. Additional information, including a "questions and answers" link to Frequently Asked Questions (FAQs), may also be found on the IRS website under the "Additional Medicare Tax" topic heading at: *Understanding Employment Taxes*.

- (5) Tier II tax rates are shown in the table below.

Tax Year	Employer %/Employee %	On the first:
2015 - 2016	13.1%/4.9%	\$88,200
2017	13.1%/4.9%	\$94,500
2018	13.1%/4.9%	\$95,400
2019	13.1%/4.9%	\$98,700
2020	13.1%/4.9%	\$102,300
2021	13.1%/4.9%	\$106,200
2022	13.1%/4.9%	\$109,200
2023	13.1%/4.9%	\$118,800
2024	13.1%/4.9%	\$125,100

- (6) See IRM 21.7.2.5.16, *IRC Section 132(f) Transportation Benefit Exclusion*, for information regarding exclusion of qualified transit benefits from income.

21.7.2.6.5
(10-01-2014)
**Forms CT-1 and CT-2
Procedures**

- (1) This section contains procedures for working common railroad retirement issues.

21.7.2.6.5.1
(10-01-2024)
**Form CT-1 Tax
Adjustments**

- (1) IRN 070 is necessary for adjusting the total of railroad retirement tax (including Additional Medicare Tax for calendar years beginning after December 31, 2012).
- (2) Returns for 199412 and subsequent do not reflect the taxpayer's original liability (assessed with TC 150) in the field ADJ-RR-RETIRMNT.

If	Then
A TC 290 is input	Field reflects the TC 290 amount only.
A TC 291 is input	Field shows nothing (unless a previous TC 290 was input).
Adjusting these returns	Do not rely on this field to determine current tax liability, add the original assessment plus all increases; and then subtract all decreases to compute taxpayer's current tax liability.

Caution: See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for information on IRN/CRN usage on tax accounts for 2020 and subsequent tax periods.

21.7.2.6.5.2
(01-01-2005)

**Form CT-1 Duplicate
Filing Cases**

- (2) Use approved local procedures when working duplicate filing cases involving tax decreases.
- (3) Input TC 29X with IRN 070 in appropriate BS.
- (4) Route claims received involving large case controls to the area office where the railroad is located.

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21.7.2.6.5.3
(01-01-2005)

**Interest-Free
Adjustments**

- (1) If an employer has made an undercollection and underpayment of taxes for a prior period under the IRC sections listed below, the employer may be entitled to an interest-free adjustment, per Treasury Regulations Section 31.6205-1. See IRM 21.7.2.4.4.2, *Interest-Free Adjustments (Employment Tax Returns)*, for additional information.
 - IRC Section 3101, FICA tax on employees
 - IRC Section 3111, FICA tax on employers
 - IRC Section 3201, RRTA tax on employees
 - IRC Section 3221, RRTA tax on employers

- (2) The interest-free adjustment rules under section 6205 **do not** apply to the employee representative tax under IRC 3211 reported on Form CT-2.

21.7.2.6.5.4
(10-01-2019)

Form CT-1 Deposits

- (1) Federal tax deposits of RRTA taxes reported on Form CT-1 are due based on a pre-determined deposit schedule under which the frequency of deposits generally remains consistent throughout the year. See IRM 20.1.4, *Failure to Deposit Penalty*, for more information on deposit requirements.

Note: Tax liabilities are incurred when compensation is paid, not when the payroll period ends.

- (2) Federal tax deposits are required if the tax reported on Form CT-1 is \$2,500 or more. See IRM 20.1.4.6, *De Minimis Exception to Deposit Requirements*, for more information.
- (3) All federal tax deposits are required to be made by means of Electronic Funds Transfer (EFT). See IRM 20.1.4.2.2.1, *Electronic Funds Transfer (EFT)*, for more information.

21.7.2.6.5.5
(01-01-2005)

**Form CT-1 Discrepancy
Report**

- (1) RRB performs a yearly reconciliation of tax, and reports any discrepancies using CT-1 Discrepancy Report to the SB/SE Specialty Tax Program Analyst. See Agreement between RRB and IRS (2010), Section 6.1(d).
- (2) Forward any inquiries related to this procedure to the CT-1 specialist at the address cited in IRM 21.7.2.6.4.1, *Required Routing for Form CT-1 and Form CT-1X Inquiries and Claims*.

21.7.2.6.5.6
(10-01-2014)

**Unexplained Adjustment
on Form CT-1 (CP 177)**

- (1) CP 177 (and CP 175/875) is no longer generated. See archived IRM 21.7.2 if information is needed on CP 177 (or CP175/875).

21.7.2.6.5.7
(10-01-2019)
Claims filed on Form CT-1X and Form 843

- (1) Forward all excess Tier I and Tier II claims filed by employees or employers on Form CT-1X or Form 843 to the Large Corp/Technical Unit at the Cincinnati campus at the address shown in IRM 21.7.2.6.4.1, *Required Routing for Form CT- and Form CT-1X Inquiries and Claims*. **The instructions which follow are only for the Large Corp/Technical Unit at the Cincinnati campus.**
- (2) Forward claims on Form CT-1X (or Form 843) which meet CAT-A criteria specified in *Exhibit 21.5.3–2* (only) as follows:
Internal Revenue Service
% Moony Ho
7940 Kentucky Dr.
Florence, KY 41042
Mail Stop 5702A
- (3) Route claims involving large case control (taxes of \$1,000,000 or more) to the area office where the railroad is located.
- (4) Excess Tier I and Tier II tax claims filed on Form 843 by employees are worked following the procedures outlined in IRM 21.7.2.4.4.2, *Excess Social Security and Medicare Tax Withheld — Employee Claims for Refund*.

21.7.2.6.5.8
(10-01-2014)
RRB Employer Status Determinations

- (1) The RRB may determine that a railroad has been reporting and paying FICA taxes in error. The employer may then file a claim or make an adjustment using Form 941-X to remove the FICA taxes in previous years and request they be applied to their Railroad Retirement Tax account (Form CT-1). Employers are instructed to file Form CT-1X, *Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund*. If the employer had not filed Form CT-1 for the prior period, see IRM 21.7.2.6.5.9, *Incorrect Type of Return Filed – RRTA vs. FICA*. They may also file an amended Form 940 for refund of FUTA taxes based on the RRB determination.
- (2) Do not work these claims or correspondence in sites other than Cincinnati. If a claim or correspondence is received, forward to CAMC as indicated in IRM 21.7.2.6.4.1, *Required Routing for Form CT-1 and Form CT-1X Inquiries and Claims*.

21.7.2.6.5.9
(10-01-2013)
Incorrect Type of Return Filed – RRTA vs. FICA

- (1) There are instances where taxpayer files Form 941/944 but should file Form CT-1, or vice versa.
- (2) If the employer should have filed a Form CT-1 to report RRTA taxes, the employer can make an interest-free adjustment by filing an original return, Form CT-1, reporting the correct amount of RRTA tax and attaching an adjusted return (Form 941-X/944-X/CT-1X) to correct the erroneously reported FICA tax.

Example: Taxpayer files Form 941 for the 202103, 202106, and 202109 quarters. At the end of the year, the taxpayer realizes they filed incorrect Forms 941 for the first three quarters of 2021 and should have filed Form CT-1. Instruct the taxpayer to file an original Form CT-1 for 202112 and include RRTA for the entire year (including what was previously reported on Forms 941 as FICA tax). Also, instruct the taxpayer to file Forms 941-X for each of the first three quarters of 2021.

Note: Reapply credits as appropriate when adjusting accounts for the situation described above.

21.7.2.6.5.10
(04-15-2021)
**Form CT-1X — Adjusted
Employer’s Annual
Railroad Retirement Tax
Return or Claim for
Refund**

- (1) Form CT-1X is filed to correct taxes previously reported on Form CT-1. Taxpayers can choose to either file:

- An adjusted railroad retirement tax return, or
- A claim for refund or abatement

21.7.2.6.5.10.1
(05-10-2023)
**Form CT-1X Decreases
— Adjusted Employment
Tax Return**

- (1) Verify all required items on Form CT-1X are complete, such as:

- Name, address, and EIN
- Calendar year being corrected
- Box 1 in Part 1 is checked
- Box 3 and the applicable certification is checked on line 4a, 4b or 4c in Part 2 (if required; see exception criteria in (2) below).
- Detailed explanation (see IRM 21.7.2.4.4 (11))
- Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).

- (2) If a certification box is not checked, make two attempts to secure the information by phone if a telephone number is available. Otherwise, follow procedures in IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*. Use Letter 4384C to reject the claim and identify the missing information in the letter.

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Exception: A line 4 certification is only required if the Form CT-1X reflects changes to one or more lines 6 through 17.

Exception: See (9) in IRM 21.7.2.4.4, *Adjusted Employer’s Federal Tax Return or Claim for Refund*.

Caution: When contacting the taxpayer or authorized representative, follow taxpayer authentication guidelines in IRM 21.1.3, *Operational Guidelines Overview*. The individual contacted by phone must be authorized to prepare taxpayer’s employment tax returns. Document the case history with the date, time, name of individual contacted, and information obtained from the individual.

Note: If the taxpayer checked both the adjustment certification(s) and the claim certification(s) boxes, process as an adjusted employment tax return.

Note: If the certification box checked in Part 2 is inconsistent with the process selected in Part 1, continue processing the Form CT-1X based on the information provided in Part 1.

- (3) If a taxpayer files an adjusted employment tax return within 90 days of the expiration of the period of limitations, the adjustment must be converted to a claim for refund and the taxpayer must be notified. Take the following actions:

1. Notate the Form CT-1X with the following text: “90 day - Claim”.

2. Process the Form CT-1X per procedures in IRM 21.7.2.6.5.10.2, *Form CT-1X Decreases — Claim*, and refer to IRM 21.7.2.4.4.5, *90 Day — Claim*, for additional information.
 3. Generate Letter 4384C to the taxpayer explaining the adjustment has been converted to a claim.
- (4) Math verify all Tier I and Tier II tax adjustment items reported on the Form CT-1X.

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- (5) Process adjusted employment tax returns as follows:

1. Input TC 291, HC 1, BS 20 for the amount of decrease along with IRN 070.

Note: Overpayments arising from adjustments made under these procedures are subject to offset. Omit Hold Code 1 with the adjustment and allow the computer to systemically offset the credit if it will be fully absorbed by an outstanding balance due. Otherwise, if conditions prevent the computer from completing the offset, or if only part of the credit needs to be offset, manual offsets using TC 820/TC 700 transactions will be required.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*.

2. Transfer the applicable overpayment using TC 830/710 to the period in which the Form CT-1X was filed.

Caution: To prevent either debit or credit interest from generating, use the later of the return due date of the tax period being adjusted or the availability date of the overpayment as the transaction date of the TC 830 and use the due date of the return the credit is being applied to as the transaction date of the TC 710. See (4) in IRM 21.5.8.4.2, *Determining Correct Credit Transfer Format*, for more information.

3. If the entire credit is not available to be transferred, generate Letter 4384C to the taxpayer. Explain why the entire amount was not available (for example, there was a balance due on the tax period being adjusted or the credit is being offset to a balance due on another tax period).

21.7.2.6.5.10.2
(05-10-2023)
Form CT-1X Decreases
— Claim

- (1) Verify all required items on Form CT-1X are complete, such as:

- Name, address, and EIN
- Calendar year being corrected
- Box 2 in Part 1 is checked
- Box 3 and the applicable certification is checked on line 5a, 5b, 5c or 5d in Part 2 (if required; see exception criteria in (2) below).
- Detailed explanation (see IRM 21.7.2.4.4 (11))

- Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).
- (2) If a certification box is not checked, make two attempts to secure the information by phone if a telephone number is available. Otherwise, follow procedures in IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*. Use Letter 4384C to reject the claim and identify the missing information in the letter.

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Exception: A line 5 certification is only required if the Form CT-1X reflects changes to one or more lines 6 through 17.

Exception: See (9) in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*.

Caution: When contacting the taxpayer or authorized representative, follow taxpayer authentication guidelines in IRM 21.1.3, *Operational Guidelines Overview*. The individual contacted by phone must be authorized to prepare taxpayer's employment tax returns. Document the case history with the date, time, name of individual contacted, and information obtained from the individual.

Exception: Claims filed without consent: Unless one of the exceptions above applies, if the taxpayer has not checked a box on line 5 and states (in the explanation **or** in response to our contact) they are not required to

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secure applicable certifications. In certain situations, taxpayers may not have repaid or reimbursed their employees or obtained their consents prior to filing a claim (Form CT-1X). However, they must certify they have repaid or reimbursed their employees or obtained consents **before** the IRS can allow the claim. See *Instructions for Form CT-1X* for more information.

- (3) Math verify all Tier I and Tier II tax adjustment items reported on the Form CT-1X.

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- (4) Input TC 291, BS 20 for the amount of the decrease along with IRN 070.

Caution: For tax decreases with an unreversed FTD penalty, see IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*.

21.7.2.6.5.10.3
(05-10-2023)

Form CT-1X Increases — Adjusted Employment Tax Return

(1) Verify all required items on Form CT-1X are complete, such as:

- Name, address, and EIN
- Calendar year being corrected
- Box 1 in Part 1 is checked
- Box 3 is checked in Part 2
- Detailed explanation (see IRM 21.7.2.4.4 (11))
- Signature (see IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures).

Note: See (3) and (4) of IRM 21.5.3.4.1, *Tax Increase or Credit Decrease Process-*

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(2) Check for the date the taxpayer discovered the error. If not entered on page 1, review the explanation.

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telephone number is available, make two attempts to contact taxpayer by phone to obtain the information. If the ascertained date cannot be obtained by phone, input the adjustment as a TC 290.

Exception: If you receive a Form CT-1X for the immediately preceding tax year prior to the due date for the current tax year (for example, a Form CT-1X reporting a tax increase for tax year 2024 received on or before February 28, 2025), it is not necessary to contact the taxpayer for an ascertained date. In that situation, input a TC 298 with the applicable interest computation date. See IRM 21.7.2.4.4.2, *Interest-Free Adjustments (Employment Tax Returns)*, for more information.

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(3) Math verify all Tier I and Tier II tax adjustment items reported on the Form CT-1X.

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(4) Use the table below to make your adjustment(s).

If	Then
Return is filed by the due date of the return for the period in which the taxpayer discovered the reporting error	Input TC 298, IRN 070, BS 20 and the correct interest computation date (INTCMP-DT). See IRM 21.7.2.4.4.2, <i>Interest-Free Adjustments (Employment Tax Returns)</i> , and example below for additional information.
Return is not filed by the due date of the return for the return period in which the error was ascertained or “date you discovered errors” was blank or the date error was discovered was not furnished in Part 4	Input TC 290 and IRN 070 with BS 20.

Example: An employer discovers an error on February 5, 2025 and files a Form CT-1X which is received by the IRS on March 4, 2025 for the MFT 09 202312 tax period. The interest computation date would be March 4, 2025.

- (5) Adjust the FTD penalty when using either a TC 290 (see IRM 20.1.4.21.3, *Amended or Supplemental (Tax Decrease or Non-Interest-Free Tax Increase)*) or a TC 298 (see IRM 20.1.4.21.5, *Adjusted Returns (Forms 941-X, 943-X, 944-X, and CT-1X)*).

Note: See IRM 20.1.4.21.5.1, *Amended ROFTL (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X)*, when using a TC 298 or TC 290 and an amended ROFTL was provided with the adjusted return.

- (6) Be sure any payments are credited to period(s) where the tax is being assessed.

21.7.2.7
(11-01-2023)

COVID-19 Related Employment Tax Relief

- (1) This section of the IRM provides guidance on COVID-19 related employment tax credits and other administrative tax relief applicable to employment taxes.
- (2) COVID-19 related legislation with direct impact on employment tax administration includes:
- Sections 7001, 7003, and 7005 of P.L. 116-127, Families First Coronavirus Response Act (FFCRA), established new refundable employment tax credits for employers that applied to qualified sick leave wages and qualified family leave wages (collectively “qualified leave wages”) paid for periods of leave taken from April 1, 2020 and through December 31, 2020. Additionally, the qualified leave wages were not subject to the employer’s share of security tax (or the equivalent portion of the Railroad Retirement Tax Act Tier 1 tax). See IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages*, for more information.
 - Section 2301 of P.L. 116-136, Coronavirus Aid, Relief, and Economic Security (CARES) Act, established a new refundable employee retention tax credit applicable to qualified wages paid after March 12, 2020 and

- before January 1, 2021. See IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*, for more information.
- Section 3606 of P.L. 116-136, authorized the Service to provide advance payments of the FFCRA credits identified above to employers prior to the filing of the corresponding employment tax return. And, Section 2301(l) authorized the Service to provide advance payments of the Employee Retention Credit. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, for more information.
 - Section 2302 of the CARES Act defers the required payment due date for the employer's share of social security taxes effective March 27, 2020 and applicable to wages paid before January 1, 2021. 50 percent of the amounts for which payment can be deferred are due by December 31, 2021 with the remaining 50 percent due by December 31, 2022. See IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, and IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, for more information.
- (3) The Service has provided administrative relief for certain employment tax obligations in addition to the legislative relief provided in the FFCRA and the CARES Act. The most notable administrative relief provisions for purposes of handling employment tax account related issues addressed in this IRM are described in IRM 21.7.2.7.4, *Other COVID-19 Related Employment Tax Relief — Notice 2020-22, Notice 2020-23, and Notice 2020-35*.
- (4) On August 8, 2020, the President issued a *Presidential Memorandum* directing the Secretary of the Treasury to use his authority pursuant to Section 7508A of the Internal Revenue Code to defer the withholding, deposit, and payment of certain payroll tax obligations. As specified in Notice 2020-65, the Secretary determined that employers required to withhold social security taxes or the equivalent portion of Tier 1 railroad retirement taxes (RRTA) from wages paid to employees are affected taxpayers for purposes of the relief described in the Presidential Memorandum and in Notice 2020-65. See IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, and IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information.
- (5) Several provisions of P.L. 116-260, Consolidated Appropriations Act, 2021 altered and/or extended COVID-19 related relief for employment tax, including:
- Sections 206 and 207 of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (enacted as Division EE of the Consolidated Appropriations Act, 2021 (P.L. 116-260)) modified the Employee Retention Credit (ERC), including several retroactive changes, and extended it through June 30, 2021.
 - Sections 286 and 288 of the COVID-related Tax Relief Act of 2020, (enacted as Subtitle B, Division N of the Consolidated Appropriations Act, 2021 (P.L. 116-260)) amended employment tax credits for qualified sick leave wages and qualified family leave wages and extended them for periods of leave taken through March 31, 2021.
 - Section 274 of the COVID-related Tax Relief Act of 2020, (enacted as Subtitle B, Division N of the Consolidated Appropriations Act, 2021 (P.L. 116-260)) extended the due date for payment of employee social security taxes deferred per guidance in Notice 2020-65 to December 31, 2021.

- Section 303 of the Taxpayer Certainty and Disaster Relief Act of 2020 (enacted as Division EE of the Consolidated Appropriations Act, 2021 (P.L. 116-260)) established a new employment tax credit for certain eligible employers. Form 5884-D, *Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters*, was developed for use by eligible employers to claim the credit. Form 5884-D is filed after the filing of an original employment tax return. Form 5884-D processing guidance is currently under development.
- (6) Administering the new credits and other employment tax relief required substantial revision to employment tax forms:
- Beginning with the second quarter of 2020, Form 941 was revised multiple times to administer the new employment tax credits and deferred payment features provided for in COVID relief related legislation and for other administrative relief provisions impacting the completion of employment tax returns.
 - Annual employment tax forms (Form 943, Form 944, and Form CT-1) were also revised beginning with tax year 2020.
 - The IRS developed Form 7200, *Advance Payment of Employer Credits Due to COVID-19*, for taxpayers to file requests for advance payments for tax years 2020 and 2021.

Caution: Advance payments ceased being issued after January 31, 2022. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, for more information.

- (7) Due to timing matters, Form 941 for the first quarter of 2020 could not be revised before the filing due date to report certain aspects of the legislative employment tax relief applicable to a portion of that tax period. See IRM 21.7.2.7.2.5, *First Quarter 2020 Form 941 — Employee Retention Credits and Notice 1447*, and IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*, for guidance on handling taxpayer responses related to first quarter 2020 reporting matters.
- (8) Adjusting employment tax accounts for tax years 2020 and 2021 will, in many cases, require special handling. See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for more information.
- (9) Several provisions of P.L. 117-2, The American Rescue Plan Act of 2021 (the ARP) altered and/or extended COVID-19 related relief for employment tax, including:
- Section 9641 of the ARP added new Sections 3131, 3132, and 3133 to the Internal Revenue Code to provide credits for qualified sick and family leave wages similar to the credits that were previously enacted under the Families First Coronavirus Response Act (FFCRA) and amended and extended by the COVID-related Tax Relief Act of 2020. The credits under Sections 3131 and 3132 are available for qualified leave wages paid for leave taken after March 31, 2021, and before October 1, 2021.
 - Section 9651 of the ARP added new Section 3134 to the Internal Revenue Code, effective for calendar quarters beginning after June 30, 2021, to extend the employee retention credit for wages paid after June 30, 2021, and before January 1, 2022.

- Section 9501 of the ARP added new Section 6432 to the Internal Revenue Code providing for COBRA premium assistance in the form of a full reduction in the premium otherwise payable by certain individuals and their families who elect COBRA continuation coverage due to a loss of coverage as the result of a reduction in hours or an involuntary termination of employment (assistance eligible individuals). This COBRA premium assistance is available for periods of coverage beginning on or after April 1, 2021, through periods of coverage beginning on or before September 30, 2021.
- (10) Section 80604 of P.L. 117-58, the Infrastructure Investment and Jobs Act (Infrastructure Act), amended IRC 3134 to limit the availability of the Employee Retention Credit (ERC) in the fourth quarter of 2021 to employers that are recovery startup businesses. See IRM 21.7.2.7.2.4, *Employee Retention Credit (ERC) — Infrastructure Investment and Jobs Act (Infrastructure Act) Provisions*, for more information.
- (11) **Specialization of COVID-related credit PAPER claims cases within AM.** Form 94XX and other paper cases involving claims for COVID-related employment tax credits (Employee Retention Credit (ERC), Credit for Qualified Sick and Family Leave Wages and COBRA Premium Assistance Credit) received within AM will be handled by designated employees (only). Submission Processing (SP) is screening Form 94XX work prior to ICT scanning to identify claims for ERC and Credit for Qualified Sick and Family Leave Wages (but not claims for COBRA Premium Assistance Credit). Cases identified by SP will be assigned to IDRS number 0230281416 with case Priority Code 1 for ERC cases and case Priority Code 3 for Credit for Qualified Sick and Family Leave Wages cases. However, to ensure proper tracking and delivery, employees must take the following actions when such cases are identified in AM inventory, including those missed during SP screening:
- **COVID-related credits (all tax periods):** Claims and related paper correspondence for COVID-related employment tax credits (Employee Retention Credit (ERC), Credit for Qualified Sick and Family Leave Wages and COBRA Premium Assistance Credit) **received in AM** by employees not designated and trained to work those cases are to be recontrolled with activity code “CARESACT” and reassigned to IDRS number **0230281416**. In addition, update the CII case with **Priority Code 1** for ERC cases or with **Priority Code 3** for Credit for Qualified Sick and Family Leave Wages cases; use Priority Code 1 if both credits are claimed.

Note: Employees who are designated to work cases described above are **not** required to update the cases with the specified activity code. However, for ERC and Credit for Qualified Sick and Family Leave Wages cases, the appropriate Priority Code **must** be recorded on the CII case prior to closing the case, including those cases worked by designated employees.

Caution: If a non-COVID-related case is identified in the inventory of COVID-related credit cases (either assigned to IDRS number 0230281416 or to an employee designated to work COVID-related credit cases), remove any Priority Code 1 or Priority Code 3 recorded for the case on CII and reassign it to either IDRS number **0230265402** (CAMC) or **0437369669** (OAMC) as appropriate.

Reminder: See (3) in IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, for instructions on controlling inquiries and cases involving deferred social security tax.

- **Transcription of Forms 94XX claiming ERC:** An effort is underway to partially transcribe data from open Forms 94XX claiming ERC. Cases that have been transcribed are reassigned to IDRS number **0230255527**. Subsequent handling of these cases will be completed by the same designated employees and in the same manner as described in the first bullet above.

21.7.2.7.1
(12-01-2021)

Credit for Qualified Sick and Family Leave Wages

- (1) P.L. 116-127, Families First Coronavirus Response Act (FFCRA), provides certain eligible small and midsize employers refundable tax credits that reimburse them, dollar-for-dollar, for the cost of providing qualified sick and family leave wages to their employees for paid leave related to COVID-19. For employment tax administration purposes, the tax credits for providing qualified sick leave and qualified family leave wages are collectively referred to as "Credit for Qualified Sick and Family Leave Wages".
 - The Credit for Qualified Sick and Family Leave Wages is a fully refundable tax credit against certain employment taxes reported on quarterly and annual employment tax returns.
 - The Credit for Qualified Sick and Family Leave Wages can be a non-refundable credit, a refundable credit, or both, depending on the amount of the credit that can be claimed for a particular tax period and the amount(s) of certain other non-refundable credit(s) being reported. How the credit is applied depends on the tax period for which it is being claimed.
- (2) Time frames for claiming the Credit for Qualified Sick and Family Leave Wages, the eligibility requirements, and credit limits/amounts have been modified by subsequent legislation. For detailed descriptions of credit features and eligibility requirements as initially enacted and as modified, see:
 - IRM 21.7.2.7.1.1, *Credit for Qualified Sick and Family Leave Wages — Families First Coronavirus Response Act (FFCRA) Provisions*
 - IRM 21.7.2.7.1.2, *Credit for Qualified Sick and Family Leave Wages — COVID-related Tax Relief Act of 2020 Provisions*
 - IRM 21.7.2.7.1.3, *Credit for Qualified Sick and Family Leave Wages — The American Rescue Plan Act of 2021 (the ARP) Provisions*
 - IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*
- (3) Corrections to amounts of Credit for Qualified Sick and Family Leave Wages previously reported (or omitted) on an employment tax return will generally require the filing of the appropriate Form 94XX adjusted return. See IRM 21.7.2.7.6.1, *Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken Before April 1, 2021*, and IRM 21.7.2.7.6.2, *Form 94XX — Credit for Qualified Sick and Family Leave Taken After March 31, 2021*, for handling guidance.

21.7.2.7.1.1
(04-20-2022)

Credit for Qualified Sick and Family Leave Wages — Families First Coronavirus Response Act (FFCRA) Provisions

- (1) This subsection provides information of the timeframes, eligibility requirements, and credit limits/amounts for the Credit for Qualified Sick and Family Leave Wages as **initially** enacted in P.L. 116-127, Families First Coronavirus Response Act (FFCRA). For other Credit for Qualified Sick and Family Leave Wages inquiries and information:
 - See IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages*, for general information on the credit.
 - See IRM 21.7.2.7.1.2, *Credit for Qualified Sick and Family Leave Wages — COVID-related Tax Relief Act of 2020 Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as modified by the subsequent legislation referenced in the title.
 - See IRM 21.7.2.7.1.3, *Credit for Qualified Sick and Family Leave Wages — The American Rescue Plan Act of 2021 (the ARP) Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as modified by the subsequent legislation referenced in the title.
 - See IRM 21.7.2.7.6.1, *Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken Before April 1, 2021*, and IRM 21.7.2.7.6.2, *Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken After March 31, 2021*, for credit correction requests reported on Form 94XX adjusted returns.
- (2) P.L. 116-127, Families First Coronavirus Response Act (FFCRA), provides small and midsize employers refundable tax credits that reimburse them, dollar-for-dollar, for the cost of providing qualified sick and family leave wages to their employees for leave related to COVID-19.
- (3) The FFCRA gives eligible employers funds to provide employees with paid sick and family and medical leave for reasons related to COVID-19, either for the employee's own health needs or to care for family members. Eligible employers are required to provide paid leave for periods of leave beginning April 1, 2020, through December 31, 2020, as a result of two separate provisions:
 - The Emergency Paid Sick Leave Act (EPSLA), which entitles workers to up to 80 hours of paid sick time when they are unable to work (or telework) for certain reasons related to COVID-19, including for their own health needs or to care for others.
 - The Emergency Family and Medical Leave Expansion Act (Expanded FMLA), which entitles workers to certain paid family and medical leave, including up to an additional ten weeks of paid family leave to care for a child whose school or place of care is closed or childcare provider is closed or unavailable due to COVID-19 precautions.
- (4) Under the initial legislation, eligible employers are businesses and tax-exempt organizations with fewer than 500 employees that are required to provide paid sick leave under the EPSLA and to provide paid family leave under the Expanded FMLA.

Note: Under the FFCRA, tribal governments that provide paid sick leave and paid family leave wages may claim tax credits if they are otherwise eligible employers.

Caution: Under the FFCRA, the federal government, the government of any state or political subdivision thereof, and any agency or instrumentality of those

governments are not entitled to receive tax credits for paid sick leave or paid family leave wages. Tribal governments that provide paid sick leave and paid family leave wages may claim tax credits if they are otherwise eligible employers.

- (5) The FFCRA covers the costs of this required paid leave by providing eligible employers with tax credits for providing qualified sick leave and qualified family leave wages, collectively referred to as "Credit for Qualified Sick and Family Leave Wages".
- (6) Under FFCRA, the tax credits applied to qualified sick leave wages and qualified family leave wages paid for periods of leave beginning April 1, 2020, and ending December 31, 2020.
- (7) The following table summarizes employee eligibility, benefits and associated eligible employer tax credit provision under EPSLA and Expanded FMLA:

Type of Credit	IF an employee is unable to work because:	Then
Paid Sick Leave Credit	<ul style="list-style-type: none"> They're subject to a COVID-19 quarantine or isolation order. They're advised to self-quarantine because of COVID-19. They have COVID-19 symptoms and are seeking a medical diagnosis. 	<p>The credit is at the employee's regular rate of pay (or, if higher, the Federal, State, or local minimum wage), up to \$511 per day and \$5,110 in total up to 80 hours. The employer is also eligible for credits for allocable qualified health plan expenses for the employee and the employer's portion of Medicare tax expenses for the employee.</p> <p>Note: The 80 hours of paid sick leave is the maximum allowed for any reason, including those reasons noted below that are subject to a \$200 per day limit.</p>
	<ul style="list-style-type: none"> They're caring for someone who is subject to a COVID-19 quarantine or isolation order, or for someone who is advised to self-quarantine because of COVID-19. They're caring for a child whose school or place of care is closed due to COVID-19. They're caring for a child whose childcare provider is unavailable due to COVID-19. 	<p>The credit is for two-thirds of the employee's regular rate of pay (or, if higher, the Federal, State, or local minimum wage), up to \$200 per day and \$2,000 in total, for up to 80 hours. The employer is also eligible for credits for allocable qualified health plan expenses for the employee and the employer's portion of Medicare tax.</p> <p>Note: The 80 hours of paid sick leave is the maximum allowed for any reason, including those reasons noted above that are subject to a \$511 per day limit. As a result, if the employee was provided paid sick leave for reasons in both categories, the maximum will be between \$2,000 and \$5,110.</p>

Type of Credit	IF an employee is unable to work because:	Then
Family Leave Credit	<ul style="list-style-type: none"> They're caring for a child whose school or place of care is closed due to COVID-19. They're caring for a child whose childcare provider is unavailable due to COVID-19. 	<ul style="list-style-type: none"> This credit is equal to two-thirds of the employee's regular rate of pay, capped at \$200 per day or \$10,000 in total. Up to 10 weeks of qualifying leave can be counted toward the Family Leave Credit. This can be combined with the sick leave credit, so an employer could be entitled to a credit for pay for up to 12 weeks: 2 weeks of sick leave and 10 weeks of family leave. The employer is also eligible for credits for allocable qualified health plan expenses for the employee and the employer's portion of Medicare tax.

- (8) **For tax periods 202006, 202009, and 202012**, the Credit for Qualified Sick and Family Leave Wages can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Credit for Qualified Sick and Family Leave Wages that can be claimed for a particular tax period and amounts of certain other non-refundable credits being reported. The table which follows shows how non-refundable/refundable portions of sick and family leave credits are determined for tax period 202006, 202009, and 202012:

Tax Period(s)	Credit Type	How Credit is Taken
202006, 202009, and 202012	Non-refundable Credit for Qualified Sick and Family Leave Wages	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), and the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed).

Tax Period(s)	Credit Type	How Credit is Taken
202006, 202009, and 202012	Refundable Credit for Qualified Sick and Family Leave Wages	Any amount of Credit for Qualified Sick and Family Leave Wages for the tax period that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Caution: Although not originally termed as such, the credit addressed in the table above is, for current employment tax administration purposes, considered as being “for leave taken before April 1, 2021”.

Note: Also see Exhibit 21.7.2-2, *Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA premium assistance credit.*

Caution: See IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*, for information on Credit for Qualified Sick and Family Leave Wages claimed in tax periods later than that in which qualified leave was taken by an employee.

- (9) In addition to other COVID-19 tax relief provisions, qualified sick leave wages and qualified family leave wages paid to employees by eligible employers are exempt from the employer’s share of social security taxes (or the equivalent portion of Railroad Retirement Tax Act Tier 1 tax).
- (10) Form 941 was revised to administer the Credit for Qualified Sick and Family Leave Wages beginning with the second quarter of 2020:
 - The employee share of social security tax on qualified sick leave wages is reported on lines 5a(i) of Form 941.
 - The employee share of social security tax on qualified family leave wages is reported on lines 5a(ii) of Form 941.
 - The non-refundable portion of the Credit for Qualified Sick and Family Leave Wages, if applicable, is reported on Line 11b of Form 941.
 - The refundable portion of the Credit for Qualified Sick and Family Leave Wages, if applicable, is reported on Line 13c of Form 941 (and will post as a TC 766 with CRN 299).
 - Qualified health plan expenses allocable to qualified sick leave wages are reported on line 19 of Form 941.
 - Qualified health plan expenses allocable to qualified family leave wages are reported on line 20 of Form 941.

Reminder: Qualified sick and family leave wages aren’t subject to the employer share of social security tax (or the equivalent portion of Railroad Retirement Tax Act Tier 1 tax).

Note: The *Instructions for Form 941* include a worksheet for calculating amounts of non-refundable and refundable portions of Credit for Qualified Sick and Family Leave Wages to be carried to Lines 11b, and 13c(respectively) of Form 941.

Note: Annual employment tax forms and instructions were revised in similar fashion to enable reporting Credit for Qualified Sick and Family Leave Wages amounts.

(11) In anticipation of claiming the Credit for Qualified Sick and Family Leave Wages, eligible employers can:

- Obtain immediate access to the credit by retaining (i.e., not paying) a corresponding amount of the employment taxes that otherwise would have been deposited. The amount retained can include federal income tax withholding, the employees' share of social security and Medicare taxes, and the employer's share of social security and Medicare taxes for all employees, up to the amount of the credit. Amounts eligible to be retained for this purpose are not subject to federal tax deposit penalties.
- Request an advance payment of the Credit for Qualified Sick and Family Leave Wages (for amounts that cannot be obtained by reducing federal tax deposits and payments) by submitting Form 7200. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19* for more information on advance payments.

Caution: Advance payments ceased being issued after January 31, 2022. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, for more information.

(12) If a taxpayer has questions on eligibility for the Credit for Qualified Sick and Family Leave Wages for tax periods in calendar year 2020, impact on payment or depositing, or how to report these amounts on tax returns, general information as described above can be provided to the taxpayer. For more complex questions, including those which are out-of-scope, refer the taxpayer to the [irs.gov](https://www.irs.gov) website at:

- *New Employer Tax Credits*
- *Coronavirus Tax Relief for Businesses and Tax-Exempt Entities* (which include links to Frequently Asked Questions (FAQs) and other guidance.)
- *Tax Credits for Paid Leave Under the Families First Coronavirus Response Act for Leave Prior to April 1, 2021*

21.7.2.7.1.2
(04-20-2022)

Credit for Qualified Sick and Family Leave Wages — COVID-related Tax Relief Act of 2020 Provisions

(1) This subsection provides information of the timeframes, eligibility requirements, and credit limits/amounts for the Credit for Qualified Sick and Family Leave Wages as modified and extended by Sections 286, 287, and 288 of the COVID-related Tax Relief Act of 2020 (enacted as Subtitle B of Title II of Division N of the Consolidated Appropriations Act, 2021 (P.L. 116-260)). For other Credit for Qualified Sick and Family Leave Wages inquiries and information:

- See IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages*, for general information on the credit.
- See IRM 21.7.2.7.1.1, *Credit for Qualified Sick and Family Leave*

Wages — Families First Coronavirus Response Act (FFCRA) Provisions, for information on timeframes, eligibility requirements, and credit limits/amounts as established by original legislation.

- See IRM 21.7.2.7.1.3, *Credit for Qualified Sick and Family Leave Wages — The American Rescue Plan Act of 2021 (the ARP) Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as modified by the subsequent legislation referenced in the title.
- See IRM 21.7.2.7.6.1, *Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken Before April 1, 2021*, and IRM 21.7.2.7.6.2, *Form 94XX — Credit for Qualified Sick and Family Leave Taken After March 31, 2021*, for credit correction requests reported on Form 94XX adjusted returns.

(2) The COVID-related Tax Relief Act of 2020 amended and extended Credit for Qualified Sick and Family Leave Wages availability for employers as follows:

- Sections 286 and 287 of the COVID-related Tax Relief Act of 2020, (enacted as Subtitle B of Title II of Division N of the Consolidated Appropriations Act, 2021 (P.L. 116-260)) extended employment tax credits for qualified sick leave wages and qualified family leave wages (collectively referred to as “Credit for Qualified Sick and Family Leave Wages”) for periods of leave taken **through March 31, 2021**.
- Employers **are not required** to provide paid sick and family leave to employees after December 31, 2020; however, eligible employers that **voluntarily** provide paid sick or family leave that would have met the requirements of the EPSLA or Expanded FMLA to employees may claim the tax credits for providing the qualified leave wages for periods of leave taken through March 31, 2021. (The EPSLA and Expanded FMLA only require employers to provide paid sick and family leave, respectively, to employees unable to work or telework for periods after March 31, 2020, and before January 1, 2021.)

Note: Other aspects of the credit, including eligibility requirements and amounts, remained the same as applied for calendar year 2020. Credit limits carry over from calendar year 2020. See IRM 21.7.2.7.1.1, *Credit for Qualified Sick and Family Leave Wages — Families First Coronavirus Response Act (FFCRA) Provisions*, for more information.

(3) **For tax period 202103**, the Credit for Qualified Sick and Family Leave Wages can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Credit for Qualified Sick and Family Leave Wages that can be claimed for the tax period and amounts of certain other non-refundable credits being reported. The table which follows shows how non-refundable/refundable portions of sick and family leave credits are determined for tax period 202103:

Tax Period(s)	Credit Type	How Credit is Taken
202103	Non-refundable Credit for Qualified Sick and Family Leave Wages	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), and the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed).
202103	Refundable Credit for Qualified Sick and Family Leave Wages	Any amount of Credit for Qualified Sick and Family Leave Wages for the tax period that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Caution: Although not originally termed as such, the credit addressed in the table above is, for current employment tax administration purposes, considered as being "for leave taken before April 1, 2021".

Note: Also see Exhibit 21.7.2-2, *Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA premium assistance credit.*

Caution: See IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*, for information on Credit for Qualified Sick and Family Leave Wages claimed in tax periods later than that in which qualified leave was taken by an employee.

- (4) The March 2021 revision of Form 941 retained the line number structure used for calendar year 2020 reporting of Credit for Qualified Sick and Family Leave Wages. See (10) in IRM 21.7.2.7.1.1, *Credit for Qualified Sick and Family*

Leave Wages — Families First Coronavirus Response Act (FFCRA) Provisions, for more information.

Note: Annual employment tax forms (Form 943, Form 944, and Form CT-1) and instructions will also be revised for tax year 2021.

- (5) Employers continued to be able to reduce deposits and request advance payment in anticipation of claiming the Credit for Qualified Sick and Family Leave Wages (by filing a Form 7200) for the first quarter of 2021. See (11) in IRM 21.7.2.7.1.1, *Credit for Qualified Sick and Family Leave Wages — Families First Coronavirus Response Act (FFCRA) Provisions*, for more information.

Caution: Advance payments ceased being issued after January 31, 2022. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, for more information.

- (6) If a taxpayer has questions on eligibility for the Credit for Qualified Sick and Family Leave Wages for tax period 202103, see (12) in IRM 21.7.2.7.1.1, *Credit for Qualified Sick and Family Leave Wages — Families First Coronavirus Response Act (FFCRA) Provisions*.

21.7.2.7.1.3
(04-20-2022)

Credit for Qualified Sick and Family Leave Wages — The American Rescue Plan Act of 2021 (the ARP) Provisions

- (1) This subsection provides information of the timeframes, eligibility requirements, and credit limits/amounts for the Credit for Qualified Sick and Family Leave Wages as modified and extended by Section 9641 of The American Rescue Plan Act of 2021 (the ARP). For other Credit for Qualified Sick and Family Leave Wages inquiries and information:
- See IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages*, for general information on the credit.
 - See IRM 21.7.2.7.1.1, *Credit for Qualified Sick and Family Leave Wages — Families First Coronavirus Response Act (FFCRA) Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as established by original legislation.
 - See IRM 21.7.2.7.1.2, *Credit for Qualified Sick and Family Leave Wages — COVID-related Tax Relief Act of 2020 Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as modified by the subsequent legislation referenced in the title.
 - See IRM 21.7.2.7.6.1, *Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken Before April 1, 2021*, and IRM 21.7.2.7.6.2, *Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken After March 31, 2021*, for credit correction requests reported on Form 94XX adjusted returns.
- (2) Section 9641(a) of the ARP added new IRC 3131, IRC 3132, and IRC 3133 to provide employment tax credits for qualified sick leave wages and qualified family leave wages (collectively referred to as “Credit for Qualified Sick and Family Leave Wages”) similar to the credits that were previously enacted under the Families First Coronavirus Response Act (FFCRA) and amended and extended by the COVID-related Tax Relief Act of 2020.
- (3) The significant changes to the credits for qualified sick leave wages and qualified family leave wages under the ARP are as follows:

- The credits under Sections 3131 and 3132 are available for qualified leave wages and certain other wage-related expenses (such as health plan expenses and certain collectively bargained benefits) paid **for leave taken after March 31, 2021, and before October 1, 2021.**
- **The paid leave credits under the ARP are tax credits against the employer's share of Medicare tax** (or the equivalent portion of the Railroad Retirement Tax Act Tier 1 tax). See (4) below for more information on how the non-refundable and refundable portions are determined by the employer.
- The Credit for Qualified Sick and Family Leave Wages under the ARP is figured separately from the Credit for Qualified Sick and Family Leave Wages under the FFCRA. Credits claimed under the FFCRA do not limit the similar credits claimed under the ARP.
- The tax credits are fully refundable, which means that the employer is entitled to payment of the full amount of the credits to the extent it exceeds the employer's share of Medicare tax.
- The ARP keeps the daily wage thresholds that previously existed and the aggregate cap on qualified sick leave wages remains at 80 hours (10 days). However, the limitation on the number of days resets with respect to leave taken by employees beginning on April 1, 2021, the aggregate cap on qualified family leave wages increases to \$12,000 from the previous cap of \$10,000, and the aggregate cap resets with respect to leave taken by employees beginning on April 1, 2021.
- The ARP created a new category of leave under the Emergency Paid Sick Leave Act (EPSLA) and the Expanded Family and Medical Leave Act (Expanded FMLA) to include the time the employee is seeking or awaiting the results of a diagnostic test for, or a medical diagnosis of, COVID-19 (and the employee has been exposed to COVID-19 or the employee's employer has requested such test or diagnosis), or the employee is obtaining immunizations related to COVID-19 or recovering from an injury, disability, illness, or condition related to such immunization. Additionally, employers may provide employees with paid family leave if the employee is unable to work due to any of the conditions for which eligible employers may provide paid sick leave under the EPSLA.
- The ARP expanded the categories of paid family leave to include any category available for paid sick leave.
- For purposes of the ARP only, the Secretary of Health and Human Services in consultation with the Secretaries of Labor and Treasury expanded the new category to paid sick leave to leave subject to the \$200 per day limit if the employee accompanies an individual to obtain immunization related to COVID-19, or is caring for an individual who is recovering from any injury, disability, illness, or condition related to the immunization.
- Under IRC 3133, the credits are increased by the amount of the employer share of social security tax and Medicare tax on the qualified sick and family leave wages.
- Governmental employers (except for the federal government and its agencies and instrumentalities unless described in section 501(c)(1)) may now claim Credit for Qualified Sick and Family Leave Wages.
- Generally, the same wages can't be used as both qualified sick leave wages and qualified family leave wages. Additionally, the employer may not benefit from both the credit for qualified sick and family leave wages and the employee retention credit with respect to the same wages. The credit for qualified sick leave wages and qualified family leave wages

doesn't apply to wages taken into account as payroll costs for a Small Business Interruption Loan under the Paycheck Protection Program (PPP) that is forgiven or in connection with shuttered operator grants and restaurant revitalization grants.

- The Credit for Qualified Sick and Family Leave Wages isn't allowed in a quarter in which the employer provides the leave in a manner that discriminates in favor of certain highly compensated employees, full-time employees, or employees on the basis of employment tenure.

- (4) **For tax periods 202106 and subsequent**, the Credit for Qualified Sick and Family Leave Wages can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Credit for Qualified Sick and Family Leave Wages that can be claimed for a particular tax period, whether the wages upon which the credit is derived were for leave taken before April 1, 2021 (under the FFCRA) or for leave taken after March 31, 2021 (under the ARP), and amounts of certain other non-refundable credits being reported. The table which follows shows how non-refundable/refundable portions of sick and family leave credits are determined for tax periods 202106 and subsequent:

Tax Period(s)	Credit Type	How Credit is Taken
202106 and subsequent	Non-refundable Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), and the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed).

Tax Period(s)	Credit Type	How Credit is Taken
202106 and subsequent	Refundable Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021	Any amount of Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.
202106 and subsequent	Non-refundable Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of Medicare tax (or the equivalent portion of Tier 1 RRTA taxes).
202106 and subsequent	Refundable Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021	Any amount of Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Caution: See IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*, for information on Credit for Qualified Sick and Family Leave Wages claimed in tax periods later than that in which qualified leave was taken by an employee.

Note: Also see Exhibit 21.7.2-2, *Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA premium assistance credit*.

- (5) Form 941 and associated *Instructions for Form 941* were revised beginning with the second quarter of 2021 to address changes required under the ARP (including reporting of wages, tax and credits for qualified leave taken after March 31, 2021) while continuing to support previous modifications required to administer earlier legislative changes (including reporting of wages, tax and credits for qualified leave taken before April 1, 2021). In particular:
- Taxable qualified sick and family leave wages for leave taken after March 31, 2021, are included on line 5a and taxed at 12.4% for social security tax purposes.
 - Qualified sick and family leave wages for leave taken before April 1, 2021, are reported on lines 5a(i) and 5a(ii), respectively, and taxed at 6.2% for social security tax purposes.
 - For leave taken before April 1, 2021, the credit for qualified sick and family leave wages is reported on line 11b (non-refundable portion) and,

if applicable, line 13c (refundable portion). The refundable portion of the credit for leave taken before April 1, 2021 will continue to post as a TC 766 with CRN 299.

- For leave taken after March 31, 2021, the credit for qualified sick and family leave wages is reported on line 11d (nonrefundable portion) and, if applicable, line 13e (refundable portion); and the non-refundable portion of the credit is against the employer share of Medicare tax. The refundable portion of the credit for leave taken after March 31 April 1, 2021 will post as a TC 766 **with new CRN 271**.
- Previous Worksheet 1 in the Form 941 instructions (April 2020, July 2020, and March 2021 revisions) was replaced with new Worksheets 1 through 5. New Worksheet 1 is used to figure the credit for leave taken before April 1, 2021. New Worksheet 3 is used to figure the credit for leave taken after March 31, 2021.

(6) Under the ARP, employers continued to be able to reduce deposits and request advance payment in anticipation of claiming the Credit for Qualified Sick and Family Leave Wages (by filing a Form 7200) for the second and third quarters of 2021. See (11) in IRM 21.7.2.7.1.1, *Credit for Qualified Sick and Family Leave Wages — Families First Coronavirus Response Act (FFCRA) Provisions*, for more information.

Caution: Advance payments ceased being issued after January 31, 2022. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, for more information.

- (7) If a taxpayer has questions on eligibility for the Credit for Qualified Sick and Family Leave Wages for tax periods 202106 or 202109:
- See (12) in IRM 21.7.2.7.1.1, *Credit for Qualified Sick and Family Leave Wages — Families First Coronavirus Response Act (FFCRA) Provisions*.
 - In addition, employers with questions specific to changes to Credit for Qualified Sick and Family Leave Wages related provisions in the ARP can be referred to *Tax Credits for Paid Leave Under the American Rescue Plan Act of 2021 for Leave After March 31, 2021*.

21.7.2.7.1.4
(12-01-2021)
**Timing Considerations
Applicable to Reporting
Qualified Sick and
Family Leave Wages,
Tax, and Associated
Credits**

- (1) Wages for qualified sick or family leave may be paid at any point in time **during or after** the period leave was taken. For employment tax reporting purposes, the wages and taxes are reportable and the Credit for Qualified Sick and Family Leave Wages is available to the employer **when those wages are**
- Credit amounts claimed for wages paid in tax period 202103 for eligible leave periods in calendar year 2020 (i.e., for leave taken before April 1, 2021) are determined by employers in the same manner as described in the appropriate row of the table in (3) of IRM 21.7.2.7.1.2, *Credit for Qualified Sick and Family Leave Wages — COVID-related Tax Relief Act of 2020 Provisions*.
 - Credit amounts claimed for wages paid in tax period 202106 or subsequent for eligible leave periods in calendar year 2020 or tax period 202103 (i.e., for leave taken before April 1, 2021) are determined by employers in the same manner as described in the appropriate row of

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the table in (4) of IRM 21.7.2.7.1.3, *Credit for Qualified Sick and Family Leave Wages — The American Rescue Plan Act of 2021 (the ARP) Provisions*.

- Credit amounts claimed for wages paid in tax period 202112 or subsequent for eligible leave periods in tax periods 202106 or 202109 (i.e., for leave taken after March 31, 2021) are determined by employers in the same manner as described in the appropriate row of the table in (4) of IRM 21.7.2.7.1.3, *Credit for Qualified Sick and Family Leave Wages — The American Rescue Plan Act of 2021 (the ARP) Provisions*.

Example: An employee took leave in July of 2020 which met the requirements for paid sick leave under the Emergency Paid Sick Leave Act (EPSLA). However, the employer declined to pay wages to the employee when the leave was taken under the mistaken belief that the leave did not meet ESPLA requirements. Subsequently, in May of 2022, the employer becomes aware of the error in characterizing the leave and pays the employee wages for the leave taken. The wages, tax, and associated tax credit would be reported on the employer's Form 941 filed for the second quarter of 2022. And, because the wages were paid "for leave taken before April 1, 2021", the credit would be first taken as a non-refundable credit against employer share social security taxes reported for the second quarter of 2022 and then any remaining amount would be taken as a refundable credit.

Example: An employee took leave in September 2021 which met the requirements for paid sick leave under the Emergency Paid Sick Leave Act (EPSLA). However, the employer did not pay the employee the associated wages until October of 2021. The wages, tax, and associated tax credit would be reported on the employer's Form 941 filed for the fourth quarter of 2021. And, because the wages were paid "for leave taken after March 31, 2021", the credit would be first taken as a non-refundable credit against employer share Medicare taxes reported for the fourth quarter of 2021 and then any remaining amount would be taken as a refundable credit.

21.7.2.7.2
(02-28-2024)
**Employee Retention
Credit (ERC)**

- (1) Section 2301 of P.L. 116-136, Coronavirus Aid, Relief, and Economic Security (CARES) Act, established a new Employee Retention Credit (ERC):
 - The ERC is a tax credit against certain employment taxes reported on quarterly and annual employment tax returns.
 - The ERC is a fully refundable credit designed to encourage employers to keep employees on their payroll.
 - The ERC can be a non-refundable credit, a refundable credit, or both, depending on the amount of the credit that can be claimed for a particular tax period and the amount(s) of certain other non-refundable credit(s) being reported. How the credit is applied depends on the tax period for which it is being claimed.
- (2) Time frames for claiming the ERC, the eligibility requirements, and credit limits/amounts have been modified by subsequent legislation. For detailed descriptions of credit features and eligibility requirements as initially enacted and as modified, see:

- IRM 21.7.2.7.2.1, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*
 - IRM 21.7.2.7.2.2, *Employee Retention Credit (ERC) — Taxpayer Certainty and Disaster Tax Relief Act of 2020 Provisions*
 - IRM 21.7.2.7.2.3, *Employee Retention Credit (ERC) — The American Rescue Plan Act of 2021 (the ARP) Provisions*
 - IRM 21.7.2.7.2.4, *Employee Retention Credit (ERC) — Infrastructure Investment and Jobs Act (Infrastructure Act) Provisions*
- (3) For handling inquiries related to Notice 1447 or other matters related to the lack of first quarter lines for claiming the credit, see IRM 21.7.2.7.2.5, *First Quarter 2020 Form 941 — Employee Retention Credits and Notice 1447*.
- (4) Corrections to amounts of Employee Retention Credit (ERC) previously reported (or omitted) on an employment tax return will generally require the filing of the appropriate Form 94XX adjusted return. See IRM 21.7.2.7.6.3, *Form 94XX — Employee Retention Credit*, for handling guidance.
- (5) Due to concerns with increasing volumes of dubious and inaccurate claims, the IRS instituted a moratorium on processing new ERC claims received after the moratorium was announced on September 14, 2023. The IRS has also slowed the pace of processing previously filed but unpaid ERC claims. If you receive a call regarding a Form 94XX claiming ERC, advise the taxpayer as per the preceding two sentences and refer the taxpayer to the following news release on the IRS.gov website: *To protect taxpayer from scams, IRS orders immediate stop to new Employee Retention Credit processing amid surge of questionable claims; concerns from tax pros*. The press release contains:
- An *Employee Retention Credit Eligibility Checklist* to help taxpayers determine their eligibility for the credit.
 - Information on how to file a claim if they are eligible for the credit.
 - Information on how to withdraw a previously filed claim if it has not yet been processed.
 - Other important information regarding ERC.

Note: If the taxpayer asks about the processing status of a previously filed Form 94XX after having been directed to the web resources identified above, complete account research as usual to verify whether we have a record of having received their Form 94XX. If found, confirm receipt of the Form 94XX and advise the taxpayer that we cannot provide any additional information at this time as to the status or timeframe for processing their Form 94XX and that we will contact them in the event more information is needed to complete its processing.

21.7.2.7.2.1
(04-20-2022)
**Employee Retention
Credit (ERC) —
Coronavirus Aid, Relief,
and Economic Security
(CARES) Act Provisions**

- (1) This subsection provides information of the timeframes, eligibility requirements, and credit limits/amounts for the Employee Retention Credit (ERC) as initially enacted in Section 2301 of P.L. 116-136, Coronavirus Aid, Relief, and Economic Security (CARES) Act. For other ERC inquiries and information:
- See IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*, for general information on the credit.
 - See IRM 21.7.2.7.2.2, *Employee Retention Credit (ERC) — Taxpayer Certainty and Disaster Tax Relief Act of 2020 Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as modified by subsequent legislation.

- See IRM 21.7.2.7.2.3, *Employee Retention Credit (ERC) — The American Rescue Plan Act of 2021 (the ARP) Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as modified by the subsequent legislation referenced in the title.
- See IRM 21.7.2.7.2.4, *Employee Retention Credit (ERC) — Infrastructure Investment and Jobs Act (Infrastructure Act) Provisions*
- See IRM 21.7.2.7.2.5, *First Quarter 2020 Form 941 — Employee Retention Credits and Notice 1447*, for handling specific to ERC claims associated with first quarter 2020 Form 941 accounts.
- See IRM 21.7.2.7.6.3, *Form 94XX — Employee Retention Credit (ERC)*, for credit correction requests reported on Form 94XX adjusted returns.

(2) **For calendar year 2020, as initially enacted:**

- The amount of the Employee Retention Credit (ERC) was equal to 50 percent of the qualified wages an eligible employer paid to employees after March 12, 2020, and before January 1, 2021.
- For each employee, wages up to \$10,000 (including certain health plan costs) **in calendar year 2020** can be counted to determine the amount of the 50% credit.
- The maximum credit amount per employee in calendar year 2020 is \$5,000.

(3) Employers, including tax-exempt organizations, were eligible for the credit if they operated a trade or business during calendar year 2020 and experienced either:

- A full or partial suspension of their trade or business operations during any calendar quarter because of governmental orders limiting commerce, travel, or group meetings due to COVID-19; or,
- A significant decline in gross receipts.

Note: A significant decline in gross receipts **begins** on the first day of the first calendar quarter of 2020 for which an employer's gross receipts are less than 50 percent of its gross receipts for the same calendar quarter in 2019. The significant decline in gross receipts **ends** on the first day of the first calendar quarter following the calendar quarter in which gross receipts are more than of 80 percent of its gross receipts for the same calendar quarter in 2019, or, if earlier, January 1, 2021.

(4) For 2020 ERC purposes, the definition of qualified wages depends on the average number of individuals employed by an eligible employer during 2019:

- If an employer averaged 100 or fewer full-time employees during 2019, qualified wages are those wages up to \$10,000 per employee (including certain health care costs) paid to any employee during the period operations were suspended or the period of the decline in gross receipts, regardless of whether or not its employees were providing services.
- If an employer averaged more than 100 full-time employees during 2019, qualified wages are generally those wages (up to \$10,000 per employee including certain health care costs) paid to employees that were not providing services because operations were suspended or due to the decline in gross receipts. These employers can only count wages up to the amount that the employee would have been paid for working an equivalent duration during the 30 days immediately preceding the period of full or partial suspension or decline in gross receipts.

Note: If an employer is eligible to claim the credit due to a full or partial suspension of operations, only wages paid with respect to the period of suspension will be considered qualified wages.

- (5) An eligible employer's ability to claim the Employee Retention Credit was impacted by other credit and relief provisions as follows:
- Employers who received a Small Business Interruption Loan under the Paycheck Protection Program (authorized under the CARES Act) administered by the Small Business Administration (SBA) were **not** eligible under CARES Act provisions for the Employee Retention Credit. However, employers that applied for Paycheck Protection Program (PPP loans), received payment and repaid the loans by May 18, 2020 will be treated as though they had not received the loan.

Caution: This bar on eligibility was **rescinded retroactively** through subsequent legislation. See (6) in IRM 21.7.2.7.2.2, *Employee Retention Credit (ERC)* — *Taxpayer Certainty and Disaster Tax Relief Act of 2020 Provisions*.

- Wages for this credit **do not include** wages for which the employer received a tax credit for qualified sick and family leave under the Families First Coronavirus Response Act.
 - Wages counted for this credit **can't be counted** for the credit for qualified family and medical leave under section 45S of the Internal Revenue Code.
 - Employees **are not counted** for this credit if the employer is allowed a Work Opportunity Tax Credit under section 51 of the Internal Revenue Code for the employee.
- (6) **For tax periods 202006, 202009, and 202012**, the Employee Retention Credit (ERC) can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Employee Retention Credit that can be claimed for a particular tax period and amounts of certain other non-refundable credits being reported. The table which follows shows how non-refundable/refundable portions of ERC credits are determined for tax periods 202006, 202009 and 202012:

Tax Period(s)	Credit Type	How Credit is Taken
202006, 202009 and 202012	Non-refundable Employee Retention Credit (ERC)	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed) and any Credit for Qualified Sick and Family Leave Wages reported for the tax period.
202006, 202009 and 202012	Refundable Employee Retention Credit (ERC)	Any amount of Employee Retention Credit for a tax period that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Caution: See IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*, for information on Credit for Qualified Sick and Family Leave Wages claimed in tax periods later than that in which qualified leave was taken by an employee.

Note: Also see Exhibit 21.7.2-2, *Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA premium assistance credit*.

- (7) Form 941 was revised to administer the Employee Retention Credit (ERC) beginning with the second quarter of 2020:
- The non-refundable portion of the ERC, if applicable, is reported on Line 11c of Form 941.
 - The refundable portion of the ERC, if applicable, is reported on Line 13d of Form 941 (and will post as a TC 766 with CRN 296).

- Qualified wages (excluding qualified health plan expenses) for the ERC are reported on line 21 (these amounts should also be included as wages on lines 5a and 5c, and, if applicable, line 5d).
- Qualified health plan expenses allocable to the qualified wages for the ERC are reported on line 22.
- For the second quarter Form 941 only, qualified wages (excluding qualified health plan expenses) for the ERC and qualified health plan expenses allocable to the qualified wages for the period from March 13, 2020, to March 31, 2020, were reported on lines 24 and 25, respectively.

Note: The *Instructions for Form 941* include a worksheet for calculating amounts of non-refundable and refundable portions of ERC to be carried to Lines 11c and 13d (respectively) of Form 941.

Note: Annual employment tax forms and instructions were revised in similar fashion to enable reporting ERC amounts.

- (8) In anticipation of claiming the Employee Retention Credit (ERC), eligible employers could:
- Obtain immediate access to the credit by retaining (i.e., not paying) a corresponding amount of the employment taxes that otherwise would have been deposited. The amount retained could include federal income tax withholding, the employees' share of social security and Medicare taxes, and the employer's share of social security and Medicare taxes for all employees, up to the amount of the credit, taking into account any reduction for deposits in anticipation of the qualified sick and family leave credit provided in the Families First Coronavirus Response Act. Amounts eligible to be retained for this purpose are not subject to federal tax deposit penalties.
 - Request an advance payment of the ERC (for amounts that could not be obtained by reducing federal tax deposits and payments) by submitting Form 7200. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19* for more information on advance payments.

Caution: Advance payments ceased being issued after January 31, 2022. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, for more information.

- (9) If a taxpayer has questions on eligibility for the ERC for tax periods in calendar year 2020, impact on payment or depositing, or how to report these amounts on tax returns, general information as described above can be provided to the taxpayer. For more complex questions, including those which are out-of-scope, refer the taxpayer to the [irs.gov](https://www.irs.gov) website at:
- *New Employer Tax Credits*
 - *Coronavirus Tax Relief for Businesses and Tax-Exempt Entities* which include links to Frequently Asked Questions (FAQs) and other guidance.
 - *Notice 2021-20*
 - *Employee Retention Credit - 2020 vs 2021 Comparison Chart*

21.7.2.7.2.2
(04-20-2022)

**Employee Retention
Credit (ERC) — Taxpayer
Certainty and Disaster
Tax Relief Act of 2020
Provisions**

- (1) This subsection provides information of the timeframes, eligibility requirements, and credit limits/amounts for the Employee Retention Credit (ERC) as modified and extended by Section 206 and Section 207 of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (enacted as Division EE of the Consolidated Appropriations Act, 2021 (P.L. 116-260)). For other ERC inquiries and information:
 - See IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*, for general information on the credit.
 - See IRM 21.7.2.7.2.1, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as established by original legislation.
 - See IRM 21.7.2.7.2.3, *Employee Retention Credit (ERC) — The American Rescue Plan Act of 2021 (the ARP) Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as modified by the subsequent legislation referenced in the title.
 - See IRM 21.7.2.7.2.4, *Employee Retention Credit (ERC) — Infrastructure Investment and Jobs Act (Infrastructure Act) Provisions*
 - See IRM 21.7.2.7.2.5, *First Quarter 2020 Form 941 — Employee Retention Credits and Notice 1447*, for handling specific to ERC claims associated with first quarter 2020 Form 941 accounts.
 - See IRM 21.7.2.7.6.3, *Form 94XX — Employee Retention Credit (ERC)*, for credit correction requests reported on Form 94XX adjusted returns.
- (2) The Taxpayer Certainty and Disaster Relief Act of 2020 amended the Employee Retention Credit (ERC) enacted under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and extended the credit to apply to the first and second quarters of 2021.
 - The amount of the ERC is equal to 70 percent of the qualified wages an eligible employer paid to employees after December 31, 2020, and before July 1, 2021.
 - For each employee, wages up to \$10,000 (including certain health plan costs) **per calendar quarter** in 2021 can be counted to determine the amount of the 70% credit.
 - The maximum ERC credit amount per employee is \$7,000 **per calendar quarter**.
- (3) Effective January 1, 2021, employers are eligible if they operate a trade or business during January 1, 2021, through June 30, 2021, and experience either:
 - A full or partial suspension of the operation of their trade or business during this period because of governmental orders limiting commerce, travel or group meetings due to COVID-19; or,
 - A decline in gross receipts in a calendar quarter in 2021 where the gross receipts of that calendar quarter are less than 80% of the gross receipts in the same calendar quarter in 2019 (to be eligible based on a decline in gross receipts in 2020 the gross receipts were required to be less than 50%).
- (4) Employers that did not exist in 2019 can use the corresponding quarter in 2020 to measure the decline in their gross receipts. In addition, for the first and second calendar quarters in 2021, employers may elect to measure the decline in their gross receipts using the immediately preceding calendar quarter (i.e.,

the fourth calendar quarter of 2020 and first calendar quarter of 2021, respectively) compared to the same calendar quarter in 2019. As discussed in Notice 2021-23, employers make an election to use an alternative quarter by claiming the employee retention credit for the quarter using the alternative quarter to calculate gross receipts.

- (5) In addition, effective January 1, 2021, the definition of qualified wages was changed to provide:
 - For an employer that averaged more than 500 full-time employees in 2019, qualified wages are generally those wages paid to employees that are not providing services because operations were fully or partially suspended or due to the decline in gross receipts.
 - For an employer that averaged 500 or fewer full-time employees in 2019, qualified wages are generally those wages paid to all employees during a period that operations were fully or partially suspended or during the quarter that the employer had a decline in gross receipts regardless of whether the employees are providing services.
- (6) **Retroactive to the March 27, 2020, enactment of the CARES Act:**
 - The law now allows employers who received Paycheck Protection Program (PPP) loans to claim the ERC for qualified wages that are not treated as payroll costs in obtaining forgiveness of the PPP loan. Previously, employers receiving PPP loans were not eligible to claim the ERC as discussed in the first bullet of (5) in IRM 21.7.2.7.2.1, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*.
 - Under specific conditions, certain employers eligible to claim the ERC retroactively were permitted (but not required) under a special rule to claim ERC amounts for earlier quarters in 2020 on their original employment tax return for the fourth quarter of 2020 (or on a Form 941-X filed for the fourth quarter of 2020). Taxpayers with questions on this subject should be directed to Q&A 57 and Q&A 58 in *Notice 2021-20* and to *Didn't Get Requested PPP Loan Forgiveness? You Can Claim the Employee Retention Credit for 2020 on the 4th Quarter Form 941* on [irs.gov](https://www.irs.gov).
- (7) For the first and second calendar quarters in 2021, an eligible employer's ability to claim the Employee Retention Credit is impacted by other credit and relief provisions as follows:
 - Wages for this credit do not include wages for which the employer received a tax credit for paid sick and family leave under the Families First Coronavirus Response Act.
 - Any wages taken into account in determining the ERC cannot be counted for purposes of Sections 41, 45A, 45P, 45S, 51, and 1396.
- (8) **For tax periods 202103 and 202106**, the Employee Retention Credit (ERC) can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Employee Retention Credit that can be claimed for a particular tax period and amounts of certain other non-refundable credits being reported. The table which follows shows how non-refundable/refundable portions of ERC credits are determined for tax periods 202103 and 202106:

Tax Period(s)	Credit Type	How Credit is Taken
202103	Non-refundable Employee Retention Credit (ERC)	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed) and any Credit for Qualified Sick and Family Leave Wages reported for the tax period.

Tax Period(s)	Credit Type	How Credit is Taken
202106	Non-refundable Employee Retention Credit (ERC)	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed) and any Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 (but is not reduced for Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021) reported for the tax period.
202103 and 202106	Refundable Employee Retention Credit (ERC)	Any amount of Employee Retention Credit for tax periods 202103 and 202106 that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Caution: See IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*, for information on Credit for Qualified Sick and Family Leave Wages claimed in tax periods later than that in which qualified leave was taken by an employee.

Note: Also see Exhibit 21.7.2-2, *Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA premium assistance credit.*

- (9) The March 2021 revision of Form 941 retained the line number structure used for calendar year 2020 reporting of quarterly non-refundable and refundable portions of ERC amounts. See (7) in IRM 21.7.2.7.2.1, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*, for more information.

Caution: Form 941 was revised again for second quarter of 2021 for subsequent legislation. See (5) of IRM 21.7.2.7.2.3, *Employee Retention Credit (ERC) — The American Rescue Plan Act of 2021 (the ARP) Provisions*, for more information, including information with regards to new worksheets for figuring ERC in the associated revised form instructions.

Note: Annual employment tax forms (Form 943, Form 944, and Form CT-1) and instructions will also be revised for tax year 2021.

- (10) Certain employers continued to be able to reduce deposits and request advance payment in anticipation of claiming the ERC (by filing a Form 7200) for the first and second quarters of 2021. See (8) in IRM 21.7.2.7.2.1, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*, for more information.

Caution: Advance payments ceased being issued after January 31, 2022. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, for more information.

- (11) If a taxpayer has questions on eligibility for the ERC for tax periods 202103 or 202106:
- See (9) in IRM 21.7.2.7.2.1, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*.
 - In addition, employers with questions specific to changes to ERC related provisions in the Taxpayer Certainty and Disaster Relief Act of 2020 can be referred to *New law extends COVID tax credit for employers who keep workers on payroll*, Notice 2021-23 Rev. Proc. 2021-33, and *Employee Retention Credit - 2020 vs 2021 Comparison Chart*.

21.7.2.7.2.3
(04-20-2022)
**Employee Retention
Credit (ERC) — The
American Rescue Plan
Act of 2021 (the ARP)
Provisions**

- (1) This subsection provides information of the timeframes, eligibility requirements, and credit limit/amounts for the Employee Retention Credit (ERC) as modified and extended by provisions in Section 9651 of P.L. 117-2, The American Rescue Plan Act of 2021 (the ARP). For other ERC inquiries and information:
- See IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*, for general information on the credit.
 - See IRM 21.7.2.7.2.1, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as established by original legislation.
 - See IRM 21.7.2.7.2.2, *Employee Retention Credit (ERC) — Taxpayer Certainty and Disaster Relief Act of 2020 Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as modified by the subsequent legislation referenced in the title.
 - See IRM 21.7.2.7.2.4, *Employee Retention Credit (ERC) — Infrastructure Investment and Jobs Act (Infrastructure Act) Provisions*.
 - See IRM 21.7.2.7.2.5, *First Quarter 2020 Form 941 — Employee*

Retention Credits and Notice 1447, for handling specific to ERC claims associated with first quarter 2020 Form 941 accounts.

- See IRM 21.7.2.7.6.3, *Form 94XX — Employee Retention Credit (ERC)*, for credit correction requests reported on Form 94XX adjusted returns.
- (2) Section 9651(a) of the ARP added new IRC 3134 to provide an Employee Retention Credit (ERC) **effective for wages paid after June 30, 2021 and before January 1, 2022**. The ERC under the ARP is similar to the credit enacted under the Coronavirus Aid, Relief, and Economic Security (CARES) Act which was later amended and extended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020.
- (3) The rules for ERC for the third and fourth quarters of 2021 are substantially similar to those that applied for first and second quarters of 2021. **Under the ARP:**
- The amount of the ERC is equal to 70 percent of the qualified wages an eligible employer paid to employees after June 30, 2021, and before January 1, 2022.
 - For each employee, wages up to \$10,000 (including certain health plan costs) **per calendar quarter** in 2021 can be counted to determine the amount of the 70% credit.
 - The maximum ERC credit amount per employee is \$7,000 **per calendar quarter**.

Caution: See IRM 21.7.2.7.2.4, *Employee Retention Credit (ERC) — Infrastructure Investment and Jobs Act (Infrastructure Act) Provisions*, for subsequent legislative changes that limited the availability of the ERC in the fourth quarter of 2021 to employers that are recovery startup businesses (only).

- (4) In addition, the following changes under the ARP began July 1, 2021 and are applicable for the **third and fourth quarters of 2021** (only):
- The ARP creates a new category of an eligible employer called a recovery startup business. The ERC is limited to a maximum of \$50,000 per quarter for employers which are recovery startup businesses. For more information, see “Recovery startup business” in *Instructions for Form 941*.

Note: Aggregate employment tax return filers (Section 3504 Agents, CPEOs, and PEOs) reporting tax data for multiple client recovery startup businesses may exceed the \$50,000 per quarter limitation on a single employment tax return.

- Any wages counted for purposes of Internal Revenue Code Sections 41, 45A, 45P, 45S, 51, 1396, 3131, and 3132 cannot be taken into account in determining the ERC.
- Qualified wages for the employee retention credit cannot include amounts used as payroll costs for a Small Business Interruption Loan under the Paycheck Protection Program (PPP) that is forgiven or amounts used as payroll costs for shuttered operator grants and restaurant revitalization grants.
- **For wages paid after June 30, 2021, the nonrefundable portion of the ERC retention credit is against the employer share of Medicare tax.** (For wages paid prior to July 1, 2021, the non-refundable portion of the ERC was against employer share of social security taxes.)

Note: IRC Section 3131 and 3132, cited in the second bullet in the list above, pertain to credits for paid sick leave and family leave applicable to the second and third quarters of 2021. ERC **cannot** be taken for wages reported in the second and third quarters of 2021 for which the Credit for Qualified Sick and Family Leave Wages was taken.

- (5) **For tax periods 202109 and 202112**, the Employee Retention Credit (ERC) can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Employee Retention Credit that can be claimed for a particular tax period and amounts of certain other non-refundable credits being reported. The table which follows shows how non-refundable/refundable portions of ERC credits are determined for tax periods 202109 and 202112:

Tax Period(s)	Credit Type	How Credit is Taken
202109 and 202112	Non-refundable Employee Retention Credit (ERC)	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of Medicare tax (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced by non-refundable Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 (but is not reduced for Credit for Qualified Sick and Family Leave Wages for leave before April 1, 2021) reported for the tax period.
202109 and 202112	Refundable Employee Retention Credit (ERC)	Any amount of Employee Retention Credit for tax periods 202109 and 202112 that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Caution: See IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*, for information on Credit for Qualified Sick and Family Leave Wages claimed in tax periods later than that in which qualified leave was taken by an employee.

Note: Also see Exhibit 21.7.2-2, *Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA premium assistance credit*.

- (6) Form 941 and associated *Instructions for Form 941* were revised beginning with the second quarter of 2021 to address changes required under the ARP while continuing to support previous modifications required to administer earlier

changes under Taxpayer Certainty and Disaster Relief Act of 2020. As revised for use with second, third, and fourth quarters:

- The nonrefundable portion of ERC is claimed on line 11c whether it is against employer share social security tax (second quarter of 2021) or against employer share of Medicare tax (third and fourth quarters of 2021).
- The refundable portion of ERC is claimed on line 13d (second, third, and fourth quarters of 2021). The refundable portion of the ERC will continue to post as a TC 766 with CRN 296.
- Previous Worksheet 1 in the Form 941 instructions (April 2020, July 2020, and March 2021 revisions) was replaced with new Worksheets 1 through 5. Worksheet 2 is used by employers to compute ERC amounts to be reported on Form 941 for second quarter of 2021. Worksheet 4 is used by employers to compute ERC amounts to be reported on Form 941 for third and fourth quarters of 2021.

Note: Annual employment tax forms (Form 943, Form 944, and Form CT-1) and instructions will also be revised for tax year 2021.

- (7) Under the ARP, certain employers continued to be able to reduce deposits and request advance payment in anticipation of claiming the ERC (by filing a Form 7200) for the third and fourth quarters of 2021. See (8) in IRM 21.7.2.7.2.1, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*, for more information.

Caution: Advance payments ceased being issued after January 31, 2022. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, for more information.

- (8) If a taxpayer has questions on eligibility for the ERC for tax periods 202109 or 202112:
- See (11) in IRM 21.7.2.7.2.2, *Employee Retention Credit (ERC) — Taxpayer Certainty and Disaster Relief Act of 2020 Provisions*.
 - In addition, employers with questions specific to changes to ERC related provisions in the ARP can be referred to *Notice 2021-49* and *Employee Retention Credit - 2020 vs 2021 Comparison Chart*.

Caution: See IRM 21.7.2.7.2.4, *Employee Retention Credit (ERC) — Infrastructure Investment and Jobs Act (Infrastructure Act) Provisions*, for subsequent legislative changes that limited the availability of the ERC in the fourth quarter of 2021 to employers that are recovery startup businesses (only).

21.7.2.7.2.4
(04-20-2022)
**Employee Retention
Credit (ERC) —
Infrastructure
Investment and Jobs Act
(Infrastructure Act)
Provisions**

- (1) This subsection provides information regarding modified eligibility requirements for the Employee Retention Credit (ERC) pursuant to Section 80604 of P.L. 117-58, the Infrastructure Investment and Jobs Act (Infrastructure Act), enacted November 15, 2021. For other ERC inquiries and information:
- See IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*, for general information on the credit.
 - See IRM 21.7.2.7.2.1, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*, for informa-

- tion on timeframes, eligibility requirements, and credit limits/amounts as established by original legislation.
- See IRM 21.7.2.7.2.2, *Employee Retention Credit (ERC) — Taxpayer Certainty and Disaster Relief Act of 2020 Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as modified by the subsequent legislation referenced in the title.
 - See IRM 21.7.2.7.2.3, *Employee Retention Credit (ERC) — The American Rescue Plan Act of 2021 (the ARP) Provisions*, for information on timeframes, eligibility requirements, and credit limits/amounts as modified by the subsequent legislation referenced in the title.
 - See IRM 21.7.2.7.2.5, *First Quarter 2020 Form 941 — Employee Retention Credits and Notice 1447*, for handling specific to ERC claims associated with first quarter 2020 Form 941 accounts.
 - See IRM 21.7.2.7.6.3, *Form 94XX — Employee Retention Credit (ERC)*, for credit correction requests reported on Form 94XX adjusted returns.
- (2) Section 80604 of the Infrastructure Act amended IRC 3134 to limit the availability of the Employee Retention Credit (ERC) in the fourth quarter of 2021 to employers that are recovery startup businesses. In effect, this retroactively terminated eligibility for the Employee Retention Credit (ERC) for all employers on wages paid after September 30, 2021 **except** for eligible employers which are recovery startup businesses. Eligible employers which are recovery startup businesses could continue to claim ERC for qualified wages paid through December 31, 2021. Section 80604 of the legislation also modified the definition of a recovery startup business.

Reminder: See the first bullet in (4) of IRM 21.7.2.7.2.3, *Employee Retention Credit (ERC) — The American Rescue Plan Act of 2021 (the ARP) Provisions*, for more information on recovery startup businesses.

- (3) For employers that are eligible recovery startup businesses, the method of claiming ERC against employer's share of Medicare tax as a non-refundable or refundable credit remained the same as under the ARP Act (see IRM 21.7.2.7.2.3, *Employee Retention Credit (ERC) — The American Rescue Plan Act of 2021 (the ARP) Provisions*) and no changes were required to Form 941 or annual employment tax forms.
- (4) Some employers which are not eligible recovery startup businesses may have reduced deposits for the fourth quarter of 2021 or requested advance payments on Form 7200 for anticipated credits prior to enactment of the retroactive termination of ERC. Employers who did so may have a balance due of tax, penalties or interest on their account when their return is processed unless they later made payment(s)/deposit(s) to address the shortfall in a timely manner as per guidance provided in *Notice 2021-65*.
- **Repayment of excessive fourth quarter 2021 advance payments:** Employers who needed to repay excess advance payments of ERC were required to do so by the due date for their fourth quarter tax return in order to avoid penalties and interest charges.
 - **Fourth quarter deposits due on or before December 20, 2021 and FTD penalties:** Employers who reduced deposits in anticipation of claiming ERC which could not be claimed due to the legislative change will not be subject to FTD penalties if they reported the liability on the tax return or liability schedule as per applicable form/schedule instructions and made an associated timely tax deposit.

Caution: The relief described in Notice 2021-65 doesn't apply to deposits/ payments that were untimely due to any circumstance other than the change in eligibility for the ERC or to employers who reduced deposits after December 20, 2021.

Note: See IRM 20.1.4.29, *Retroactive Termination of the Employee Retention Credit*, for information on addressing related FTD penalty abatement requests.

- (5) For questions specific to retroactive termination of ERC for employers which are not eligible recovery startup businesses, the taxpayer may be referred to the following resources on the irs.gov webpage:

- *Notice 2021-65*
- *Employee Retention Credit - 2020 vs 2021 Comparison Chart*
- *IRS issues guidance regarding the retroactive termination of the Employee Retention Credit*

21.7.2.7.2.5
(11-16-2021)

First Quarter 2020 Form 941 — Employee Retention Credits and Notice 1447

- (1) Due to timing matters, Form 941 for the first quarter of 2020 could not be revised before the filing due date to account for the new Employee Retention Credit (ERC) applicable to tax year 2020. Accordingly, there are no lines on the form for the taxpayer to report any Employee Retention Credit or associated qualified wages and qualified health plan expenses paid for the period beginning on March 13, 2020 and ending March 31, 2020. Instead, taxpayers must report amounts allocable to this time period on their Form 941 for the second quarter of 2020. **However, employers were permitted to reduce otherwise required federal tax deposits for the first quarter in anticipation of claiming Employee Retention Credit attributable to the first quarter when they filed their Form 941 for the second quarter of 2020.** As such, some taxpayers may have a balance due on their first quarter account after filing.

Note: See IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*, for general information on this credit.

Reminder: The refundable portion of the Employee Retention Credit is recorded with CRN 296.

- (2) To address this circumstance, the IRS developed Notice 1447 to be mailed with initial balance due notices issued for first quarter 2020 Form 941 accounts. The notice directs taxpayers who have a balance due to this situation to contact the Service for assistance either in writing or by phone.

Note: Some taxpayers received Notice 1447 in error with initial balance due notices for tax periods other than the first quarter of 2020. See SERP Alert 20A0283 dated July 6, 2020 for more information.

- (3) Process inquiries regarding reduced deposits for first quarter 2020 Form 941 accounts in anticipation of claiming Employee Retention Credit, including responses to Notice 1447, and any Forms 4442 previously created per temporary instructions pending development of handling guidance (treated as a paper case for resolution purposes), as per the guidance found in (4), (5), and (6) below.

- (4) **For phone inquiries**, advise the taxpayer that the amount by which deposits for the first quarter 2020 could be reduced is limited to the amount of Employee Retention Credit attributable to qualified wages and health plan expenses paid for the period beginning on March 13, 2020 and ending March 31, 2020 as reported on their second quarter 2020 Form 941. Ask the taxpayer for the amount by which they reduced first quarter deposits and continue processing as per instructions in the table which follows:

If	Then
The first quarter 2020 Form 941 has not posted	<ol style="list-style-type: none"> 1. Advise the taxpayer we are unable to take any action on their account at this time because their first quarter 2020 Form 941 has not yet been processed, to file the return (or a newly signed copy) if they have not already done so, and to either contact us again when they receive a balance due notice or to submit their request in writing, including the amount by which they reduced their first quarter deposits. 2. If the second quarter 2020 Form 941 tax account is posted and overpaid, input a TC 570 on that module to freeze the overpayment. 3. Input a history item "1STQTRERC" on TXMOD for both tax periods.
The second quarter 2020 Form 941 has not posted	<ol style="list-style-type: none"> 1. Advise the taxpayer we are unable to take any action on their account at this time because their second quarter 2020 Form 941 has not been processed, to file the return (or a newly signed copy) if they have not already done so, and to submit their request in writing, including the amount by which they reduced their first quarter deposits. 2. Input STAUPS on the first quarter 2020 account for 9 weeks if the account reflects a balance due. 3. Input a history item "1STQTRERC" on TXMOD for both tax periods.
The second quarter 2020 Form 941 was overpaid and a refund was issued	<ul style="list-style-type: none"> • If the taxpayer has not yet cashed or received the refund check, advise the taxpayer to annotate the refund check with "VOID" and to return it with correspondence explaining the issue, including the amount by which they reduced first quarter deposits. • If the taxpayer has cashed the refund check, advise taxpayer to pay the first quarter amount showing as due along with correspondence explaining the issue, including the amount by which they reduced first quarter deposits, and to request reconsideration of penalties and interest in writing.
The second quarter 2020 Form 941 was overpaid and the overpayment was offset (whether to first quarter 2020 or some other outstanding balance due)	<ol style="list-style-type: none"> 1. Advise the taxpayer we are unable to take any action on their account at this time and to submit their request in writing, including the amount by which they reduced their first quarter deposits. 2. Input STAUPS on the first quarter 2020 account for 9 weeks if the account reflects a balance due. 3. Input a history item "1STQTRERC" on TXMOD for both tax periods.

If	Then
The amount of the balance due on the first quarter 2020 Form 941 account is less than the amount provided by the taxpayer for reduced deposits (or there is no balance due on the account)	<ol style="list-style-type: none"> 1. Advise the taxpayer we are unable to take any action on their account at this time and to submit their request in writing, including the amount by which they reduced their first quarter deposits. 2. Input STAUPS on the first quarter 2020 account for 9 weeks if the account reflects a balance due. 3. If the second quarter 2020 Form 941 tax account is posted and overpaid, input a TC 570 on that module to freeze the overpayment. 4. Input a history item "1STQTRERC" on TXMOD for both tax periods.
The taxpayer indicates a portion of the balance due on the first quarter 2020 Form 941 account is related to deferred payment of employer's share of social security taxes or the taxpayer deferred payment of employer's share of social security taxes on the second quarter 2020 Form 941 account (i.e., posted CRN 280 amount)	<ol style="list-style-type: none"> 1. Advise the taxpayer we are unable to take any action on their account at this time and to submit their request in writing with their calculation of the social security tax deferral amount and the amount by which they reduced deposits on the first quarter for Employee Retention Credit. 2. Input STAUPS on the account for 9 weeks if the account reflects a balance due. 3. If the second quarter 2020 Form 941 tax account is posted and overpaid, input a TC 570 on that module to freeze the overpayment. 4. Input a history item "1STQTRERC" on TXMOD for both tax periods.
No other row of this table applies	<p>The amount by which first quarter deposits could be reduced for Employee Retention Credit reported on second quarter return must be established.</p> <ol style="list-style-type: none"> 1. If not already done, ask the taxpayer for the amount by which deposits for the first quarter 2020 were reduced in anticipation of claiming Employee Retention Credit. 2. Review the second quarter Form 941 tax return record and obtain the figures corresponding to Lines 24 (TC 970 field "QLFY-EMPL-MARCH-WG-PD-AMT") and 25 (TC 970 field "QLFY-HLTH-PLN-MARCH-AMT"), add those two figures together, and divide the sum by 2. 3. Review the first quarter Form 941 to determine the tax reported and subtract the total payments made by the return due date (April 30, 2020). 4. The figure to be used for further processing is the lesser of the result determined in Step 1, Step 2, or Step 3 above. Continue to process the taxpayer's inquiry as per guidance in the table in (5) below.

(5) **For paper responses**, including inquiries previously documented/suspended on Forms 4442 pending guidance development, handle as follows:

If	And	Then
The first quarter 2020 Form 941 has not posted	There is an indication the return was received and is being processed	<ol style="list-style-type: none"> 1. If the second quarter 2020 Form 941 tax account is posted and overpaid, input a TC 570 on that module to freeze the overpayment. 2. Input a history item "1STQTRERC" on TXMOD for both first and second quarter 2020 Form 941 tax periods. 3. Monitor the account for posting of the first quarter return. 4. If the return posts, or it is determined the in-house return will never post, continue to process per guidance found in the table rows below.
The first quarter 2020 Form 941 has not posted	There is no indication the return was received and is being processed or handling was previously suspended as per instructions in the table row above and it has been determined the return in-house will never post	<ol style="list-style-type: none"> 1. Send the taxpayer a letter and indicate we cannot address their inquiry because their Form 941 return for the first quarter of 2020 has not been processed. Advise them to file the return (or a newly signed copy) for that tax period and to contact us again if they receive a balance due notice. 2. If the second quarter 2020 Form 941 tax account is posted and overpaid, input a TC 570 on that module (if not already done) to freeze the overpayment. 3. Input a history item "1STQTRERC" on TXMOD for both first and second quarter 2020 Form 941 tax periods (if not already done). 4. Close the case.

If	And	Then
The second quarter 2020 Form 941 has not posted	The normal timeframe for posting has not expired	<ol style="list-style-type: none"> 1. Input a history item "1STQTRERC" on TXMOD for both first and second quarter 2020 Form 941 tax periods (if not already done). 2. Monitor the account for posting of the second quarter return. 3. If the return posts, or the normal timeframe for posting has expires, continue to process per guidance found in the table rows below.
The second quarter 2020 Form 941 has not posted	The normal timeframe for posting has expired	<ol style="list-style-type: none"> 1. Send the taxpayer a letter and indicate we cannot address their inquiry because their Form 941 return for the second quarter of 2020 has not been processed. Advise them to file the return (or a newly signed copy) and to resubmit their request regarding first quarter reduced deposits at that time. 2. Input STAUPS on the first quarter 2020 account for 9 weeks if the account reflects a balance due. 3. Input a history item "1STQTRERC" on TXMOD for both first and second quarter 2020 Form 941 tax periods (if not already done). 4. Close the case.
The second quarter 2020 Form 941 was overpaid and a refund was issued	The refund can be intercepted	Initiate an intercept request and suspend the case until the TC 841 posts. Once the TC 841 is posted, continue to process the correspondence per guidance found in the table rows below.

If	And	Then
The second quarter 2020 Form 941 was overpaid and a refund was issued	The refund cannot be intercepted or an intercept request failed	<ol style="list-style-type: none"> 1. Send the taxpayer a letter and indicate we cannot address their inquiry because the overpayment on their Form 941 return for the second quarter of 2020 was refunded. Advise the taxpayer to annotate the refund check with "VOID" and to return it with correspondence explaining the issue, including the amount by which they reduced first quarter deposits or to pay the first quarter amount showing as due and request reconsideration of penalties and interest in writing. 2. Input STAUPS on the first quarter 2020 account for 9 weeks if the account reflects a balance due. 3. Input a history item "1STQTRERC" on TXMOD for both first and second quarter 2020 Form 941 tax periods (if not already done). 4. Close the case.
The correspondence indicates the taxpayer is also deferring employer's share of social security taxes for the first quarter 2020 Form 941 account or the taxpayer deferred payment of employer's share of social security taxes on the second quarter 2020 Form 941 account (i.e., posted CRN 280 amount)		Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

If	And	Then
The taxpayer's correspondence does not provide an amount by which they reduced first quarter deposits in anticipation of claiming Employee Retention Credit	A telephone number is available	<ol style="list-style-type: none"> 1. Make two attempts to contact the taxpayer by phone to determine the amount by which they reduced first quarter deposits for anticipated Employee Retention Credit. 2. If contact is successful, follow the guidance for phone contacts in the last row (only) of the table in (3) above. 3. Otherwise, proceed to the next row of this table.
The taxpayer's correspondence does not provide an amount by which they reduced first quarter deposits in anticipation of claiming Employee Retention Credit	A telephone number is not available or attempts to obtain the information via telephone were unsuccessful	<p>The amount by which first quarter deposits could be reduced for Employee Retention Credit reported on second quarter return must be established.</p> <ol style="list-style-type: none"> 1. Review the second quarter Form 941 tax return record and obtain the figures corresponding to Lines 24 (TC 970 field "QLFY-EMPL-MARCH-WG-PD-AMT") and 25 (TC 970 field "QLFY-HLTH-PLN-MARCH-AMT"), add those two figures together, and divide the sum by 2. 2. Review the first quarter Form 941 to determine the tax reported and subtract the total payments made by the return due date (April 30, 2020). 3. The figure to be used for further processing is the lesser of the result determined in Step 1 or Step 2 above. Continue to process the taxpayer's inquiry as per guidance in the table in (5) below.

If	And	Then
The taxpayer's correspondence provided an amount by which they reduced first quarter deposits in anticipation of claiming Employee Retention Credit	None of the conditions in the rows above apply (or they do not continue to apply after the specified processing steps were followed)	<p>The amount by which first quarter deposits could be reduced for Employee Retention Credit reported on second quarter return must be established.</p> <ol style="list-style-type: none"> 1. Review the second quarter Form 941 tax return record and obtain the figures corresponding to Lines 24 (TC 970 field "QLFY-EMPL-MARCH-WG-PD-AMT") and 25 (TC 970 field "QLFY-HLTH-PLN-MARCH-AMT"), add those two figures together, and divide the sum by 2. 2. Review the first quarter Form 941 to determine the tax reported and subtract the total payments made by the return due date (April 30, 2020). 3. The figure to be used for further processing is the lesser of the taxpayer supplied figure, the figure determined in Step 1 above, or the figure determined Step 2 above. Continue to process the taxpayer's inquiry as per guidance in the table in (5) below.

- (6) For inquiries (phone or paper) for which an amount by which first quarter 2020 Form 941 deposits were reduced in anticipation of Employee Retention Credit was determined as per guidance in (3) or (4) above, handle as follows:

If	Then
The amount determined in (3) or (4) above is less than or equal to the amount of overpayment available on the second quarter 2020 Form 941 account	<ol style="list-style-type: none"> 1. Input a TC 820/700 credit transfer to move the amount determined as per (3) or (4) above from the second quarter 2020 Form 941 account to the first quarter 2020 Form 941 account. Enter "07312020" (second quarter return due date) for the transaction date of the TC 820 debit transaction. Enter "03132020" (legislative effective date) for the transaction date of the TC 700 credit transaction. 2. As appropriate, take action to address any remaining overpayment on the second quarter account after initiation of the credit transfer. 3. Advise the taxpayer verbally or in writing as to the amount of credit reapplied, that any penalties or interest on first quarter account will be recomputed, and that a notice reflecting the correction will be issued.
The amount determined in (3) or (4) above is more than the amount of overpayment available on the second quarter 2020 Form 941 account (or there is no overpayment)	<ul style="list-style-type: none"> • For Phone Inquiries: <ol style="list-style-type: none"> 1. Advise the taxpayer we are unable to take any action on their account at this time and to submit their request in writing, including the amount by which they reduced their first quarter deposits. 2. Input STAUPS on the first quarter 2020 account for 9 weeks if the account reflects a balance due. 3. If the second quarter 2020 Form 941 tax account is posted and overpaid, input a TC 570 on that module to freeze the overpayment. 4. Input a history item "1STQTRERC" on TXMOD for both tax periods. • For Paper Cases: Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

21.7.2.7.3
(10-01-2024)
COBRA Premium Assistance Credit — The American Rescue Plan Act of 2021 (the ARP)

- (1) Section 9501 of P.L. 117-2, The American Rescue Plan Act of 2021 (the ARP), provides for COBRA premium assistance in the form of a full reduction in the premium otherwise payable by certain individuals (i.e., an "Assistance Eligible Individual") and their families who elect COBRA continuation coverage due to a loss of coverage as the result of a reduction in hours or an involuntary termination of employment.
- COBRA premium assistance is available for periods of coverage beginning on or after April 1, 2021, through periods of coverage beginning on or before September 30, 2021.
 - Credits may be claimed on employment tax returns for the second, third or fourth quarters of 2021 and the first quarter of 2022 depending on when the employer (or other person) becomes entitled to the credit.

- Section 9501(b) of the ARP added new IRC 6432 allowing a credit (COBRA premium assistance credit) **against the employer share of Medicare tax** (or the equivalent portion of Tier 1 RRTA taxes) for each calendar quarter in an amount equal to the premiums not paid by assistance eligible individuals for COBRA continuation coverage.
- Employers eligible to claim the COBRA premium assistance credit may reduce federal tax deposits by an amount equal to (or less than) their anticipated associated employment tax credit.
- Employers may request an advance by filing Form 7200 if the anticipated COBRA premium assistance credit exceeds the available reduction in deposits.

Caution: Advance payments ceased being issued after January 31, 2022. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, for more information.

- *Notice 2021-24* provides that employers who reduce deposits will not be subject to FTD penalties if (1) the employer is a person to whom premiums are payable; (2) the amount of employment taxes that the employer does not timely deposit (after reduction for other credits) is less than or equal to the amount of the employer's anticipated COBRA premium assistance credits for the calendar quarter as of the time of the required deposit; and (3) the employer did not seek payment of an advance credit by filing Form 7200 with respect to the anticipated credits it relied upon to reduce its deposits.
- (2) **For Form 941 tax periods 202106, 202109, 202112, and 202203 and for Form 943/Form 944/Form CT-1 tax periods 202112 and 202212**, the COBRA premium assistance credit can be a non-refundable credit, a refundable credit, or both, depending on the amount of the COBRA premium credit that can be claimed for a particular tax period and the amount(s) of certain other non-refundable credit(s) being reported. The table which follows shows how non-refundable/refundable portions of COBRA premium assistance credits are determined for applicable tax periods:

Tax Period(s)	Credit Type	How Credit is Taken
202106	Non-refundable COBRA premium assistance credit	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of Medicare tax (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced by any non-refundable Credit for Qualified Sick and Family Leave Wages reported for the tax period for leave taken after March 31, 2021 (but is not reduced for any non-refundable portion of Credit for Qualified Sick and Family Leave Wages reported for the tax period for leave taken before April 1, 2021 or any ERC credit reported for the tax period).

Tax Period(s)	Credit Type	How Credit is Taken
202109 and 202112	Non-refundable COBRA premium assistance credit	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of Medicare tax (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by non-refundable portion of Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 and non-refundable portion of credit for Employee Retention (ERC) reported for the tax period (but is not reduced for any non-refundable portion of Credit for Qualified Sick and Family Leave Wages reported for the tax period for leave taken before April 1, 2021).
202203 (and 202212 for annual returns)	Non-refundable COBRA premium assistance credit	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of Medicare tax (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced by non-refundable portion of Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 (but is not reduced for any non-refundable portion of Credit for Qualified Sick and Family Leave Wages reported for the tax period for leave taken before April 1, 2021).
202106, 202109, 202112 and 202203 (and 202212 for annual forms)	Refundable COBRA premium assistance credit	Any amount of COBRA premium assistance credit for a tax period that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Caution: See IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*, for information on Credit for Qualified Sick and Family Leave Wages claimed in tax periods later than that in which qualified leave was taken by an employee.

Note: Also see Exhibit 21.7.2-2, *Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA premium assistance credit.*

- (3) Form 941 was revised to administer the COBRA premium assistance beginning with the second quarter of 2021:
- The non-refundable portion of the COBRA Premium assistance, if applicable, is reported on Line 11e of Form 941.
 - The refundable portion of the COBRA Premium assistance, if applicable, is reported on Line 13f of Form 941 and will post as a TC 766 **with new CRN 276**.
 - Number of individuals provided COBRA Premium assistance are reported on line 11f (see (4) below for more information).
 - Employers use Worksheet 3 in the *Instructions for Form 941* to compute the COBRA premium assistance credit amounts reported on Form 941.

Note: Annual employment tax forms and instructions will be revised in similar fashion to enable reporting COBRA premium assistance credit amounts.

- (4) In addition to reporting COBRA premium assistance credit amounts, eligible employers must also report (on line 11f of Form 941) a count of the number of individuals who were provided the COBRA assistance. The *Instructions for Form 941* indicate employers should “Count each assistance eligible individual that received assistance as one individual, whether or not the COBRA coverage was for insurance that covered more than one assistance eligible individual. For example, if the coverage was for a former employee, spouse, and two children, you would include one individual on line 11f.”

Note: For employers who use COBRA administrators, the administrators may be able to produce a report to assist employers in claiming the credit.

- (5) For additional information, including Frequently Asked Questions (FAQs), see: *Notice 2021-31* and *Notice 2021-46*.
- (6) Corrections to amounts of COBRA Premium assistance credit previously reported (or omitted) on an employment tax return will generally require the filing of the appropriate Form 94XX adjusted return. See IRM 21.7.2.7.6.4, *Form 94XX — COBRA Premium Assistance Credit*, for handling guidance.

21.7.2.7.4
(07-28-2020)

**Other COVID-19 Related
Employment Tax Relief
— Notice 2020-22,
Notice 2020-23, and
Notice 2020-35**

- (1) The Service has provided administrative relief for certain employment tax obligations in addition to the legislative relief provided in the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The most notable administrative relief provisions for purposes of handling employment tax account related issues addressed in IRM 21.7.2 are described in the paragraphs which follow.
- (2) *Notice 2020-22*:
- Employers who pay qualified sick and family leave wages and/or qualified retention wages may reduce federal tax deposits by an amount equal to (or less than) their anticipated associated employment tax credits.
 - Notice 2020-22 provides that employers who reduce deposits will not be subject to FTD penalties so long as they paid qualified wages prior to

the time such deposit was due, the amount not deposited was less than or equal to the anticipated amount of the associated credits as of when the deposit was due, and the employer did not request an advanced payment of the credits on Form 7200 in addition to reducing deposits.

(3) *Notice 2020-23:*

- Notice 2020-23 extended the due date for the filing of a claim for credit or refund of any tax.
- Any claim otherwise required to be filed on or after April 1, 2020 and before July 15, 2020 will be considered timely so long as it is filed on or before July 15, 2020.

(4) *Notice 2020-35:*

- Notice 2020-35 extends the timeframe for making corrections of employment tax reporting errors using the interest-free adjustment process.
- If a Form 94XX was required to be filed and paid on or after March 31, 2020 and before July 15, 2020 to be considered timely for interest free adjustment provisions, it will be considered to be timely filed and paid so long as it is filed and paid on or before July 15, 2020.
- See IRM 21.7.2.4.4.2 Interest-Free Adjustments (Employment Tax Returns), and the appropriate subsection within this IRM specific to the Form 94XX type being filed for more information on processing interest free employment tax adjustments.

Reminder: The administrative relief provision described above are those which most directly apply to the handling of employment tax account issues addressed in this IRM. However, the notices listed above (and other recent notices not addressed here) include other important administrative relief provisions which may need to be considered in handling taxpayer inquiries and submissions addressed in other IRMs.

21.7.2.7.5
(04-20-2022)

**Form 7200, Advance
Payment of Employer
Credits due to COVID-19**

- (1) A number of legislative provisions authorized the IRS to provide advance payments of certain employment tax credits prior to the filing of associated employment tax returns (Form 941, Form 943, Form 944, and Form CT-1) for 2020 and 2021 tax periods.
- Section 3606 of P.L. 116-136, Coronavirus Aid, Relief, and Economic Security (CARES) Act, authorized advance payments of the Credit for Qualified Sick and Family Leave Wages. (See IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages*, for more information about that credit). Advance payments of these credits associated with wages paid after March 31, 2021 and before October 1, 2021 were authorized by provisions in IRC 3131 and IRC 3132, added by Section 9641(a) of P.L. 117-2, The American Rescue Plan Act of 2021 (the ARP).
 - Section 2301(l) of the CARES Act authorized advance payments of the Employee Retention Credit. (See IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*, for more information about that credit.) Advance payments of the ERC associated with wages paid after June 30, 2021 and before January 1, 2022 were authorized by a provision in IRC 3134, added by Section 9651(a) of P.L. 117-2, The American Rescue Plan Act of 2021 (the ARP).
 - IRC 6432, added by Section 9501(b) of P.L. 117-2, The American Rescue Plan Act of 2021 (the ARP), included a provision authorizing

advance payments of the COBRA premium assistance credit. (See IRM 21.7.2.7.3, *COBRA Premium Assistance Credit — The American Rescue Plan Act of 2021 (the ARP)*, for more information about that credit.)

- (2) Form 7200, *Advance Payment of Employer Credits due to COVID-19*, was used by employers to request advance payments for 2020 and 2021 tax periods.
- When employers pay their employees, they're required to withhold federal income tax and the employees' share of social security and Medicare taxes. Employers are required to deposit these taxes, along with their employer share of social security and Medicare taxes, with the IRS and file employment tax returns (Form(s) 941, 943, 944, or CT-1) with the IRS.
 - However, eligible employers were permitted to retain an amount of withheld employment taxes equal to the anticipated amount of the employment tax credits identified above rather than depositing these amounts with the IRS. The employment taxes available for this purpose included withheld federal income tax, the employee share of social security and Medicare taxes, and the employer share of social security and Medicare taxes with respect to all employees.
 - If there weren't sufficient employment taxes to cover the anticipated amount of the employment tax credits identified above, employers who file Form 941, Form 943, Form 944, or Form CT-1 were permitted to file Form 7200 to request an advance payment from the IRS. However, employers were not permitted to reduce their deposits as described above and also request advance credit payments for the same anticipated credit.
 - As discussed in (6) below, employers were required to reconcile advance credit payments and reduced deposits when filing their employment tax return.

Example: If an employer was entitled to a \$5,000 Credit for Qualified Sick and Family Leave Wages and was otherwise required to deposit \$8,000 in employment taxes, the employer was permitted to reduce its federal employment tax deposits by \$5,000 and only the remaining \$3,000 was required to be deposited on its next regular deposit date.

Example: If an employer was entitled to an Employee Retention Credit (ERC) of \$10,000 and was required to deposit \$8,000 in employment taxes, the employer was permitted to retain the entire \$8,000 of taxes otherwise due and file a request for an advance payment for the remaining \$2,000 using Form 7200.

- (3) Employers were directed in the *Instructions for Form 7200* to file Forms 7200 with the Service via e-fax:
- Form 7200 could be filed for an advance payment of the credits anticipated for a quarter at any time before the end of the month following the quarter in which qualified wages were paid.
 - If necessary, Form 7200 could be filed several times during each quarter.

- Form 7200 could not be filed to request an advance payment for any anticipated credit for which the taxpayer had already reduced otherwise required federal tax deposits.
- Employers could not file a corrected Form 7200. The taxpayer was instead directed in the form instructions to account for any errors made on Form 7200 when filing their associated Form 941, Form 943, Form 944, or Form CT-1. See (5) and (6) below for more information on how advance payments were reconciled when the related employment tax returns were filed and processed.
- Clients of aggregate employment tax return filers (Section 3504 Agents, CPEOs, and PEOs) were entitled to any credits for sick and family leave wages or the employee retention credit with respect to their common-law employees and could file Form 7200 advance payment requests on their own behalf. Such clients were required to provide their Section 3504 Agent, CPEO, or PEO with copies of the Form(s) 7200 they submitted to the IRS so the 3504 Agent, CPEO, or PEO could reconcile the credits on their aggregate employment tax return (with Schedule R attached).
- Any Form 7200 which was not processed by the time the associated employment tax return was processed **could not** (and cannot) subsequently be processed. See discussion of UPC 306 RC 3 in the note following (4) below and discussion of advance payment reconciliation in (5) and (6) below.

Note: Reporting Agents were permitted to sign and file Form 7200 on behalf of clients. For more information, see: *Payroll Reporting Agents Can Sign and Submit Form 7200 on Behalf of Clients*.

Note: Although employers were directed to file Form 7200 via fax, some forms may be received on paper. See IRM 21.7.2.7.5.3, *Form 7200 — Guidance on Handling Paper Receipts*, if Form 7200 is received on paper either by itself or attached to correspondence/amended returns.

- (4) Form 7200 was processed by a specialized work operation referred to internally as the “Employer Credit Team”:
- Forms 7200 were retained and managed on a shared drive file system until they were worked. Access to the shared drive used for this purpose is restricted to employees tasked with processing the forms and associated management/support staff.
 - The Employer Credit Team did not control tax accounts to reflect receipt of a Form 7200 until a transaction was input to process the advance request or until a letter was issued (for unprocessable forms).
 - Processed Forms 7200 can be identified on an account by a posted TC 290 .00 transaction with first position Reason Code 219 and a CRN 299 for the amount requested by the taxpayer.
 - When the TC 766/CRN 299 posted, the resulting overpayment associated with that TC 766 (only) would either offset or refund (TC 826 or TC 846) as appropriate prior to the posting of the TC 150. Generated refund transactions from this processing were accelerated and could not be intercepted. The date printed on the refund check for these transactions was the 23c date less 13 days.
 - Form 7200 transactions were input via Command Code ADJ54 as “No Source Document” (NSD) adjustments. Accordingly, the Form 7200

cannot be obtained from Files. Instead, the Form 7200 remains as a file record within the shared drive used by the Employer Credit Team.

Note: Programming would allow the specific transactions described above to post, and a refund or offset(s) to generate, before a TC 150 was posted to the tax module. Any adjustment input as described above with Reason Code 219 after the TC 150 was posted would unpost (i.e., an advance payment could not be issued after the original return was posted).

Note: Forms 7200 filed by clients of aggregate employment tax return filers (Section 3504 Agent, CPEO, or PEO) were processed under the client's EIN rather than the EIN of the aggregate filer.

Note: The last tax period for which Form 7200 could be filed was 202112 (i.e., tax periods ending December 31, 2021) and processing for Forms 7200 ceased after January 31, 2022.

(5) The Employer Credit Team issued the following letters when corresponding with employers regarding unprocessable Forms 7200:

- *Letter 6312, Form 7200 Response.*
- *Letter 6313, Address Change Verification for Form 7200.*

Note: See IRM 21.7.2.7.5.2, *Form 7200 — Letter 6312 and Letter 6313 Replies*, for guidance on handling common responses to these letters.

Note: The Employer Credit Team will continue to issue Letter 6312 for any late filed Forms 7200.

(6) Advance credit payments were reconciled by the employer when completing their employment tax return for the associated tax period:

- a. The *Instructions for Form 941* included a worksheet for the taxpayer to calculate the entries to be made on Form 941 for non-refundable and refundable credits. These figures were then carried to Lines 11b, 11c, 11d, 11e, 13c, 13d, 13e, and 13f on Form 941 (or the equivalent lines on annual employment tax returns) as appropriate. Aggregate employment tax return filers (Section 3504 Agents, CPEOs, and PEOs) were required to include any amounts to which they or their clients were entitled. The figures entered on these lines of the Form 941 (or the equivalent lines on annual employment tax return) were **not** to be reduced for any amounts requested or received as advance payments via the filing of Form 7200.
- b. The taxpayer was instructed to enter the amount of all advance payments **received** for a quarterly tax period on Line 13h of Form 941 (or the equivalent line on annual employment tax returns). Aggregate employment tax return filers (Section 3504 Agents, CPEOs, and PEOs) were required to include any advance payment amounts requested and received by their clients. Any amount requested as an advance payment but not received by the taxpayer (or their clients) by the time they filed their employment tax return was not to be included on this line.
- c. As a function of entering data as described above, the taxpayer's bottom-line overpayment or balance due calculations would then properly account for employment tax credits for which they were eligible and any advance payments received.

Caution: Line numbers identified above correspond to the last revision of Form 941 to which the advance payments applied. Previously, the credits were carried to Lines 11b, 11c, 13c and 13d with the amount of advance payments received entered on Line 13h.

- (7) Advance credit payments are reconciled by the Service when the taxpayer's employment tax return is processed:
- a. When an original employment tax return is posted to a tax module for which one or more Form 7200 advance payments were systemically refunded, all previously posted TC 766 transactions with CRN 299 amounts and Reason Code 219 are systemically reversed with corresponding TC 767 transactions.
 - b. The figures reported by the taxpayer (or as corrected by the Service) on Lines 11b, 11c, 11d, and 11e of their Form 941 (or the equivalent lines on annual employment tax returns) for non-refundable credits (factoring into the TC 150 total tax amount) and on Lines 13c, 13d, 13e, and 13f (or the equivalent lined on annual employment tax returns) for refundable credits (TC 766 amounts recorded with CRN 299, CRN 296, CRN 271, and CRN 276) are then posted to the account.
 - c. As a function of the processing described above, the "temporary" CRN 299 credit figure used to generate advance payment(s) was essentially **replaced** with actual total credit amounts for which the taxpayer was eligible. And, having thus properly accounted for any advance payments received, the correct amount remaining due the taxpayer, or due the Treasury, was correctly calculated by the computer system.

Reminder: See the caution following (6) above regarding changes to line numbers.

Caution: Once a TC 150 has been processed to a tax account and the computer has reversed the CRN 299 Reason Code 219 amounts, any CRN 299 amount with Reason Code 219 attempting to post to the module will unpost with UPC 306 RC3. Any corrections to refundable credits allowed with the original return must be made with CRN 296 or with CRN 299 and any corrections to non-refundable credits must be made with a TC 29X and appropriate IRNs. Corrections made after the TC 150 posts cannot be accompanied by Reason Code 219.

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- (8) The subsections which follow provide guidance on handling common inquiries received in Accounts Management with regards to Form 7200.

21.7.2.7.5.1
(04-20-2022)
**Form 7200 — Phone
Inquiries**

- (1) The last tax period for which Form 7200 could be filed was 202112 (i.e., tax periods ending December 31, 2021) and processing for Forms 7200 ceased after January 31, 2022.
- (2) The following table provides guidance on handling common phone inquiries relating to Form 7200:

If	And	Then
The taxpayer has general questions on eligibility or how/where to file Form 7200		<ul style="list-style-type: none"> Advise the taxpayer that the IRS no longer accepts and will not process any Form 7200 advance payment request. If the taxpayer still has general questions about how the form was filed, refer the taxpayer to guidance on the Form 7200 landing page on irs.gov: <i>About Form 7200, Advance Payment of Employer Credits Due to COVID-19</i>.
The taxpayer received either Letter 6312 or Letter 6313		<ul style="list-style-type: none"> Advise the taxpayer that the IRS no longer accepts and will not process any Form 7200 advance payment request, including any previously filed Form 7200. Advise the taxpayer that any credits for which they requested an advance must be reported on their original employment tax return or on an amended employment tax return (specify form).
IDRS history/activity indicates either Letter 6312 or Letter 6313 has been issued	The taxpayer has not yet received the letter	<ul style="list-style-type: none"> If three or less weeks have passed since the letter was issued, advise the taxpayer that our records indicate they will receive a letter within three weeks regarding their previously filed Form 7200. If more than three weeks have passed since the letter was issued, advise the taxpayer that any credits for which they requested an advance must be reported on their original employment tax return or on an amended employment tax return (specify form).

If	And	Then
The taxpayer is an aggregate employment tax filer (Section 3504 Agents, CPEOs, and PEOs)	Is inquiring about a refund generated from the processing of their original employment tax return (either expected but not received or received but not expected)	See IRM 21.7.2.7.5.4, <i>Reconciliation of Advance Payment Amounts for Aggregate Employment Tax Return Filers</i> .
The taxpayer has questions about the processing of a previously filed Form 7200	A TC 766 transaction with CRN 299 and Reason Code 219 corresponding to the Form 7200 described by the taxpayer is present on the tax module	<ul style="list-style-type: none"> The dates and amounts of any refunds/offsets generated by previous processing of Forms 7200, as recorded on the tax account, may be relayed verbally or in writing to the taxpayer. The date printed on the refund check is the 23c date less 13 days. <p>Note: Refunds issued from the processing of Form 7200 were accelerated and could not be intercepted.</p>
The taxpayer is inquiring as to whether one or more specific advanced payments have been issued	A TC 766 transaction with CRN 299 and Reason Code 219 corresponding to the Form 7200 described by the taxpayer is not present on the tax module	<ul style="list-style-type: none"> Advise the taxpayer that the IRS no longer accepts and will not process any Form 7200 advance payment request, including any previously filed Form 7200. Advise the taxpayer that any credits for which they requested an advance must be reported on their original employment tax return or on an amended employment tax return (specify form).

If	And	Then
Taxpayer states they made a computation error on a previously filed Form 7200	The advance payment received was less than what they could have requested	<ul style="list-style-type: none">• Advise the taxpayer that corrected/amended Forms 7200 cannot be filed.• Advise the taxpayer that the IRS no longer accepts and will not process any Form 7200 advance payment request, including any previously filed Form 7200.• Advise the taxpayer that any credits for which they could have requested an advance must be reported on their original employment tax return or on an amended employment tax return (specify form).

If	And	Then
Taxpayer states they made a computation error on a previously filed Form 7200	The advance payment requested and received was more than the taxpayer was eligible to receive	<ul style="list-style-type: none"> • Advise the taxpayer that corrected/amended Forms 7200 cannot be filed. • Advise the taxpayer that they were required to claim the correct amount of credits on their employment tax return. • Advise the taxpayer that any credits for which they were eligible that were either incorrectly or not claimed on an original employment tax return must be corrected by filing an amended return (specify form). • If the taxpayer received excessive advance payment(s) and the original employment tax return has not yet posted, advise the taxpayer that their account will reflect a balance due when the return is processed unless there are sufficient credits applied and that payment for any shortfall should be made as soon as possible to limit any applicable penalty or interest charges. • If there is a balance due on the account as the result of the taxpayer having received excessive advance payment(s), advise the taxpayer the balance due is correct. Address the balance due as appropriate. <p>Note: Do not advise the taxpayer to return the advance payment check received unless the entire amount of the payment was in error.</p>

If	And	Then
Taxpayer is responding to a balance due notice	Received one or more advance payments but did not report/claim the associated Credit for Qualified Sick and Family Leave Wages or Employee Retention Credit on their original employment tax return	<ul style="list-style-type: none">• Advise the taxpayer that Form 7200 was used to request advance payment but that any credits for which they were eligible were required to be reported/claimed on their original employment tax return.• If the taxpayer was eligible to claim less credit on their employment tax return than the amount of advance payment(s) received, advise the taxpayer that they owe the excessive amount advanced. Address the balance due as appropriate.• Advise the taxpayer that if they were eligible for credits which were not reported on their employment tax return, they must file an amended return (specify form) to resolve the balance due.

If	And	Then
Taxpayer is responding to a balance due notice (or received a refund less than what was expected)	Received one or more advance payments but did not report the correct amount(s) on Line 13h of Form 941	<p>Advise the taxpayer that:</p> <ul style="list-style-type: none"> • Advance payments should not have been requested on Form 7200 if they also reduced required federal tax deposits/payments for the same expected credit amount. • The amount of any advance payment received is a factor in reconciling Form 941 (i.e., determining whether the account is in full paid, balance due, or overpaid status) and must be reported on Line 13f of Form 941. • If they reported the correct amount of credits for which they were eligible but did not enter the amount of any advance payments on Line 13f, the balance due notice (or reduced refund amount) is correct.

21.7.2.7.5.2
(04-20-2022)

Form 7200 — Letter 6312 and Letter 6313 Replies

- (1) The last tax period for which Form 7200 could be filed was 202112 (i.e., tax periods ending December 31, 2021) and processing for Forms 7200 ceased after January 31, 2022.
- (2) *Letter 6312, Form 7200 Response*, was previously issued by the Employer Credit Team when the form could not be processed as filed by the taxpayer. The letter will continue to be issued by the Employer Credit Team for any Form 7200 received by the Employer Credit Team subsequent to the end of the program. The following table provides guidance on handling common phone replies to Letter 6312:

If	Then
The taxpayer is asking for general information on the purpose or filing of Form 7200	<ul style="list-style-type: none"> Advise the taxpayer that the IRS no longer accepts and will not process any Form 7200 advance payment request. If the taxpayer still has general questions about how the form was filed, refer the taxpayer to guidance on the Form 7200 landing page on irs.gov: <i>About Form 7200, Advance Payment of Employer Credits Due to COVID-19</i>.
The taxpayer does not understand the Letter 6312 received or disagrees with the reasons provided in Letter 6312 for rejection of their Form 7200	<ul style="list-style-type: none"> Advise the taxpayer that the IRS no longer accepts and will not process any Form 7200 advance payment request, including any previously filed Form 7200. Advise the taxpayer that any credits for which they requested an advance must be reported on their original employment tax return or on an amended employment tax return (specify form).
The taxpayer wants to file a corrected or amended Form 7200 to obtain the previously requested advance payment	<ul style="list-style-type: none"> Advise the taxpayer that the IRS no longer accepts and will not process any Form 7200 advance payment request, including any previously filed Form 7200. Advise the taxpayer that any credits for which they requested an advance must be reported on their original employment tax return or on an amended employment tax return (specify form).

Note: Paper responses to Letter 6312 should rarely be received in Accounts Management. If they are, see the second row of the table in (2) of IRM 21.7.2.7.5.3, *Form 7200 — Guidance on Handling Paper Receipts*, if the reply is attached to a Form 7200. Otherwise, the directions in the table above for handling phone responses would generally also apply to paper responses. However, if specific guidance on handling a paper response to Letter 6312 is needed, contact the IRM author through your management chain and the site P&A Staff.

- (3) *Letter 6313, Address Change Verification for Form 7200*, was previously issued by the Employer Credit Team when the address on Form 7200 differed from what was reflected in the IRS records. The letter requested the taxpayer complete and return Form 8822-B, *Change of Address or Responsible Party - Business*, via fax with a copy of the letter or to confirm any advance payment should be issued to the address of record by marking a checkbox on the letter and faxing it back to the processing group. The following table provides guidance on handling common phone replies to Letter 6313:

If	Then
The taxpayer wishes to respond for the purposes of obtaining the advance payment previously requested on Form 7200	<ul style="list-style-type: none"> Advise the taxpayer that the IRS no longer accepts and will not process any Form 7200 advance payment request, including any previously filed Form 7200. Advise the taxpayer that any credits for which they requested an advance must be reported on their original employment tax return or on an amended employment tax return (specify form).
The taxpayer requests an address change be made to their account	See (2), Item (e) in IRM 21.7.1.4 and (3) in IRM 21.1.3.20 to determine if the address change can be made based on oral statement authority. Otherwise, advise the taxpayer to file Form 8822-B as per the form instructions.

Note: Paper responses to Letter 6313 should rarely be received in Accounts Management. If they are, see the second row of the table in (2) of IRM 21.7.2.7.5.3, *Form 7200 — Guidance on Handling Paper Receipts*, if the reply is attached to a Form 7200. Otherwise, the directions in the table above for handling phone responses would generally also apply to paper responses. However, if specific guidance on handling a paper response to Letter 6313 is needed, contact the IRM author through your management chain and the site P&A Staff.

21.7.2.7.5.3
(04-20-2022)

**Form 7200 — Guidance
on Handling Paper
Receipts**

- (1) The last tax period for which Form 7200 could be filed was 202112 (i.e., tax periods ending December 31, 2021) and processing for Forms 7200 ceased after January 31, 2022.
- (2) Handle any paper Forms 7200 received in Accounts Management as follows:

If	And	Then
Form 7200 is attached to correspondence or an amended return	It is intended as supporting documentation (whether previously processed or not)	Leave Form 7200 attached and resolve the other issues presented as appropriate.

If	And	Then
Form 7200 is attached to a Letter 6312 or Letter 6313 reply		Reject the Form 7200 with Letter 4384C . Insert the following text in an open paragraph: “The IRS no longer accepts or processes Form 7200 advance payment requests. Any employment tax credits for which you were eligible must be claimed on an original or amended employment tax return.” Caution: Form 7200 does not constitute a claim for refund. Do not send a 105C or 106C to formally disallow an amount requested on Form 7200.
Form 7200 is submitted by itself on paper	Account research shows it was previously processed (whether adjusted or rejected via Letter 6312)	Treat the document as classified waste.
Form 7200 is submitted by itself on paper	There is no indication it was previously processed (neither an adjustment for the amount requested nor an indication it was rejected via Letter 6312)	E-fax the document to 844-265-7821.

Note: For any paper Form 7200 response scenario not addressed above, contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

21.7.2.7.5.4
(08-03-2022)

**Reconciliation of
Advance Payment
Amounts for Aggregate
Employment Tax Return
Filers**

(1) As noted in (7) of IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer*

- As discussed in (3) of that IRM section, clients of aggregate employment tax return filers (Section 3504 Agents, CPEOs, and PEOs) could file Form 7200 on their own behalf to request advance payments of credits for sick and family leave wages or the employee retention credit with respect to their common-law employees. And, clients who chose to file such advance payment requests were required to provide their Section 3504 Agent, CPEO, or PEO with copies of the Form(s) 7200 they submitted so the 3504 Agent, CPEO, or PEO could reconcile the credits on their aggregate employment tax return (with Schedule R attached).

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Command Codes (CC) TXMOD and BMFOLR. Instead, the field names and field values were recorded in the posted transaction sections of CC TXMOD and CC BMFOLT with a TC 970 transaction. At the close of 2020, the new field values were migrated to the posted return information sections of the CC displays and the TC 970 carrying transactions were removed from the transaction record.

- **2021 Form 941 field displays:** Similarly, new fields and field values reported on revised Form 941 for second quarter 2021 and subsequent could not be immediately posted in the posted return information sections of Command Codes (CC) TXMOD and BMFOLR. Instead, new field names and field values for 2021 were recorded in the posted transaction sections of CC TXMOD and CC BMFOLT with a TC 970 transaction. At the close of 2021, the new field values were migrated to the posted return information sections of the CC displays and the TC 970 carrying transactions were removed from the transaction record.

Note: Since annual employment tax returns (Form 943/Form 944/Form CT-1) for 2020 were not processed until after the close of 2020, TC 970 transactions were not required for display of new fields on MFT 11, MFT 14, or MFT 09. This was true for 2021 annual employment forms which were not be processed until after the close of 2021.

- (2) The table which follows shows previous and current field displays for CC TXMOD and CC BMFOLR, IRNs and CRNs for new adjustment items on 2020 and 2021 employment tax returns, and corresponding line numbers/ descriptions for Form 941 and Form 941-X.

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
S-COV-SIC-LV	SSW SICK LEAVE	Line 5a(i), Col. 1 Qualified sick leave wages (for leave taken before April 1, 2021)	Line 9 Qualified sick leave wages (for leave taken before April 1, 2021)	IRN 200 for wages, IRN 112 for associated tax
S-COV-FAM-LV	SSW FAMILY LEAVE	Line 5a(ii), Col. 1 Qualified family leave wages (for leave taken before April 1, 2021)	Line 10 Qualified family leave wages (for leave taken before April 1, 2021)	IRN 201 for wages, IRN 112 for associated tax
CR-QLFY-SIC-FAM	CR QLFY SICK FAM	Line 11b Nonrefundable portion of credit for qualified sick and family leave wages (for leave taken before April 1, 2021)	Line 17 Nonrefundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021	IRN 202

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
CR-EMP-RTN	CR EMP RTNTN	Line 11c Nonrefundable portion of employee retention credit	Line 18a Nonrefundable portion of employee retention credit	IRN 203
ARP-CR-QLFY-COVID-SICK-FAM-AMT	ARP CR QFY SK FAM	Line 11d Nonrefundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	Line 18b Nonrefundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	IRN 281
ARP-COBRA-NONREF-CR-AMT	ARP CBRA NREF CR	Line 11e Nonrefundable portion of COBRA premium assistance credit	Line 18c Nonrefundable portion of COBRA premium assistance credit	IRN 282
ARP-COBRA-RECIPIENT-NUM	ARP CBRA RECP NUM	Line 11f Number of individuals provided COBRA premium assistance	Line 18d Number of individuals provided COBRA premium assistance	IRN 283 Caution: See (6) in IRM 21.7.2.7.6.4, <i>Form 94XX — COBRA Premium Assistance Credit</i> , for special input requirements when making changes with this IRN.
N/A Review posted CRN 280 transaction amounts	DEFER SECT 2302	Line 13b April 2020 Revision: Deferred amount of the employer share of social security tax July 2020 Revision: Deferred amount of social security tax	Line 24 Deferred amount of social security tax	CRN 280 to alter posted transaction amount, posted field value will not change.

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
N/A Review posted CRN 299 transaction amounts	RFDBL SICK FAM	Line 13c Refundable portion of credit for qualified sick and family leave wages (for leave taken before April 1, 2021)	Line 25 Refundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021	CRN 299 to alter posted transaction amount, posted field value will not change. Caution: See IRM 21.7.2.7.5, <i>Form 7200, Advance Payment of Employer Credits due to COVID-19</i> , for discussion of CRN 299 with Reason Code 219 input prior to posting of original employment tax returns.
N/A Review posted CRN 296 transaction amounts	RFDBL EMP RTNTN	Line 13d Refundable portion of employee retention credit	Line 26a Refundable portion of employee retention credit	CRN 296 to alter posted transaction amount, posted field value will not change.
N/A Review posted CRN 271 transaction amounts	ARP RDBL SCK FAM	Line 13e Refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	Line 26b Refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	CRN 271 to alter posted transaction amount, posted field value will not change.
F7200-ADV-PMT	F7200 ADV PAYMNT	Line 13f Total advances received from filing Form(s) 7200 for the quarter	N/A	N/A
N/A Review posted CRN 276 transaction amounts	ARP CBRA REF CR	Line 13f Refundable portion of COBRA premium assistance credit	Line 26c Refundable portion of COBRA premium assistance credit	CRN 276 to alter posted transaction amount, posted field value will not change.

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
N/A	F7200 ADV PAYMNT	Line 13h Total advances received from filing Form(s) 7200 for the quarter	N/A	N/A
HLTH-PLN-EXP-AI	QLF HLTH EXP AI	Line 19 Qualified health plan expenses allocable to qualified sick leave wages (for leave taken before April 1, 2021)	Line 28 Qualified health plan expenses allocable to qualified sick leave wages for leave taken before April 1, 2021	IRN 204
HLTH-PLN-EXP-AII	QLF HLTH EXP AII	Line 20 Qualified health plan expenses allocable to qualified family leave wages (for leave taken before April 1, 2021)	Line 29 Qualified health plan expenses allocable to qualified family leave wages for leave taken before April 1, 2021	IRN 205
WGS-EMP-RTN-COV	QLF WGS EMP RTNTN	Line 21 Qualified wages for employee retention credit	Line 30 Qualified wages for employee retention credit	IRN 206
HLTH-PLN-EXP-RPT	QLF HLTH PLN EXP	Line 22 Qualified health plan expenses allocable to wages reported on Line 21	Line 31a Qualified health plan expenses for the employee retention credit	IRN 207
QTR-CR-F5884C	QTR CRED F5884C	Line 23 Credit from Form 5884-C, line 11, for this quarter	Line 32 Credit from Form 5884-C, line 11, for this quarter	N/A
ARP-QLFY-SICK-WAGES-AMT	ARP QLFY SCK WGS	Line 23 Qualified sick leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	Line 35 Qualified sick leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	IRN 284

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
EMP-MARCH-WG-PD	QLF EMP MARCH WG	Line 24 April 2020 Revision: Qualified wages paid March 13 through March 31, 2020, for the employee retention credit	Line 33a April 2020 Revision: Qualified wages paid March 13 through March 31, 2020, for the employee retention credit	IRN 208 Caution: Line 24 of Form 941 represents different tax reporting items for 202006 versus 202009 and 202012. See (5) in IRM 21.7.2.8.2, <i>Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020</i> , for more information.
N/A If reported, constitutes a portion of the CRN 280 transaction amount(s) reflected on TXMOD (and BMFOLT). If an adjustment for this item is necessary, see BMFOLR for the separately recorded amount.	DEFR EE FICA AMT	Line 24 July 2020 Revision: Deferred amount of the employee share of social security tax included on line 13b	Line 33b Deferred amount of the employee share of social security tax included on Form 941 or Form 941-SS, line 13b	IRN 208 Caution: Line 24 of Form 941 represents different tax reporting items for 202006 versus 202009 and 202012. See (5) in IRM 21.7.2.8.2, <i>Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020</i> , for more information.

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
ARP-QLFY-HLTHPLN-EXPNS-AI-AMT	ARP QLFY HLTH AI	Line 24 Qualified health plan expenses allocable to qualified sick leave wages reported on line 23	Line 36 Qualified health plan expenses allocable to qualified sick leave wages for leave taken after March 31, 2021	IRN 285
HLTH-PLN-MARCH	QLF HLTH PL MAR	Line 25 April 2020 Revision: Qualified health plan expenses allocable to wages reported on Line 24 July 2020 Revision: Reserved for future use	Line 34 Qualified health plan expenses allocable to wages reported on Form 941 or Form 941-SS, line 24	IRN 209 Caution: Only applicable to second quarter 2020 Form 941 tax returns.
CBA-QLFY-SICK-WAGES-AMT	CBA QLFY SCK WAGS	Line 25 Amounts under certain collectively bargained agreements allocable to qualified sick leave wages reported on line 23	Line 37 Amounts under certain collectively bargained agreements allocable to qualified sick leave wages for leave taken after March 31, 2021	IRN 286
ARP-QLFY-FAM-WAGES-AMT	ARP QLFY FAM WAGS	Line 26 Qualified family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	Line 38 Qualified family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	IRN 287
ARP-QLFY-HLTHPLN-EXPNS-AII-AMT	ARP QLFY HLTH AII	Line 27 Qualified health plan expenses allocable to qualified family leave wages reported on line 26	Line 39 Qualified health plan expenses allocable to qualified family leave wages for leave taken after March 31, 2021	IRN 288

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
CBA-QLFY-FAM-WAGES-AMT	CBA QLFY FAM WAGS	Line 28 Amounts under certain collectively bargained agreements allocable to qualified family leave wages reported on line 26	Line 40 Amounts under certain collectively bargained agreements allocable to qualified family leave wages for leave taken after March 31, 2021	IRN 289

Caution: All other IRN and CRN usage for Form 941 remains in place. However certain existing lines of Form 941 were renumbered with the current revision. Most notably, previous Line 11 is now Line 11a and will continue to be adjusted with IRN 119.

Note: See archived versions of this IRM if information is needed with regards to field displays for former TC 970 carrying transactions.

Caution: Form 941-X is revised on a regular basis and line numbers for particular adjustment items occasionally change. However, there is no requirement for the taxpayer to use the most current version of Form 941-X. Although line numbers are provided in the table above for easy reference, employees are responsible for ensuring the proper adjustment action is taken based on the form version filed by the taxpayer.

- (3) The following table provides adjustment formulas for 2020 employment tax returns:

Tax Form	Tax Periods	29X adjustment must equal
Form 941	Tax periods 202006, 202009, 202012, and 202103 (only)	The sum of IRNs 111, 112, 114, and 113 less IRN 119, less IRN 202, less IRN 203.
Form 941	Tax periods 202106, 202109, and 202112 (only)	The sum of IRNs 111, 112, 114, and 113 less IRN 119, less IRN 202, less IRN 203, less IRN 281, less IRN 282.
Form 941	Tax periods 202203 (only)	The sum of IRNs 111, 112, 114, and 113 less IRN 119, less IRN 202, less IRN 281, less IRN 282.

Tax Form	Tax Periods	29X adjustment must equal
Form 941	Tax periods 202206 and subsequent	The sum of IRNs 111, 112, 114, and 113 less IRN 119, less IRN 202, less IRN 281.
Form 944	Tax period 202012 (only)	The sum of IRNs 111, 112, 114, and 113, less IRN 119, less IRN 202, less IRN 203.
Form 944	Tax period 202112 (only)	The sum of IRNs 111, 112, 114, and 113, less IRN 119, less IRN 202, less IRN 203, less IRN 281, less IRN 282.
Form 944	Tax period 202212 (only)	The sum of IRNs 111, 112, 114, and 113, less IRN 119, less IRN 202, less IRN 281, less IRN 282.
Form 944	Tax period 202312 and subsequent	The sum of IRNs 111, 112, 114, and 113, less IRN 119, less IRN 202, less IRN 281.
Form 943	Tax period 202012 (only)	The sum of IRNs 003 and 007, less IRN 119, less IRN 202, less IRN 203.
Form 943	Tax period 202112 (only)	The sum of IRNs 003 and 007, less IRN 119, less IRN 202, less IRN 203, less IRN 281, less IRN 282.
Form 943	Tax period 202212 (only)	The sum of IRNs 003 and 007, less IRN 119, less IRN 202, less IRN 281, less IRN 282.
Form 943	Tax period 202312 and subsequent	The sum of IRNs 003 and 007, less IRN 119, less IRN 202, less IRN 281.

Tax Form	Tax Periods	29X adjustment must equal
Form CT-1	Tax period 202012 and subsequent	IRN 070 Note: ADJ54 does not validate the math for any IRNs in use on MFT 09 other than IRN 070.

(4)

- Procedures for processing Forms 94XX changing new credits are found in the subsections which follow.
- Procedures for processing Forms 94XX with deferred social security tax implications are found in IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*.

Reminder: Form 94XX and other paper cases involving claims for COVID-related employment tax credits (Employee Retention Credit (ERC), Credit for Qualified Sick and Family Leave Wages, and COBRA Premium Assistance Credits) and deferred payment of social security tax inquiries/cases **received within AM** are specialized work. See (11) in IRM 21.7.2.7, *COVID-19 Related Employment Tax Relief*, and (3) in IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, for instructions on required case control activities and case reassignments by employees not designated to work the described cases.

21.7.2.7.6.1
(10-01-2022)
Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken Before April 1, 2021

- (1) This subsection provides specialized handling guidance for adjusting the Credit for Qualified Sick and Family Leave Wages as **for leave taken before April 1, 2021** reported on Form 94XX (or duplicate filed employment tax returns being processed as a Form 94XX).

Note: All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to Credit for Qualified Sick and Family Leave Wages.

- (2) Credit for Qualified Sick and Family Leave Wages can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Credit for Qualified Sick and Family Leave Wages that can be claimed for a particular tax period and the amount(s) of any other non-refundable credit(s) being reported.
- For general information regarding this credit, see IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages* (and the four subsections that follow the cross-referenced IRM section).
 - For guidance on handling Form 94XX adjustment requests for Credit for Qualified Sick and Family Leave Wages **for leave taken after March 31, 2021**, see IRM 21.7.2.7.6.2, *Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken After March 31, 2021*.

21.7 Business Tax Returns and Non-Master File Accounts

- (3) The following IRNs and CRNs are associated with adjustments to the Credit for Qualified Sick and Family Leave Wages **for leave taken before April 1, 2021**:

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
S-COV-SIC-LV	SSW SICK LEAVE	Line 5a(i), Col. 1 Qualified sick leave wages (for leave taken before April 1, 2021)	Line 9 Qualified sick leave wages (for leave taken before April 1, 2021)	IRN 200 for wages, IRN 112 for associated tax
S-COV-FAM-LV	SSW FAMILY LEAVE	Line 5a(ii), Col. 1 Qualified family leave wages (for leave taken before April 1, 2021)	Line 10 Qualified family leave wages (for leave taken before April 1, 2021)	IRN 201 for wages, IRN 112 for associated tax
CR-QLFY-SIC-FAM	CR QLFY SICK FAM	Line 11b Nonrefundable portion of credit for qualified sick and family leave wages (for leave taken before April 1, 2021)	Line 17 Nonrefundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021	IRN 202

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
N/A Review posted CRN 299 transaction amounts	RFDBL SICK FAM	Line 13c Refundable portion of credit for qualified sick and family leave wages (for leave taken before April 1, 2021)	Line 25 Refundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021	CRN 299 to alter posted transaction amount, posted field value will not change. Caution: See IRM 21.7.2.7.5, <i>Form 7200, Advance Payment of Employer Credits due to COVID-19</i> , for discussion of CRN 299 with Reason Code 219 input prior to posting of original employment tax returns.
HLTH-PLN-EXP-AI	QLF HLTH EXP AI	Line 19 Qualified health plan expenses allocable to qualified sick leave wages (for leave taken before April 1, 2021)	Line 28 Qualified health plan expenses allocable to qualified sick leave wages for leave taken before April 1, 2021	IRN 204

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
HLTH-PLN-EXP-All	QLF HLTH EXP All	Line 20 Qualified health plan expenses allocable to qualified family leave wages (for leave taken before April 1, 2021)	Line 29 Qualified health plan expenses allocable to qualified family leave wages for leave taken before April 1, 2021	IRN 205

Caution: Form 941-X is revised on a regular basis and line numbers for particular adjustment items occasionally change. However, there is no requirement for the taxpayer to use the most current version of Form 941-X. Although line numbers are provided in the table above for easy reference, employees are responsible for ensuring the proper adjustment action is taken based on the form version filed by the taxpayer.

(4) **IRN 202** is used along with TC 290, TC 291, or TC 298 (as appropriate) to record adjustments to the non-refundable portion of Credit for Qualified Sick and Family Leave Wages **for leave taken before April 1, 2021** on Form 941, Form 943, Form 944 and Form CT-1 tax accounts.

- An increase to the credit will be recorded with a positive IRN 202 amount and a corresponding decrease to tax (i.e., a TC 291 for the same amount if no other changes were reported).
- A decrease to the credit will be recorded with a negative IRN 202 amount and a corresponding increase to tax (i.e., a TC 290/298 for the same amount if no other changes were reported).

Example: A Form 941-X is filed claiming an increase to non-refundable Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 in the amount of \$75. Assuming all processing requirements are met, the adjustment to be made would be a TC 291 for \$75.00- and an IRN 202 for \$75.00.

Example: A Form 941-X is filed reporting a decrease to non-refundable Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 in the amount of \$90. Assuming all processing requirements are met, the adjustment to be made would be a TC 290 (or TC 298 as applicable) for \$90.00 and an IRN 202 for \$90.00-.

Note: IRN 202 can be combined on Command Code ADJ54 adjustments with any other IRN or CRN valid for the form being adjusted.

(5) **CRN 299** is used to record adjustment to the refundable portion of Credit for Qualified Sick and Family Leave Wages **for leave taken before April 1, 2021** on Form 941, Form 943, Form 944 and Form CT-1 tax accounts. Use a positive CRN 299 when increasing the credit (TC 766 is generated) or a minus (-) CRN 299 when decreasing the credit (TC 767 is generated).

Note: CRN 299 can be combined on Command Code ADJ54 adjustments with any other IRN or CRN valid for the form being adjusted.

Caution: As discussed in IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, CRN 299 (with Reason Code 219) is also used to record temporary credits for purposes of triggering systemic refunds/offsets when advance payments requests filed on Form 7200 are processed. The temporary credits are reversed in full when the original employment tax return is processed and replaced with the “true” credits reported on the employment tax return. As such, reversed CRN 299 / Reason Code 219 amounts are not to be considered when processing Forms 94XX reporting changes to refundable Credit for Qualified Sick and Family Leave Wages.

- (6) Corrections to this credit will usually be seen along with corrections to the related wage figures and/or allocable qualified health plan expenses.
- **IRN 200** is used to either increase or decrease qualified sick leave wages for leave taken before April 1, 2021.
 - **IRN 201** is used to either increase or decrease qualified family leave wages for leave taken before April 1, 2021.
 - **IRN 204** is used to either increase or decrease qualified health plan expenses allocable to qualified sick leave wages for leave taken before April 1, 2021.
 - **IRN 205** is used to either increase or decrease qualified health plan expenses allocable to qualified family leave wages for leave taken before April 1, 2021.

Reminder: These wages are not subject to employer’s share of social security tax (i.e., the wages are only subject to employee’s share of social security tax at a 6.2% tax rate). Changes (increase or decrease) to the employee’s share of social security tax (reported in Column 2 of Line 5a(i) and Line 5a(i)(i)) are recorded with the appropriate IRN 112 adjustment.

- (7) An increase to the refundable or nonrefundable (i.e., decrease to tax) portions of the credit may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A) — General*.
- (8) **Process Forms 94XX claiming non-refundable or refundable amounts of Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 as per guidance in the paragraphs which follow.**

Caution: When working Forms 94XX filed for tax year 2020, review the tax account for which the Form 94XX was filed for any posted CRN 280 deferred payment amount. If the account reflects a previously recorded CRN 280 amount, or if the Form 94XX under consideration includes a change to deferred payment amounts (increase or decrease), see IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, for handling guidance prior to adjusting the account.

- (9) Reject any Form 94XX claiming non-refundable or refundable amounts of Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 that is filed for an **invalid** tax period or tax form. As appropriate, follow

guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C advising the employer the credit is not available for the form/tax period (specify) for they filed a Form 94XX. The valid forms and tax periods for the Credit for Qualified Sick and Family Leave Wages are as follows:

- **Form 941:** Tax periods 202006 and subsequent.
- **Form 943, Form 944, and Form CT-1:** Tax period 202012 and subsequent.

Reminder: Wages for qualified sick or family leave may be paid at any point in time during or after the period leave was taken and the credit is available to the employer when the wages are paid the employee. See IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*, for more information.

Note: Credit for Qualified Sick and Family Leave Wages is also applicable to Schedule H filed with Form 1041. Guidance for handling adjustments on those account will be developed and placed in the appropriate subsection of IRM 21.7.4, *Income Tax/Information Returns*.

- (10) All verification requirements applicable to other Form 94XX filings are required to be completed prior to processing a Form 94XX requesting a change to the non-refundable or refundable portions of Credit for Qualified Sick and Family Leave Wages (e.g., for a tax decrease - claim for refund filed on Form 941-X,

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Exception: Disallow Forms 94XX (claims and adjustments) adding or increasing non-refundable or refundable Credit for Qualified Sick and Family Leave Wages **for leave taken before April 1, 2021** if the account reflects Employment Code “A,” “F,” “G,” “Q,” or “T”. Send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*, and insert the following text in an open paragraph:
“You aren’t eligible to claim Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 because you are a Federal, State or local government entity according to your previous filings.”

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appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Pro-*

cedures, and issue Letter 916C with the following text inserted in two open paragraphs:

"We processed any other changes requested on your Form [specify] but could not process the requested changes to [specify credit(s)] because the amounts you reported exceeded the tax against which the credit is applied."

"If you are eligible for employment tax credits which have not been recorded, complete and file a new Form [specify form] after using the appropriate worksheet(s) in the Instructions for Form [specify form] to compute eligible credit amounts to be entered on specific lines of Form [specify form]."

- (11) After following (10) above to determine the adjustment amounts for the non-refundable and refundable portions of the Qualified Sick and Family Leave Wages for leave taken before April 1, 2021, record the corrections with IRNs 200/201/202/204/205 and CRN 299 as described in (3), (4), (5), and (6) above.

Note: See IRM 21.7.2.7.6.5, *Form 94XX — Adjustments When the Number of CRN and IRN Corrections Exceed Command Code ADJ54 Input Limitations*, to determine the order of adjusting IRNs and CRNs when multiple adjustments are required to record a single Form 94XX.

Caution: If the amount claimed for either the non-refundable or the refundable portions of Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 is being disallowed or partially disallowed for a reason other than those specified in the exceptions in (10) above, send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*, and state the basis for the disallowance in the letter.

- (12) After applying the processing guidance provided above, continue processing complete claims and requests for adjustment of the Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 as per the general procedures in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, and the specific procedures applicable to the type of Form 94XX filed (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*).

21.7.2.7.6.2
(10-01-2022)

Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken After March 31, 2021

- (1) This subsection provides handling guidance for adjusting the Credit for Qualified Sick and Family Leave Wages **for leave taken after March 31, 2021** and before October 1, 2021 as reported on Form 94XX (or duplicate filed employment tax returns being processed as a Form 94XX).

Note: All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to Credit for Qualified Sick and Family Leave Wages.

- (2) Credit for Qualified Sick and Family Leave Wages can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Credit for Qualified Sick and Family Leave Wages that can be claimed for a particular tax period and the amount(s) of any other non-refundable credit(s) being reported.
- For general information regarding this credit, see IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages* (and the four subsections

that follow the cross-referenced IRM section).

- For guidance on handling Form 94XX adjustment requests for Credit for Qualified Sick and Family Leave Wages **for leave before April 1, 2021**, see IRM 21.7.2.7.6.1, *Form 94XX — Credit for Qualified Sick and Family Leave Wages for Leave Taken Before April 1, 2021*.

- (3) The following IRNs and CRNs are associated with adjustments to the Credit for Qualified Sick and Family Leave Wages **for leave taken after March 31, 2021** and before October 1, 2021:

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
ARP-CR-QLFY-COVID-SICK-FAM-AMT	ARP CR QFY SK FAM	<u>Line 11d</u> Nonrefundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	<u>Line 18b</u> Nonrefundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	IRN 281
N/A Review posted CRN 271 transaction amounts	ARP RDBL SCK FAM	<u>Line 13e</u> Refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	<u>Line 26b</u> Refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	CRN 271 to alter posted transaction amount, posted field value will not change.
<u>ARP-QLFY-SICK-WAGES-AMT</u>	<u>ARP QLFY SCK WGS</u>	<u>Line 23</u> Qualified sick leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	<u>Line 35</u> Qualified sick leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	<u>IRN 284</u>
ARP-QLFY-HLTHPLN-EXPNS-AI-AMT	ARP QLFY HLTH AI	<u>Line 24</u> Qualified health plan expenses allocable to qualified sick leave wages reported on line 23	<u>Line 36</u> Qualified health plan expenses allocable to qualified sick leave wages for leave taken after March 31, 2021	IRN 285

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
CBA-QLFY-SICK-WAGES-AMT	CBA QLFY SCK WAGS	Line 25 Amounts under certain collectively bargained agreements allocable to qualified sick leave wages reported on line 23	Line 37 Amounts under certain collectively bargained agreements allocable to qualified sick leave wages for leave taken after March 31, 2021	IRN 286
ARP-QLFY-FAM-WAGES-AMT	ARP QLFY FAM WAGS	Line 26 Qualified family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	Line 38 Qualified family leave wages for leave taken after March 31, 2021 (and before October 1, 2021)	IRN 287
ARP-QLFY-HLTHPLN-EXPNS-AII-AMT	ARP QLFY HLTH AII	Line 27 Qualified health plan expenses allocable to qualified family leave wages reported on line 26	Line 39 Qualified health plan expenses allocable to qualified family leave wages for leave taken after March 31, 2021	IRN 288
CBA-QLFY-FAM-WAGES-AMT	CBA QLFY FAM WAGS	Line 28 Amounts under certain collectively bargained agreements allocable to qualified family leave wages reported on line 26	Line 40 Amounts under certain collectively bargained agreements allocable to qualified family leave wages for leave taken after March 31, 2021	IRN 289

Caution: Form 941-X is revised on a regular basis and line numbers for particular adjustment items occasionally change. However, there is no requirement for the taxpayer to use the most current version of Form 941-X. Although line numbers are provided in the table above for easy reference, employees are responsible for ensuring the proper adjustment action is taken based on the form version filed by the taxpayer.

- (4) **IRN 281** is used along with TC 290, TC 291, or TC 298 (as appropriate) to record adjustments to the non-refundable portion of Credit for Qualified Sick and Family Leave Wages **for leave taken after March 31, 2021** and before October 1, 2021 on Form 941, Form 943, Form 944 and Form CT-1 tax accounts.

- An increase to the credit will be recorded with a positive IRN 281 amount and a corresponding decrease to tax (i.e., a TC 291 for the same amount if no other changes were reported).
- A decrease to the credit will be recorded with a negative IRN 281 amount and a corresponding increase to tax (i.e., a TC 290/298 for the same amount if no other changes were reported).

Example: A Form 941-X is filed claiming an increase to non-refundable Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 in the amount of \$95. Assuming all processing requirements are met, the adjustment to be made would be a TC 291 for \$95.00- and an IRN 281 for \$95.00.

Example: A Form 941-X is filed reporting a decrease to non-refundable Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 in the amount of \$110. Assuming all processing requirements are met, the adjustment to be made would be a TC 290 (or TC 298 as applicable) for \$110.00 and an IRN 281 for \$110.00-.

Note: IRN 281 can be combined on Command Code ADJ54 adjustments with any other IRN or CRN valid for the form being adjusted.

- (5) **CRN 271** is used to record adjustment to the refundable portion of Credit for Qualified Sick and Family Leave Wages **for leave taken after March 31, 2021** and before October 1, 2021 on Form 941, Form 943, Form 944 and Form CT-1 tax accounts. Use a positive CRN 271 when increasing the credit (TC 766 is generated) or a minus (-) CRN 271 when decreasing the credit (TC 767 is generated).

Note: CRN 271 can be combined on Command Code ADJ54 adjustments with any other IRN or CRN valid for the form being adjusted.

- (6) Corrections to this credit will usually be seen along with corrections to the related wage figures and/or allocable qualified health plan expenses.

- **IRN 284** is used to either increase or decrease qualified sick leave wages for leave taken after March 31, 2021 (and before October 1, 2021).
- **IRN 285** is used to either increase or decrease qualified health plan expenses allocable to qualified sick leave wages for leave taken after March 31, 2021 (and before October 1, 2021).
- **IRN 286** is used to either increase or decrease amounts under certain collectively bargained agreements allocable to qualified sick leave wages for leave taken after March 31, 2021 (and before October 1, 2021).
- **IRN 287** is used to either increase or decrease qualified family leave wages for leave taken after March 31, 2021 (and before October 1, 2021).
- **IRN 288** is used to either increase or decrease qualified health plan expenses allocable to qualified family leave wages for leave taken after March 31, 2021 (and before October 1, 2021).

- **IRN 289** is used to either increase or decrease amounts under certain collectively bargained agreements allocable to qualified family leave wages for leave taken after March 31, 2021 (and before October 1, 2021).
- (7) An increase to the refundable or nonrefundable (i.e., decrease to tax) portions of the credit may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A) — General*.
 - (8) **Process Forms 94XX claiming non-refundable or refundable amounts of Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 (and before October 1, 2021) as per guidance in the paragraphs which follow.**
 - (9) Reject any Form 94XX claiming non-refundable or refundable amounts of Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 (and before October 1, 2021) that is filed for an **invalid** tax period or tax form. As appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C advising the employer the credit is not available for the form/tax period (specify) for they filed a Form 94XX. The valid forms and tax periods for the Credit for Qualified Sick and Family Leave Wages are as follows:
 - **Form 941:** Tax periods 202106 and subsequent.
 - **Form 943, Form 944, and Form CT-1:** Tax period 202112 and subsequent.

Reminder: Wages for qualified sick or family leave may be paid at any point in time during or after the period leave was taken and the credit is available to the employer when the wages are paid the employee. See IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*, for more information.

Note: Credit for Qualified Sick and Family Leave Wages is also applicable to Schedule H filed with Form 1041. Guidance for handling adjustments on those account will be developed and placed in the appropriate subsection of IRM 21.7.4, *Income Tax/Information Returns*.

- (10) All verification requirements applicable to other Form 94XX filings are required to be completed prior to processing a Form 94XX requesting a change to the non-refundable or refundable portions of Credit for Qualified Sick and Family Leave Wages (e.g., for a tax decrease - claim for refund filed on Form 941-X,

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Exception: Disallow Forms 94XX (claims and adjustments) filed to add or increase non-refundable or refundable credit for qualified sick and family leave

wages for leave taken after March 31, 2021 **if** the account reflects Employment Code “F” **unless** the EO subsection code (see the EO submodule on Command Code INOLES) is “01” **or** there is a Form 990 filing requirement of “07”. Send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*, and insert the following text in an open paragraph:

“You aren’t eligible for the credit for qualified sick & family leave wages for leave taken after March 31, 2021 because you are a Federal agency or instrumentality that is not described in I.R.C. Section 501(c)(1) according to your previous filings.”

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appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C with the following text inserted in two open paragraphs:

“We processed any other changes requested on your Form [specify] but could not process the requested changes to [specify credit(s)] because the amounts you reported exceeded the tax against which the credit is applied.”

“If you are eligible for employment tax credits which have not been recorded, complete and file a new Form [specify form] after using the appropriate worksheet(s) in the Instructions for Form [specify form] to compute eligible credit amounts to be entered on specific lines of Form [specify form].”

- (11) After following (10) above to determine the adjustment amounts for the non-refundable and refundable portions of the Qualified Sick and Family Leave Wages for leave taken after March 31, 2021, record the corrections with IRNs 281/284/285/286/287/288/289 and CRN 271 as described in (3), (4), (5), and (6) above.

Note: See IRM 21.7.2.7.6.5, *Form 94XX — Adjustments When the Number of CRN and IRN Corrections Exceed Command Code ADJ54 Input Limitations*, to determine the order of adjusting IRNs and CRNs when multiple adjustments are required to record a single Form 94XX.

Caution: If the amount claimed for either the non-refundable or the refundable portions of Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 is being disallowed or partially disallowed for a reason other than those specified in the exceptions in (10) above, send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*, and state the basis for the disallowance in the letter.

- (12) After applying the processing guidance provided above, continue processing complete claims and requests for adjustment of the Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 (and before

October 1, 2021) as per the general procedures in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, and the specific procedures applicable to the type of Form 94XX filed (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*).

21.7.2.7.6.3
(05-10-2024)

Form 94XX — Employee Retention Credit (ERC)

- (1) This subsection provides handling guidance for adjusting the Employee Retention Credit as reported on Form 94XX (or duplicate filed employment tax returns being processed as a Form 94XX).

Note: All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to Employee Retention Credit.

Caution: Due to concerns with increasing volumes of dubious and inaccurate claims, the IRS has instituted a moratorium on processing new ERC claims through the end of 2023 and possibly longer. In addition, the IRS has slowed the pace of processing previously filed but unpaid ERC claims. See (5) in IRM 21.7.2.7.2 for more information including guidance on resolving related phone contacts. **Until further notice, take no actions to process Forms 94XX reflecting new or revised ERC amounts unless specifically directed to do so.** This IRM will be updated when processing resumes for all or a part of the ERC claims case inventory.

Note: Certain Form 94XX cases reflecting Employee Retention Credit (ERC) adjustment requests are being released to be worked by AM after having been analyzed by Research, Applied Analytics & Statistics (RAAS). These cases will be delivered to AM with instructions on how the ERC portion of the claim or adjustment is to be handled (i.e., additional handling required, assessment to be made, claim is allowable, disallowance criteria, or partial disallowance criteria).

- (2) Employee Retention Credit can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Employee Retention Credit that can be claimed for a particular tax period and the amount(s) of any other non-refundable credit(s) being reported.

Note: For general information regarding this credit, see IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*, (and the four subsections that follow the cross-referenced IRM section).

- (3) The following IRNs and CRNs are associated with adjustments to the Employee Retention Credit:

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
CR-EMP-RTN	CR EMP RTNTN	Line 11c Nonrefundable portion of employee retention credit	Line 18a Nonrefundable portion of employee retention credit	IRN 203

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
N/A Review posted CRN 296 transac- tion amounts	RFDBL EMP RTNTN	Line 13d Refundable portion of employee retention credit	Line 26a Refundable portion of employee retention credit	CRN 296 to alter posted transaction amount, posted field value will not change.
WGS-EMP- RTN-COV	QLF WGS EMP RTNTN	Line 21 Qualified wages for employee retention credit	Line 30 Qualified wages for employee retention credit	IRN 206
HLTH-PLN- EXP-RPT	QLF HLTH PLN EXP	Line 22 Qualified health plan expenses allocable to wages reported on Line 21	Line 31a Qualified health plan expenses for the employee retention credit	IRN 207
EMP- MARCH- WG-PD	QLF EMP MARCH WG	Line 24 April 2020 Revision: Qualified wages paid March 13 through March 31, 2020, for the employee retention credit July 2020 Revision: Deferred amount of the employee share of social security tax included on line 13b	Line 33a April 2020 Revision: Qualified wages paid March 13 through March 31, 2020, for the employee retention credit	IRN 208 Caution: Line 24 of Form 941 represents different tax reporting items for 202006 versus 202009 and 202012. See (5) in IRM 21.7.2.8.2, <i>Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020</i> , for more information.

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
HLTH-PLN- MARCH	QLF HLTH PL MAR	Line 25 April 2020 Revision: Qualified health plan expenses allocable to wages reported on Line 24 July 2020 Revision: Reserved for future use	Line 34 Qualified health plan expenses allocable to wages reported on Form 941 or Form 941- SS, line 24	IRN 209 Caution: Only appli- cable to second quarter 2020 Form 941 tax returns.

Caution: Form 941-X is revised on a regular basis and line numbers for particular adjustment items occasionally change. However, there is no requirement for the taxpayer to use the most current version of Form 941-X. Although line numbers are provided in the table above for easy reference, employees are responsible for ensuring the proper adjustment action is taken based on the form version filed by the taxpayer.

(4) **IRN 203** is used along with TC 290, TC 291, or TC 298 (as appropriate) to record adjustments to the non-refundable portion of Employee Retention Credit on Form 941, Form 943, Form 944 and Form CT-1 tax accounts.

- An increase to the credit will be recorded with a positive IRN 203 amount and a corresponding decrease to tax (i.e., a TC 291 for the same amount if no other changes were reported).
- A decrease to the credit will be recorded with a negative IRN 203 amount and a corresponding increase to tax (i.e., a TC 290/298 for the same amount if no other changes were reported).

Example: A Form 941-X is filed claiming an increase to non-refundable Employee Retention Credit in the amount of \$75. Assuming all processing requirements are met, the adjustment to be made would be a TC 291 for \$75.00- and an IRN 203 for \$75.00.

Example: A Form 941-X is filed reporting a decrease to non-refundable Employee Retention Credit in the amount of \$90. Assuming all processing requirements are met, the adjustment to be made would be a TC 290 (or TC 298 as applicable) for \$90.00 and an IRN 203 for \$90.00-.

Note: IRN 203 can be combined on Command Code ADJ54 adjustments with any other IRN or CRN valid for the form being adjusted.

(5) **CRN 296** is used to record adjustment to the refundable portion of Employee Retention Credit on Form 941, Form 943, Form 944 and Form CT-1 tax accounts. Use a positive CRN 296 when increasing the credit (TC 766 is generated) or a minus (-) CRN 296 when decreasing the credit (TC 767 is generated).

Note: CRN 296 can be combined on Command Code ADJ54 adjustments with any other IRN or CRN valid for the form being adjusted.

- (6) Corrections to this credit will usually be seen along with corrections to a related wage figure and/or allocable qualified health plan expenses.
- **IRN 206** is used to either increase or decrease qualified wages for employee retention credit.
 - **IRN 207** is used to either increase or decrease qualified health plan expenses allocable to wages reported on Line 21 (i.e., qualified wages for employee retention credit).
- (7) In addition, for second quarter 2020 Form 941 accounts (**only**), it may be necessary to record changes to figures relating to amounts of Employee Retention Credit attributable to first quarter 2020 which were required to be reported on second quarter Forms 941. (See the last bullet in (7) of IRM 21.7.2.7.2.1 IRM 21.7.2.7.2, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*, and IRM 21.7.2.7.2.5, *First Quarter 2020 Form 941 — Employee Retention Credits and Notice 1447*, for more information on that topic.)
- **IRN 208** is used to either increase or decrease qualified wages paid March 13 through March 31, 2020, for the employee retention credit.
- Caution:** Line 24 on Form 941 represents different tax reporting items for 202006 versus 202009 and 202012. See (5) in IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information.
- **IRN 209** is used to either increase or decrease qualified health plan expenses allocable to wages reported on Line 24 (i.e., qualified wages paid March 13 through March 31, 2020, for the employee retention credit) .
- (8) An increase to the refundable or nonrefundable (i.e., decrease to tax) portions of the credit may meet examination criteria. See *Exhibit 21.5.3-2, Examination*

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- (9) **Process Forms 94XX claiming non-refundable or refundable amounts of Employee Retention Credit as per guidance in the paragraphs which follow.**

Caution: When working Forms 94XX filed for tax year 2020, review the tax account for which the Form 94XX was filed for any posted CRN 280 deferred payment amount. If the account reflects a previously recorded CRN 280 amount, or if the Form 94XX under consideration includes a change to deferred payment amounts (increase or decrease), see IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, for handling guidance prior to adjusting the account.

- (10) Reject any Form 94XX claiming non-refundable or refundable amounts of Employee Retention Credit that is filed for an **invalid** tax period or tax form. As appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C advising the employer the credit is not available for the form/tax period (specify) for which they filed a Form 94XX. The valid forms and tax periods for the Employee Retention Credit are as follows:

- **Form 941:** Tax periods 202006 through 202112 **only**.
- **Form 943, Form 944, and Form CT-1:** Tax period 202012 and 202112**only**.

Reminder: For Form 941, any Employee Retention Credit attributable to first quarter 2020 must be claimed on an original or adjusted employment tax return filed for the second quarter of 2020. See (7) above.

Note: See (6) in IRM 21.7.2.7.2.2, *Employee Retention Credit (ERC) — Taxpayer Certainty and Disaster Relief Act of 2020 Provisions*. Certain employers eligible to retroactively claim ERC credits for earlier tax periods during 2020 were permitted (but not required) under a special rule to claim the combined amounts on their original Form 941 for the fourth quarter. Employers who were eligible to apply the special rule when filing original fourth quarter 2020 Form 941 returns are also eligible to apply the same special rule to combine eligible ERC amounts from earlier quarters on Forms 941-X filed for fourth

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(11) All verification requirements applicable to other Form 94XX filings are required to be completed prior to processing a Form 94XX requesting a change to the non-refundable or refundable portions of Employee Retention Credit (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*), including those released to be worked by AM after RAAS analysis. As usual, verify the math on the face of the Form 94XX for the credit adjustment (i.e., verify Column 2 matches IRS records and

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Exception: ERC claims for which no corresponding wages or qualified health plan expenses were reported (on either the Form 94XX being processed, the original employment tax return, or previously processed Form(s) 94XX) are unprocessable. Reject the Form 94XX using Letter 4384C and insert the following text in an open paragraph:
“We could not process your claim for Employee Retention Credit because you did not report any corresponding qualified wages or qualified health expenses.”

Exception: Disallow Forms 94XX (claims and adjustments) filed for tax periods in tax year 2020 adding or increasing non-refundable or refundable Employee Retention Credit if the account reflects Employment Code “A,” “F,” “G,” “Q,” or “T”. Send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph:
“You aren’t eligible to claim a 2020 Employee Retention Credit because you are a Federal, State or local government entity according to your previous filings.”

Exception: For MFT 01, tax periods 202109 and 202112 (only): If Line 31b of Form 941-X is checked and the amount of ERC claimed on a Form 941-X reporting an increase to non-refundable or refundable ERC exceeds \$50,000, including any amount claimed on the original return or as previously adjusted, limit the amount of ERC allowed with the

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unless there is a Schedule R indicator present on the original return (verify via Command Code BRTVU or BMFOL definer “R”). If ERC is being limited per these instructions, send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and*

Partial Disallowance Procedures and insert the following text in an open paragraph:

“The maximum amount of Employee Retention Credit which can be claimed by an employer which is a recovery startup business is \$50,000 per quarter.”

Exception: For MFT 01, tax period 202112 only: Disallow any claim for ERC on a Form 941-X reporting an increase to non-refundable or refundable ERC if Line 31b of Form 941-X is not checked (regardless of whether Line 18b of Form 941 was checked). Send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph:

“Only employers which are recovery startup businesses are eligible for the Employee Retention Credit for wages paid in the fourth quarter of 2021. Your Form 941-X did not indicate on Line 31b that you were a recovery startup business.”

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appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C with the following text inserted in two open paragraphs:

“We processed any other changes requested on your Form [specify] but could not process the requested changes to [specify credit(s)] because the amounts you reported exceeded the tax against which the credit is applied.”

“If you are eligible for employment tax credits which have not been recorded, complete and file a new Form [specify form] after using the appropriate worksheet(s) in the Instructions for Form [specify form] to compute eligible credit amounts to be entered on specific lines of Form [specify form].”

- (12) After following (11) above to determine the adjustment amounts for the non-refundable and refundable portions of the Employee Retention Credit, record the corrections with IRNs 203/206/207/208/209 and CRN 296 as described in (3), (4), (5), (6), and (7) above.

Note: See IRM 21.7.2.7.6.5, *Form 94XX — Adjustments When the Number of CRN and IRN Corrections Exceed Command Code ADJ54 Input Limitations*, to determine the order of adjusting IRNs and CRNs when multiple adjustments are required to record a single Form 94XX.

Caution: If the amount claimed for either the non-refundable or the refundable portions of Employee Retention Credit is being disallowed or partially disallowed for a reason other than those specified in the exceptions in (11) above, send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*, and state the basis for the disallowance in the letter.

- (13) After applying the processing guidance provided above, continue processing complete claims and requests for adjustment of the Employee Retention Credit as per the general procedures in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, and the specific procedures applicable to the type of Form 94XX filed (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*).

21.7.2.7.6.4
(10-01-2024)
**Form 94XX — COBRA
Premium Assistance
Credit**

- (1) This subsection provides handling guidance for adjusting the COBRA Premium Assistance Credit as reported on Form 94XX (or duplicate filed employment tax returns being processed as a Form 94XX).

Note: All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to COBRA Premium Assistance Credit.

- (2) COBRA Premium Assistance Credit can be a non-refundable credit, a refundable credit, or both, depending on the amount of the COBRA Premium Assistance Credit that can be claimed for a particular tax period and the amount(s) of any other non-refundable credit(s) being reported.

Note: For general information regarding this credit, see IRM 21.7.2.7.3, *COBRA Premium Assistance Credit — The American Rescue Plan Act of 2021 (the ARP)*.

- (3) The following IRNs and CRNs are associated with adjustments to the COBRA Premium Assistance Credit:

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
ARP-COBRA-NONREF-CR-AMT	ARP CBRA NREF CR	Line 11e Nonrefundable portion of COBRA premium assistance credit	Line 18c Nonrefundable portion of COBRA premium assistance credit	IRN 282
ARP-COBRA-RECIPIENT-NUM	ARP CBRA RECP NUM	Line 11f Number of individuals provided COBRA premium assistance	Line 18d Number of individuals provided COBRA premium assistance	IRN 283 Caution: See (6) below for special input requirements when making changes with this IRN.

TXMOD Field Name	BMFOLR Field Name	Form 941 Line Number and Title	Form 941-X Line Number and Title	IRN/CRN
N/A Review posted CRN 276 transaction amounts	ARP CBRA REF CR	Line 13f Refundable portion of COBRA premium assistance credit	Line 26c Refundable portion of COBRA premium assistance credit	CRN 276 to alter posted transaction amount, posted field value will not change.

Caution: Form 941-X is revised on a regular basis and line numbers for particular adjustment items occasionally change. However, there is no requirement for the taxpayer to use the most current version of Form 941-X. Although line numbers are provided in the table above for easy reference, employees are responsible for ensuring the proper adjustment action is taken based on the form version filed by the taxpayer.

- (4) **IRN 282** is used along with TC 290, TC 291, or TC 298 (as appropriate) to record adjustments to the non-refundable portion of COBRA Premium Assistance Credit on Form 941, Form 943, Form 944 and Form CT-1 tax accounts.
- An increase to the credit will be recorded with a positive IRN 282 amount and a corresponding decrease to tax (i.e., a TC 291 for the same amount if no other changes were reported).
 - A decrease to the credit will be recorded with a negative IRN 282 amount and a corresponding increase to tax (i.e., a TC 290/298 for the same amount if no other changes were reported).

Example: A Form 941-X is filed claiming an increase to non-refundable COBRA Premium Assistance Credit in the amount of \$300. Assuming all processing requirements are met, the adjustment to be made would be a TC 291 for \$300.00- and an IRN 282 for \$300.00.

Example: A Form 941-X is filed reporting a decrease to non-refundable COBRA Premium Assistance Credit in the amount of \$750. Assuming all processing requirements are met, the adjustment to be made would be a TC 290 (or TC 298 as applicable) for \$750.00 and an IRN 282 for \$750.00-.

Note: IRN 282 can be combined on Command Code ADJ54 adjustments with any other IRN or CRN valid for the form being adjusted.

- (5) **CRN 276** is used to record adjustment to the refundable portion of COBRA Premium Assistance Credit on Form 941, Form 943, Form 944 and Form CT-1 tax accounts. Use a positive CRN 276 when increasing the credit (TC 766 is generated) or a minus (-) CRN 276 when decreasing the credit (TC 767 is generated).

Note: CRN 276 can be combined on Command Code ADJ54 adjustments with any other IRN or CRN valid for the form being adjusted.

- (6) **IRN 283** is used to record changes to the number of individuals to whom COBRA premium assistance was provided. To record a change to this value:

- Input IRN 283 on line 7 of the ADJ54 input screen in the “DATA-REF-1>” field.
- Input the **new** value (not the difference between the old value and the new value) for number of individuals to whom COBRA premium assistance was provided on line 7 of the ADJ54 input screen in the “REF-CHG-1>” field. The field value **must be 10 numerals** with leading zeros before the significant value (i.e., to input a new value of “1,450”, enter “0000001450” with no commas).

Example: A Form 941-X is filed reporting a change to increase the number of individuals to whom COBRA premium assistance was provided from “3,157” to “5,148”. To record the correction, enter IRN 283 in the “DATA-REF-1>” field and “0000005148” in the “REF-CHG-1>” field. When the adjustment posts, the previously recorded field value of “3157” will be **replaced** with the new field value of “5148”.

Example: A Form 941-X is filed reporting a change to increase the number of individuals to whom COBRA premium assistance was provided from “0” to “742”. To record the correction, enter IRN 283 in the “DATA-REF-1>” field and “0000000742” in the “REF-CHG-1>” field. When the adjustment posts, the previously recorded field value of “0” will be **replaced** with the new field value of “742”.

Example: A Form 941-X is filed reporting a change to decrease the number of individuals to whom COBRA premium assistance was provided from “17,125” to “16,837”. To record the correction, enter IRN 283 in the “DATA-REF-1>” field and “0000016837” in the “REF-CHG-1>” field. When the adjustment posts, the previously recorded field value of “17125” will be **replaced** with the new field value of “16387”.

Example: A Form 941-X is filed reporting a change to decrease the number of individuals to whom COBRA premium assistance was provided from “18” to “0”. To record the correction, enter IRN 283 in the “DATA-REF-1>” field and “0000000000” in the “REF-CHG-1>” field. When the adjustment posts, the previously recorded field value of “18” will be **replaced** with the new field value of “0”.

Caution: IRN 283 **cannot** be input in a “CD>” field position and the change value **cannot** be input in an “AMT>” field position on lines 17, 18, or 19 of the ADJ54 input screen.

- (7) An increase to the refundable or nonrefundable (i.e., decrease to tax) portions of the credit may meet examination criteria. See *Exhibit 21.5.3–2, Examination Criteria (CAT-A) — General*.
- (8) **Process Forms 94XX claiming non-refundable or refundable amounts of COBRA Premium Assistance Credit as per guidance in the paragraphs which follow.**
- (9) Reject any Form 94XX claiming non-refundable or refundable amounts of COBRA Premium Assistance Credit that is filed for an **invalid** tax period or tax form. As appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C advising the employer the credit is not

available for the form/tax period (specify) for they filed a Form 94XX. The valid forms and tax periods for the COBRA Premium Assistance Credit are as follows:

- **Form 941:** Tax periods 202106, 202109, 202112, and 202203 **(only)**.
- **Form 943, Form 944, and Form CT-1:** Tax period 202112 and 202212 **(only)**.

Exception: There are certain rare circumstances in which employers may be eligible for the COBRA Premium Assistance Credit after the specified tax periods. Accordingly, continue processing cases claiming COBRA Premium Assistance Credit on Form 941-X for tax periods 202206 and subsequent (and on Form 943-X/Form 944-X/Form CT-1X for tax periods 202312 and subsequent) as per guidance in (10) below and then as per special handling guidance in (12) below.

- (10) All verification requirements applicable to other Form 94XX filings are required to be completed prior to processing a Form 94XX requesting a change to the non-refundable or refundable portions of COBRA Premium Assistance Credit (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM

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Exception: Disallow Forms 94XX (claims and adjustments) filed to add or increase non-refundable or refundable COBRA Premium Assistance Credit **if** the account reflects Employment Code “F” **unless** the EO subsection code (see the EO submodule on Command Code INOLES) is “01” **or** there is a Form 990 filing requirement of “07”. Send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*, and insert the following text in an open paragraph:
“You aren’t eligible for the credit for COBRA premium assistance because you are a Federal agency or instrumentality that is not described in I.R.C. Section 501(c)(1) according to your previous filings.”

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appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C with the following text inserted in two open paragraphs:
“We processed any other changes requested on your Form [specify] but could not process the requested changes to [specify credit(s)] because the amounts you reported exceeded the tax against which the

tance Credit as per the general procedures in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, and the specific procedures applicable to the type of Form 94XX filed (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*).

21.7.2.7.6.5
(02-09-2022)

**Form 94XX —
Adjustments When the
Number of CRN and IRN
Corrections Exceed
Command Code ADJ54
Input Limitations**

- (1) With the addition of new Credit Reference Numbers (CRNs) and Item Reference Numbers (IRNs) applicable to 2020 and 2021 employment tax accounts, there will often be occasions where the number of CRNs and IRNs required to record changes requested on Form 94XX will exceed the entry capacity of eight data fields for a single Command Code ADJ54 input screen.
- (2) Generally speaking, when more than one adjustment is required to record all necessary IRN/CRN correction items:
 1. The first adjustment should include all the CRNs being adjusted and those IRNs that directly factor into the 29x adjustment.
 2. IRN changes that do not directly factor into the tax calculation which could not be input with the first adjustment should be input with a subsequent TC 290 .00 adjustment (or more than one if needed) using Hold Code 3 and a Posting Delay Code.
- (3) If there are too many CRNs and IRNs that directly factor into the 29x adjustment to fit in one ADJ54 input, it will be necessary to do two adjustments for that purpose:
 1. The first tax adjustment should include the non-COVID-related tax adjustment items and be done with a Hold Code 4.
 2. The second tax adjustment should then be input for the COVID-related tax adjustment items with a Post Delay Code and a Hold Code 3.
 3. A third, fourth, and fifth adjustment with additional post delay may then be needed to adjust any remaining IRNs that could not be entered in the first two (or more) adjustments.
 4. Issue a Letter 4384C explaining the adjustment action taken (required due to Hold Code usage described above).

Note: Contact the IRM author through your management chain and the site P&A Staff for guidance on handling cases for any unusual adjustment situations are encountered for which the guidance provided here appears to be inconsistent with the necessary account outcome.

- (4) The following table contains information on IRNs and CRNs usage to assist in the ordering of transactions described above:

	Non-COVID Related Tax/Credit Adjustment Items	COVID Related Tax/Credit Adjustment Items	Non-Tax/Credit Adjustment Items
Form 941	IRN 111 IRN 112 IRN 114 IRN 113 IRN 119 Reminder: If adjusting IRN 113, a correspond- ing change is required to one or more of IRNs 104 through 110.	IRN 202 IRN 203 IRN 281 IRN 282 CRN 296 CRN 299 CRN 280 CRN 271 CRN 276	IRN 004 IRN 005 IRN 073 IRN 074 IRN 200 IRN 201 IRN 204 IRN 205 IRN 206 IRN 207 IRN 208 IRN 209 IRN 284 IRN 285 IRN 286 IRN 287 IRN 288 IRN 289
Form 944	IRN 111 IRN 112 IRN 113 IRN 119 Reminder: If adjusting IRN 113, a correspond- ing change is required to one or more of IRNs 104 through 110.	IRN 202 IRN 203 IRN 281 IRN 282 CRN 296 CRN 299 CRN 280 CRN 271 CRN 276	IRN 004 IRN 005 IRN 073 IRN 074 IRN 200 IRN 201 IRN 204 IRN 205 IRN 206 IRN 207 IRN 208 IRN 209 IRN 284 IRN 285 IRN 286 IRN 287 IRN 288 IRN 289

	Non-COVID Related Tax/Credit Adjustment Items	COVID Related Tax/Credit Adjustment Items	Non-Tax/Credit Adjustment Items
Form 943	IRN 003 IRN 007	IRN 202 IRN 203 IRN 281 IRN 282 CRN 296 CRN 299 CRN 280 CRN 271 CRN 276	IRN 004 IRN 073 IRN 074 IRN 185 IRN 200 IRN 201 IRN 204 IRN 205 IRN 206 IRN 207 IRN 208 IRN 209 IRN 284 IRN 285 IRN 286 IRN 287 IRN 288 IRN 289
Form CT-1	IRN 070	CRN 296 CRN 299 CRN 280 CRN 271 CRN 276	IRN 200 IRN 201 IRN 202 IRN 203 IRN 204 IRN 205 IRN 206 IRN 207 IRN 208 IRN 209 IRN 281 IRN 282 IRN 284 IRN 285 IRN 286 IRN 287 IRN 288 IRN 289

Note: IRN 283 is also valid for adjustment purposes for each of the form types in the table above and can be input in combination with any other valid IRN/CRN. However, there are special data entry requirements associated with its input. See (6) in IRM 21.7.2.7.6.4, *Form 94XX — COBRA Premium Assistance Credit*, for more information.

Note: CRN 290 is used in the processing of Form 5884-C and Form 5884-D and will generally not be adjusted in connection with Forms 94XX addressed under these procedures. Form 5884-C and Form 5884-D are processed as per guidance in IRM 21.7.2.5.15, *Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans, and Form*

5884-D, Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters

- (5) For additional information on employment tax adjustment formulas, see:
- The table in (3) in IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX* for 2020 employment tax accounts:
 - The table in (1) of IRM 21.7.2.4.1.1, *TC 29X / Item Reference Number (IRN) Valid Adjustment Formulas — Employment Taxes*, for employment tax accounts for other years.
- (6) For additional guidance on IRN and CRN usage with employment tax accounts, see:
- See (2) of IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for a list of the new IRNs and CRNs applicable to 2020 employment tax accounts including Form 941, Form 943, Form 944, and Form CT-1.
 - See (2) of IRM 21.7.2.4.1, *Item Reference Numbers (IRNs) and Credit Reference Numbers (CRNs) — Employment Taxes*, for a list of other IRNs/CRNs applicable to Form 941 and Form 944 accounts.
 - See (2) in IRM 21.7.2.4.6.3, *Form 943-X, Adjusted Employer's Annual Tax Return for Agricultural Employees or Claim for Refund (including Form 943-X (PR))*, for a list of other IRNs/CRNs applicable to Form 943 accounts.
 - See IRM 21.7.2.6.5.1, *Form CT-1 Tax Adjustments*, for a list of other IRNs/CRNs applicable to Form CT-1 accounts.

Reminder: Processing of Form CT-1 claims and inquiries is centralized. See IRM 21.7.2.6.4.1, *Required Routing for Form CT-1 and Form CT-1X Inquiries and Claims*, for more information.

21.7.2.7.7
(11-01-2023)
ERC Claim Withdrawal Program

- (1) The IRS developed a new ERC claim withdrawal program to assist certain employers who may have filed incorrect claims for Employee Retention Credit (ERC) after having fallen prey to aggressive advertising and other contacts misrepresenting eligibility requirements. In general, employers who filed an ERC claim (only) which has not yet been processed or who received a refund check for an ERC claim (only) but have not yet cashed or deposited the refund check are permitted to withdraw their claim. Participation in the withdrawal program:
- May prevent issuance of an incorrect refund.
 - May allow an employer to return a refund check and correct their account, penalty and interest-free, without the burden of filing another Form 94XX.
- (2) Employers requesting eligibility and filing information for the ERC claim withdrawal program can be referred to:
- *IR 2023-193* dated Oct 19, 2023 — “IRS announces withdrawal process for Employee Retention Credit claims; special initiative aimed at helping businesses concerned about an ineligible claim amid aggressive marketing, scams”

- *FS-2023-24* dated October 2023 — “Help for businesses: Steps for withdrawing an Employee Retention Credit claim | Internal Revenue Service (irs.gov)”
- *IRS.gov/withdrawmyerc* — “Withdraw an Employee Retention Credit (ERC) claim”
- Updated *FAQs* — “Frequently asked questions about the Employee Retention Credit”

(3) To be eligible, employers must withdraw the **entire amount** of ERC claimed **(only)** on a previously filed Form 94XX **and**:

- Must not have received an associated refund check or credit to their account; or,
- Received an associated refund check but did not cash or deposit the refund check; or,
- The Form 94XX is currently under examination/audit.

Note: If a client company wishes to withdraw an ERC claim filed on their behalf by an aggregate employment tax return filer (Section 3504 Agent, CPEO, or PEO), they must contact the third-party payer to coordinate the ERC claim withdrawal request.

(4) The ERC claim withdrawal program **can’t** be used to:

- Withdraw a claim for ERC made on an original employment tax form.
- Withdraw only a portion of a previous ERC claim.
- Withdraw a claim for ERC if the associated Form 94XX reported other non-ERC wage/tax/credit corrections.
- Withdraw a claim for ERC if the associated refund check was received and cashed/deposited.
- Withdraw a claim for ERC if the credit was previously disallowed in full (i.e., previously recorded ERC amount(s) were reversed and a letter or notice was issued).
- Make other corrections to the account.

Note: Employers who incorrectly claimed ERC but who are ineligible to participate in the ERC claim withdrawal program should file a new Form 94XX as usual to make corrections and pay any amount owing when they file.

(5) Employers meeting ERC claim withdrawal program eligibility requirements are instructed to:

1. Make a copy of the Form 94XX which incorrectly claimed ERC.
2. Write “Withdrawn” on the left margin of the first page.
3. Sign, date, and include the individual signer’s name and title on the right margin of the first page.
4. Fax the withdrawal request to (855) 738-7609. (Alternately, taxpayers may use the address for filing Form 94XX to mail a withdrawal request; however, taxpayers should be discouraged from mailing withdrawal requests due to potential delays in processing.)

Exception: Taxpayers must submit withdrawal requests for Forms 94XX under examination/audit to the assigned examiner or by responding to the audit notice instead of making a request via the withdrawal program fax line.

Note: Signature requirements for ERC claim withdrawal requests are the same as for Forms 94XX.

Note: Employers returning refund checks in association with ERC claim withdrawals are instructed to include a copy of the voided check with the withdrawal request.

Caution: The fax line identified above is dedicated to the ERC claim withdrawal program and **can't** be used for any other submissions.

(6) Handling guidance for ERC claim withdrawal requests is found in succeeding IRM subsections.

21.7.2.7.7.1
(03-15-2024)
**ERC Claim Withdrawal
Requests — Case
Receipts and Case
Association Actions**

- (1) Withdrawal requests submitted via the dedicated fax line (see (5) in IRM 21.7.2.7.7, *ERC Claim Withdrawal Program*) are delivered as electronic images to a shared drive. Ephesoft imaging software is then applied to create a new case in CII with Priority Code 2 and assigned to IDRS number 0231022887 for inventory control purposes. ERC claim withdrawal cases are controlled with case category 941X, 943X, 944X or CT1X as appropriate. Similarly, withdrawal cases identified in paper receipts are scanned by ICT to create new cases in CII coded as above.
- (2) Generally, a TC 971 AC 010 will be generated when an ERC withdrawal case is established. If not already present in association with an open Form 94XX case, the generation of this transaction code sets either a -A or an E- freeze on the tax module which **must** be considered when closing ERC withdrawal cases:
 - Procedures which follow for closing actions on accepted ERC withdrawal request cases include instructions on inputting transactions for releasing the -A or E- freeze as appropriate.
 - For rejected or “no-considered” ERC withdrawal request cases where there is still an open Form 94XX to be worked, the -A or E- freeze must remain on the account until the Form 94XX is worked. Accordingly, procedures which follow for rejection of ERC withdrawal cases do not include instructions for releasing the -A or E- freeze.
 - However, for rejected withdrawal request cases where there is no open Form 94XX to be worked (i.e., no Form 94XX on file or the Form 94XX associated with the ERC withdrawal request was previously resolved), the -A or E- freeze **must** be released when the ERC withdrawal case is closed via input of either a TC 290 .00 with Hold Code 4 (to release a -A freeze) or a TC 971 AC 002 (to release an E- freeze) with appropriate remarks corresponding to the rejection reason.

Note: See (12) in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, for more information on the setting and required release of -A and E- freezes in association with the processing of Forms 94XX.

- (3) Take the following actions when missed ERC claim withdrawal requests are identified in inventory:
 - ERC claim withdrawal requests identified in CII electronic inventory are to be coded with **Priority Code 2** and reassigned to IDRS number **0231022887**.

- ERC claim withdrawal requests **(only)** identified in paper inventory are to be faxed to (855) 738-7609.
- (4) AM employees specifically designated to work ERC claim withdrawal request cases **(only)** must take the following preliminary actions to ensure withdrawal requests are properly associated with any related open or closed Form 94XX case.
1. Review the ERC claim withdrawal request case document for a copy of a previously filed Form 94XX claiming ERC with “withdrawn” entered on it (usually found in the left hand margin of the first page) or other indication that the document submitted was intended to be an ERC claim withdrawal request.
 - If the case includes a general information request about the ERC claim withdrawal program (e.g., how to submit a withdrawal request), handle as per the last row of the table in (2) below. (It is not necessary to search for a related Form 94XX case.)
 - If there is no indication the taxpayer is making an ERC claim withdrawal request, continue handling per guidance in IRM 21.7.2.7.7.7, *Handling for Miscellaneous Incorrect Submissions Received in the ERC Claim Withdrawal Program*.
 - Otherwise, proceed to Step 2.
 2. Review the entity, tax form, and tax period data on the ERC claim withdrawal request, research CII for a related Form 94XX case, and then continue handling per guidance in the table below:

If	Then
An open related Form 94XX case is located	<ol style="list-style-type: none"> 1. Enter "ERC WD REQ RCVD" in CII case notes for the Form 94XX case. 2. Close the open Form 94XX case. 3. Link the now closed Form 94XX case to the new ERC claim withdrawal request case in CII. 4. Continue processing the ERC claim withdrawal request case as per guidance in IRM 21.7.2.7.7.2, <i>Processing ERC Claim Withdrawal Requests — Review for Unprocessable Conditions</i>, and subsequent IRM subsections as appropriate.
A closed related Form 94XX case is located	<ol style="list-style-type: none"> 1. Enter "ERC WD REQ RCVD" in CII case notes for the closed Form 94XX case. 2. Link the closed Form 94XX case to the new ERC claim withdrawal request case in CII. 3. Continue processing the ERC claim withdrawal request case as per guidance in IRM 21.7.2.7.7.2, <i>Processing ERC Claim Withdrawal Requests — Review for Unprocessable Conditions</i>, and subsequent IRM subsections as appropriate.
No related Form 94XX case is located	Continue processing the ERC claim withdrawal request case as per guidance in IRM 21.7.2.7.7.2, <i>Processing ERC Claim Withdrawal Requests — Review for Unprocessable Conditions</i> , and subsequent IRM subsections as appropriate.

- (5) On all accepted and rejected ERC claim withdrawal request cases, certain data (claim dollar amounts, reject reasons, etc.) for each case is required to be captured and entered on a data collection template when the case is resolved.

21.7.2.7.7.2
(03-15-2024)

**Processing ERC Claim
Withdrawal Requests —
Review for
Unprocessable
Conditions**

- (1) The guidance in this subsection is intended to be applied by AM employees specifically designated to process ERC claim withdrawal program requests **(only)**.
- (2) ERC claim withdrawal requests must meet certain submission criteria to be considered processable. See (5) in IRM 21.7.2.7.7, *ERC Claim Withdrawal Program*, for more information.
- (3) Review ERC claim withdrawal request documents for the following required

and then take actions as directed in the table which follows:

- A copy of the previously filed Form 94XX claiming ERC.
- A "withdrawn" notation on the Form 94XX copy (usually found in the left margin of the first page) or other indication that the document submitted was intended to be an ERC claim withdrawal request.
- Signature, date, name of the signer, and title of the signer (usually found in the right margin of the first page)

#

If	And	Then

#

If	And	Then
<p>The taxpayer submission is a general information request about the ERC claim withdrawal program (e.g., how to submit a withdrawal request)</p>		<ol style="list-style-type: none"> 1. Send an appropriate "C" letter directing the taxpayer to information on the irs.gov webpage or provide other information responsive to the taxpayer inquiry as appropriate. 2. Remove the Priority 2 coding from the CII case. 3. Enter "GENERAL ERC WD INQ" in CII case notes. 4. Close the CII case. <p>Note: If there is a related Form 94XX case, it should not be closed and it is not necessary to update case notes for the Form 94XX case in this instance.</p> <p>Reminder: Correspondence which is not related to the ERC claim withdrawal program is handled per guidance in IRM 21.7.2.7.7.7, <i>Handling for Miscellaneous Incorrect Submissions Received in the ERC Claim Withdrawal Program.</i></p>

If	And	Then
The withdrawal request does not include a copy of a Form 94XX claiming ERC	There is insufficient information to associate the withdrawal request to a previously filed Form 94XX claiming ERC (i.e., the withdrawal request was loaded as a new CII case, no previous Form 94XX case is linked, and no previous Form 94XX case can be located)	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in an open paragraph: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because you did not include a copy of your Form [specify form] and we are unable to locate the claim you’re trying to withdraw.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - NO CLAIM” 3. Enter “ERC WD REQ RJCT - NO CLAIM” in CII case notes. 4. Close the CII case.
The withdrawal request does not include a copy of a Form 94XX claiming ERC	There is sufficient information to associate the withdrawal request to a previously filed Form 94XX claiming ERC (i.e., the withdrawal request was attached to an open case, a new CII case was opened and linked to a closed case, or a new CII case was opened and can now be linked to a closed or open case)	Continue to process the ERC claim withdrawal request as per guidance which follows in this table and in succeeding IRM subsections

If	And	Then
The withdrawal request is unsigned		<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because you didn’t sign the copy of the Form [specify form] you’re requesting to withdraw, or you didn’t include your printed name and/or title.” “See IRS.gov/ercsignature for a list of persons authorized to sign an amended return for each type of business entity.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - SIGNATURE” 3. Enter “ERC WD REQ RJCT - SIGNATURE” in CII case notes. 4. Update the CII case as follows: <ul style="list-style-type: none"> • Update the CII case with Priority Code 1. • Change the received date to that of the related Form 94XX case that was closed during case association. • Reassign the case to IDRS number 0230281416 or 0230255527 as appropriate to match the IDRS number to which the Form 94XX case was assigned when closed.

If	And	Then
The withdrawal request is signed	The signer's name and/or title is not entered	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: "We can't process your request to withdraw your Employee Retention Credit (ERC) claim because you didn't sign the copy of the Form [specify form] you're requesting to withdraw, or you didn't include your printed name and/or title." "See IRS.gov/ercsignature for a list of persons authorized to sign an amended return for each type of business entity." 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: "NSD ERC WD REQ RJCT - SIGNATURE" 3. Enter "ERC WD REQ RJCT - SIGNATURE" in CII case notes. 4. Update the CII case as follows: <ul style="list-style-type: none"> • Update the CII case with Priority Code 1. • Change the received date to that of the related Form 94XX case that was closed during case association. • Reassign the case to IDRS number 0230281416 or 0230255527 as appropriate to match the IDRS number to which the Form 94XX case was assigned when closed.

If	And	Then
The withdrawal request is signed	<p>The person signing is not authorized to do so.</p> <p>Note: See the table in (1) of IRM 21.7.2.4.4.11, <i>Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns, including the notes in each row of the table</i>, for who can sign the withdrawal request and research requirements.</p> <p>Caution: Do not follow resolution guidance in (2) of IRM 21.7.2.4.4.11 when working an ERC claim withdrawal request.</p>	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because we have no record you authorized [specify name] to act for you.” “See IRS.gov/ercsignature for a list of persons authorized to sign an amended return for each type of business entity. See www.irs.gov/ercwithdrawal for instructions on how to submit a request to withdraw your ERC claim.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - SIGNATURE” 3. Enter “ERC WD REQ RJCT - SIGNATURE” in CII case notes. 4. Update the CII case as follows: <ul style="list-style-type: none"> • Update the CII case with Priority Code 1. • Change the received date to that of the related Form 94XX case that was closed during case association. • Reassign the case to IDRS number 0230281416 or 0230255527 as appropriate to match the IDRS number to which the Form 94XX case was assigned when closed.

If	And	Then
The withdrawal request is signed under a power of attorney	<p>The authority of the power of attorney to sign cannot be verified.</p> <p>Note: See the seventh row of the table in (1) of IRM 21.7.2.4.4.11, <i>Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns</i>, that addresses a signature by a power of attorney, including the notes, for research requirements.</p> <p>Caution: Do not follow resolution guidance in (2) of IRM 21.7.2.4.4.11 when working an ERC claim withdrawal request.</p>	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because we have no record you authorized [specify name] to act for you.” “See IRS.gov/ercsignature for a list of persons authorized to sign an amended return for each type of business entity. See www.irs.gov/ercwithdrawal for instructions on how to submit a request to withdraw your ERC claim.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - SIGNATURE” 3. Enter “ERC WD REQ RJCT - SIGNATURE” in CII case notes. 4. Update the CII case as follows: <ul style="list-style-type: none"> • Update the CII case with Priority Code 1. • Change the received date to that of the related Form 94XX case that was closed during case association. • Reassign the case to IDRS number 0230281416 or 0230255527 as appropriate to match the IDRS number to which the Form 94XX case was assigned when closed.

If	And	Then
The withdrawal request is signed by a Reporting Agent (i.e., “attorney in fact”, “agent”, or other title indicating individual who signed acts for a Reporting Agent firm)	<p>The Reporting Agent authority cannot be verified.</p> <p>Note: See the last row of the table in (1) of IRM 21.7.2.4.4.11, <i>Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns</i>, that addresses a signature by a Reporting Agent, including the note, for research requirements.</p> <p>Caution: Do not follow resolution guidance in (2) of IRM 21.7.2.4.4.11 when working an ERC claim withdrawal request.</p>	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because we have no record you authorized [specify name] to act for you.” “See IRS.gov/ercsignature for a list of persons authorized to sign an amended return for each type of business entity. See www.irs.gov/ercwithdrawal for instructions on how to submit a request to withdraw your ERC claim.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - SIGNATURE” 3. Enter “ERC WD REQ RJCT - SIGNATURE” in CII case notes. 4. Update the CII case as follows: <ul style="list-style-type: none"> • Update the CII case with Priority Code 1. • Change the received date to that of the related Form 94XX case that was closed during case association. • Reassign the case to IDRS number 0230281416 or 0230255527 as appropriate to match the IDRS number to which the Form 94XX case was assigned when closed.

Caution: See (2) in IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, for required consideration and possible release of -A and E- freezes when rejecting or “no-considering” ERC withdrawal requests.

Reminder: As indicated in (5) of IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, the ERC claim withdrawal case information template must be completed when each accepted or rejected ERC claim withdrawal case is resolved/closed.

- (4) Continue handling processable ERC claim withdrawal cases (i.e., those not rejected or otherwise addressed per instructions in (3) above) as per guidance in IRM 21.7.2.7.7.3, *Processing ERC Claim Withdrawal Requests — Review for Ineligible Submissions*.

21.7.2.7.7.3
(03-15-2024)

Processing ERC Claim Withdrawal Requests — Review for Ineligible Submissions

- (1) The guidance in this subsection is intended to be applied by AM employees specifically designated to process ERC claim withdrawal program requests **(only)**.
- (2) The procedures in this subsection are to be applied to ERC claim withdrawal requests which did not meet rejection criteria described in IRM 21.7.2.7.7.2, *Processing ERC Claim Withdrawal Requests — Review for Unprocessable Conditions*.
- (3) ERC claim withdrawal requests must meet certain eligibility criteria. See (3) and (4) in IRM 21.7.2.7.7, *ERC Claim Withdrawal Program*, for more information on eligibility requirements and exclusionary criteria.
- (4) Review the ERC claim withdrawal request document(s), the previous Form 94XX claiming ERC that the taxpayer is trying to withdraw (if not already associated, conduct research to locate the Form 94XX if possible), and the related tax account to evaluate eligibility factors addressed in the table which follows:

If	And	Then
The ERC claim withdrawal request is a duplicate request	The previous ERC claim withdrawal request has not been processed	<ol style="list-style-type: none"> 1. Link the ERC claim withdrawal case with the most recent received date to the case with the oldest received date. 2. Enter "ERC WD REQ LIVE DUPLICATE" in CII case notes for both cases. 3. Close the CII case with the most recent received date. 4. Continue processing the original ERC claim withdrawal request as appropriate.

If	And	Then
The ERC claim withdrawal request is a duplicate request	The previous ERC claim withdrawal request has already been processed	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in an open paragraph: "We didn't process your request to withdraw your Employee Retention Credit (ERC) claim because we consider it a duplicate submission. We issued a letter on [enter date] in response to your original withdrawal request." 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: "NSD ERC WD REQ RJCT - DUPLICATE" 3. Link the current ERC claim withdrawal case with the previously worked case. 4. Enter "ERC WD REQ RJCT - DUPLICATE" in CII case notes for both cases. 5. Close the current CII case.

If	And	Then
The ERC claim withdrawal request was filed by a company which is a client of an aggregate employment tax return filer (Section 3504 Agent, CPEO, or PEO)	The ERC claim the taxpayer is trying to withdraw was filed on their behalf by the aggregate employment tax return filer (i.e., under the EIN of the Section 3504 Agent, CPEO, or PEO)	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because our records show your employment taxes were reported by a third-party payor on an aggregate employment tax return they filed.” “You should contact your third-party payor if you wish to withdraw or correct an ERC claim they filed on your behalf.” 2. Enter “ERC WD REQ RJCT - AGG FILER” in CII case notes. 3. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - AGG FILER” 4. Update the CII case as follows: <ul style="list-style-type: none"> • Update the CII case with Priority Code 1. • Change the received date to that of the related Form 94XX case that was closed during case association. • Reassign the case to IDRS number 0230281416 or 0230255527 as appropriate to match the IDRS number to which the Form 94XX case was assigned when closed.

If	And	Then
The withdrawal request includes a copy of a Form 94XX claiming ERC	The case is not linked to a Form 94XX case and no related Form 94XX case can be located	<ol style="list-style-type: none">1. Send Letter 916C with the following text inserted in an open paragraph: "We can't process your request to withdraw your Employee Retention Credit (ERC) claim because we didn't receive a Form [specify form] for the claim you're trying to withdraw."2. Input a TC 971 with the following data elements:<ul style="list-style-type: none">• Enter the received date of the ERC withdrawal case as the transaction date• Enter Action Code 333• Enter Remarks: "NSD ERC WD REQ RJCT - NO CLAIM"3. Enter "ERC WD REQ RJCT - NO CLAIM" in CII case notes.4. Close the CII case.

If	And	Then
<p>The ERC claim withdrawal request is for ERC claimed entirely on the original employment tax return</p>		<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because our records show the amounts you’re requesting to withdraw were claimed on your original Form [specify form].” “You should file Form [specify form] to make corrections to information reported on your original return, including any changes to claimed ERC amounts, and pay any amount due.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - ERC TC 150” 3. Enter “ERC WD REQ RJCT - ERC TC 150” in CII case notes. 4. Close the CII case.

If	And	Then
The Form 94XX for which the ERC claim withdrawal request was made has already been processed	The claim was closed as a “no consideration” case	<ol style="list-style-type: none">1. Update the CII case with Priority Code 4.2. Send Letter 916C with the following text inserted in an open paragraph: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because our records show we sent you a letter on [specify date] stating that we could not process the Form [specify] you’re trying to withdraw.”3. Input a TC 971 with the following data elements:<ul style="list-style-type: none">• Enter the received date of the ERC withdrawal case as the transaction date• Enter Action Code 333• Enter Remarks: “NSD ERC WD REQ RJCT - CLAIM NO CONSIDERED”4. Enter “ERC WD REQ RJCT - CLAIM NO CONSIDERED” in CII case notes.5. Close the CII case.

If	And	Then
The Form 94XX for which the ERC claim withdrawal request was made has already been processed	The claim was formally disallowed in part or in full	<ol style="list-style-type: none"> 1. Update the CII case with Priority Code 4. 2. Send Letter 916C with the following text inserted in an open paragraph: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because our records show we previously disallowed all or a portion of your claim. A disallowance letter was sent on [specify date].” 3. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - CLAIM DISALLOWANCE” 4. Enter “ERC WD REQ RJCT - CLAIM DISALLOWANCE” in CII case notes. 5. Close the CII case.

If	And	Then
The Form 94XX for which the ERC claim withdrawal request was made has already been processed	A refund was issued but there is no indication the taxpayer returned the refund check	<ol style="list-style-type: none"> 1. Update the CII case with Priority Code 4. 2. Send Letter 916C with the following text inserted in two open paragraphs: "We can't accept your request to withdraw your Employee Retention Credit (ERC) claim because we already processed the claim you're trying to withdraw." "If you haven't cashed or deposited your refund check, see www.irs.gov/ercwithdrawal for instructions on how to return your refund check and make a new request to withdraw your ERC claim. If you cashed the refund check, you should file Form [specify form] to make corrections and pay any amount due." 3. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: "NSD ERC WD REQ RJCT - CLAIM PROCESSED" 4. Enter "ERC WD REQ RJCT - CLAIM PROCESSED" in CII case notes. 5. Close the CII case.

If	And	Then
The Form 94XX for which the ERC claim withdrawal request was made has already been processed	The taxpayer repaid the amount refunded via EFTPS or with a personal/business check	<ol style="list-style-type: none"> 1. Update the CII case with Priority Code 4. 2. Send Letter 916C with the following text inserted in two open paragraphs: "We can't accept your request to withdraw your Employee Retention Credit (ERC) claim because we already processed the claim you're trying to withdraw." "You should file Form [specify form] to report corrections to any amounts previously claimed in error." 3. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: "NSD ERC WD REQ RJCT - CLAIM PROCESSED" 4. Enter "ERC WD REQ RJCT - CLAIM PROCESSED" in CII case notes. 5. Close the CII case. <p>Caution: Do not release any overpayment associated with the repayment since the funds will be required to pay the Form 94XX the taxpayer is expected to file.</p>

If	And	Then
The Form 94XX for which the ERC claim withdrawal request was made has already been processed	<p>All or part of the overpayment resulting from the previous credit allowance was:</p> <ul style="list-style-type: none"> • Applied to other amounts due on the account adjusted; or, • Offset to balances owed on another tax account; or, • Applied to a succeeding tax period as the result of the processed Form 94XX having been marked as an adjusted return. 	<ol style="list-style-type: none"> 1. Update the CII case with Priority Code 4. 2. Contact the IRM author through your management chain and the site P&A Staff for guidance on case handling.
The Form 94XX for which the ERC claim withdrawal request was made has already been processed	<p>A refund was issued and there is an indication present that the taxpayer returned the refund check. Review for one or more of the following indicators:</p> <ul style="list-style-type: none"> • A photocopy of a voided check or other notation is attached to the withdrawal request. • An open IDRS control for a returned refund check. • A posted TC 841 with credit held by a P- freeze. • A posted TC 740 with credit held by a S- freeze. 	Continue processing as per guidance in IRM 21.7.2.7.7.6, <i>Processing ERC Claim Withdrawal Requests with a Returned Refund Check</i> .

If	And	Then
<p>The ERC claim withdrawal request is for less than the ERC claimed on the related Form 94XX claiming ERC</p>		<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because the amount shown on your request is less than the amount reported on the associated Form [specify form] we received on [specify date].” “If you qualify for some amount of ERC but less than the amount previously claimed, you should file Form [specify form] to make corrections and pay any amount due.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - CLAIM MISMATCH” 3. Enter “ERC WD REQ RJCT - CLAIM MISMATCH” in CII case notes. 4. Update the CII case as follows: <ul style="list-style-type: none"> • Update the CII case with Priority Code 1. • Change the received date to that of the related Form 94XX case that was closed during case association. • Reassign the case to IDRS number 0230281416 or 0230255527 as appropriate to match the IDRS number to which the Form 94XX case was assigned when closed.

If	And	Then
<p>The ERC claim withdrawal request is for more than the ERC claimed on the related Form 94XX claiming ERC</p>		<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because the amount shown on your request is more than the amount reported on the associated Form [specify form] we received on [specify date].” “If you need to reduce or remove previously claimed ERC in excess of the amount reported on a specific Form [specify form], you should file a new Form [specify form] to make corrections and pay any amount due.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - CLAIM MISMATCH” 3. Enter “ERC WD REQ RJCT - CLAIM MISMATCH” in CII case notes. 4. Update the CII case as follows: <ul style="list-style-type: none"> • Update the CII case with Priority Code 1. • Change the received date to that of the related Form 94XX case that was closed during case association. • Reassign the case to IDRS number 0230281416 or 0230255527 as appropriate to match the IDRS number to which the Form 94XX case was assigned when closed.

If	And	Then
<p>The Form 94XX related to the ERC claim withdrawal request reported other non-ERC wage/tax/credit corrections in addition to claiming ERC</p>		<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because the claim you’re trying to withdraw reported other corrections in addition to claiming ERC.” “You should file a new Form [specify form] to make corrections to ERC you previously claimed, along with any other necessary corrections, and pay any amount due.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - CLAIM NOT ERC ONLY” 3. Enter “ERC WD REQ RJCT - CLAIM NOT ERC ONLY” in CII case notes. 4. Update the CII case as follows: <ul style="list-style-type: none"> • Update the CII case with Priority Code 1. • Change the received date to that of the related Form 94XX case that was closed during case association. • Reassign the case to IDRS number 0230281416 or 0230255527 as appropriate to match the IDRS number to which the Form 94XX case was assigned when closed.

If	And	Then
The ERC claim withdrawal request includes other corrections in addition to withdrawing the previous ERC claimed		<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because you requested other changes to your account information in addition to the ERC claim withdrawal.” “You should file a new Form [specify form] to make corrections to ERC you previously claimed, along with any other necessary corrections, and pay any amount due.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - WD REQ INC OTHER CHANGES” 3. Enter “ERC WD REQ RJCT - WD REQ INC OTHER CHANGES” in CII case notes. 4. Update the CII case as follows: <ul style="list-style-type: none"> • Update the CII case with Priority Code 1. • Change the received date to that of the related Form 94XX case that was closed during case association. • Reassign the case to IDRS number 0230281416 or 0230255527 as appropriate to match the IDRS number to which the Form 94XX case was assigned when closed.

Caution: See (2) in IRM 21.7.2.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, for required consideration and possible release of -A and E- freezes when rejecting or “no-considering” ERC withdrawal requests.

Reminder: As indicated in (5) of IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, the ERC claim withdrawal case information template must be completed when each accepted or rejected ERC claim withdrawal case is resolved/closed.

(5) Continue processing eligible ERC claim withdrawal cases (i.e., those not rejected or otherwise addressed per instructions in (4) above) as per guidance in IRM 21.7.2.7.7.4, *Processing ERC Claim Withdrawal Requests — Review for Account Conditions Requiring Special Handling*.

21.7.2.7.7.4
(11-01-2023)
**Processing ERC Claim
Withdrawal Requests —
Review for Account
Conditions Requiring
Special Handling**

- (1) The guidance in this subsection is intended to be applied by AM employees specifically designated to process ERC claim withdrawal program requests **(only)**.
- (2) The procedures in this subsection are to be applied to ERC claim withdrawal requests which did not meet rejection criteria described in IRM 21.7.2.7.7.2, *Processing ERC Claim Withdrawal Requests — Review for Unprocessable Conditions*, or IRM 21.7.2.7.7.3, *Processing ERC Claim Withdrawal Requests — Review for Ineligible Submissions*, or IRM 21.7.2.7.7.6, *Processing ERC Claim Withdrawal Requests with a Returned Refund Check*.
- (3) For processable/eligible ERC claim withdrawal requests, review related tax accounts and case history for account conditions described in the table below and take appropriate action as indicated:

If	And	Then
The Form 94XX related to the ERC claim withdrawal request was referred to CAT-A	The Form 94XX remains in the CAT-A queue awaiting a Classifier response	<ol style="list-style-type: none"> 1. Send a secure email to "sbse.et.wsd.claims@irs.gov" for HQ Reserved 10 cases or "Thomas J Kassay" for HQ Reserved 18 cases with the following text (or appropriate equivalent text as needed): "A processable ERC claim withdrawal request has been received related to the Form [specific form] for [specify TIN/MFT/ tax period and any other appropriate information to identify the Form 94XX in question]. The case is currently in the CAT-A queue and needs to be returned to AM for the withdrawal request to be acted upon." 2. Enter "ERC WD REQ CATA SUSPEND" in CII case notes and suspend the case. 3. When the case is returned from CAT-A, enter "ERC WD REQ CATA RETURNED" in CII case notes and continue processing the withdrawal request, including reviewing the account for other conditions requiring special handling as described in other rows of this table.
The Form 94XX related to the ERC claim withdrawal request was referred to CAT-A	A response was entered by the Classifier with claim handling instructions (i.e., accept, disallow, selected, correspond for missing information, etc.)	Enter "ERC WD REQ IRM AUTHOR" in CII case notes and contact the IRM author through your management chain and the site P&A Staff for guidance on case handling.

If	And	Then
The Form 94XX related to the ERC claim withdrawal request was previously selected for audit	Open AIMS status is 08	<ol style="list-style-type: none"> 1. Send a secure email to "sbse.et.wsd.claims@irs.gov" (for BOD Code SB/LM cases) or "Thomas J Kassay" (for BOD Code TE cases) using the following text (or appropriate equivalent text as needed): "A processable ERC claim withdrawal request has been received related to the Form [specific form] for [specify TIN/MFT/tax period and any other appropriate information to identify the Form 94XX in question]. The case is currently in AIMS status 08. The AIMS control base needs to be closed and the case returned to AM for the withdrawal request to be acted upon." 2. Enter "ERC WD REQ EXAM 08 SUSPEND" in CII case notes and suspend the case. 3. When AIMS control base has been closed, enter "ERC WD REQ EXAM 08 RETURNED" in CII case notes and continue processing the withdrawal request, including reviewing the account for other conditions requiring special handling as described in other rows of this table.

If	And	Then
The Form 94XX related to the ERC claim withdrawal request was previously selected for audit	Open AIMS status is 09 through 19	<ol style="list-style-type: none"> 1. Send a secure email to “David W King” (for BOD Code SB/LM cases) or “Thomas J Kassay” (for BOD Code TE cases) with the following text (or appropriate equivalent text as needed): “A processable ERC claim withdrawal request has been received related to the Form [specific form] for [specify TIN/MFT/ tax period and any other appropriate information to identify the Form 94XX in question]. The case is currently in AIMS status [09 or 10]. The AIMS control base needs to be closed and the case returned to AM for the withdrawal request to be acted upon .” 2. Enter “ERC WD REQ EXAM 09-19 SUSPEND” in CII case notes and suspend the case. 3. When AIMS control base has been closed, enter “ERC WD REQ EXAM 09-19 RETURNED” in CII case notes and continue processing the withdrawal request, including reviewing the account for other conditions requiring special handling as described in other rows of this table.
The Form 94XX related to the ERC claim withdrawal request was previously selected for audit	Open AIMS status greater than 19	Enter “ERC WD REQ IRM AUTHOR” in CII case notes and contact the IRM author through your management chain and the site P&A Staff for guidance on case handling.
The account for which the ERC claim withdrawal (and related Form 94XX) was submitted is in status 26		Enter “ERC WD REQ STAT 26” in CII case notes and contact the IRM author through your management chain and the site P&A Staff for guidance on case handling.

If	And	Then
<p>Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) indicators are present on the account for which the ERC claim withdrawal request was made</p> <p>Reminder: See IRM 21.7.2.4.4.13, <i>Forms 94XX with Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement</i>, and cross-referenced guidance for identifiers.</p>		<p>The RICS, RIVO, or IDT condition must be resolved before the ERC claim withdrawal request can be considered.</p> <ol style="list-style-type: none"> 1. Address the RICS/RIVO/IDT condition as appropriate per guidance in IRM 21.7.2.4.4.13, <i>Forms 94XX with Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement</i>, and cross-referenced guidance. 2. Enter “ERC WD REQ [insert] SUSPEND” in CII case notes with RICS, RIVO, or IDT inserted as appropriate. 3. As appropriate, suspend the case until the RICS/RIVO/IDT condition is resolved and then resume handling. <p>Caution: Enter “ERC - WD - Form 14566” in the subject line if a secure email is being sent to the AM BMF IDT liaison as per instructions in (6) of IRM 21.7.2.4.4.13, <i>Forms 94XX with Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement</i>.</p>
<p>There are multiple unprocessed Forms 94XX or duplicate filing conditions present</p>		<p>Enter “ERC WD REQ IRM AUTHOR” in CII case notes and contact the IRM author through your management chain and the site P&A Staff for guidance on case handling.</p>

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Reminder: ERC claim withdrawal cases with a returned refund check are handled as per guidance in IRM 21.7.2.7.7.6, *Processing ERC Claim Withdrawal Requests with a Returned Refund Check*.

- (4) After considering and applying the handling guidance provided above, continue processing ERC claim withdrawal cases as per guidance in IRM 21.7.2.7.7.5, *Processing ERC Claim Withdrawal Requests — Closing Actions for Cases with Open ERC Claims*, or as per (8) in IRM 21.7.2.7.7.6, *Processing ERC Claim Withdrawal Requests with a Returned Refund Check*, as appropriate.

21.7.2.7.7.5

(11-01-2023)

Processing ERC Claim Withdrawal Requests — Closing Actions for Cases with Open ERC Claims

- (1) The guidance in this subsection is intended to be applied by AM employees specifically designated to process ERC claim withdrawal program requests **(only)**.
- (2) The procedures in this subsection are to be applied to ERC claim withdrawal requests:
- **After** unprocessable ERC claim withdrawal requests are rejected as per guidance in IRM 21.7.2.7.7.2, *Processing ERC Claim Withdrawal Requests — Review for Unprocessable Conditions*;
 - **After** ineligible ERC claim withdrawal requests are rejected as per guidance in IRM 21.7.2.7.7.3, *Processing ERC Claim Withdrawal Requests — Review for Ineligible Submissions*; and,
 - **After** any special account conditions are addressed as per guidance in IRM 21.7.2.7.7.4, *Processing ERC Claim Withdrawal Requests — Review for Account Conditions Requiring Special Handling*.
- (3) Take the following actions to record acceptance of processable, eligible ERC claim withdrawal requests:
1. Send Letter 916C with the following text inserted in an open paragraph: “We accepted your request to withdraw your Employee Retention Credit (ERC) claim. As requested, we will not process your Form [specify form] for the tax period ending [enter date].”
 2. Input a TC 290 .00 transaction in Blocking Series 20 on the tax account to release the -A freeze on the account with the following remarks: “ERC WD REQ ACCEPTED”.

Exception: If the taxpayer is withdrawing a Form 94XX for which there is no corresponding original return posted, release the E-freeze by entering a TC 971 with Action Code 002 and enter the following remarks: “ERC WD REQ ACCEPTED”.

3. Input a TC 971 with the following data elements:
 - Enter the received date of the ERC withdrawal case as the transaction date
 - Enter Action Code 332
 - Enter Remarks: “NSD ERC WD REQ ACCEPTED”
4. Enter “ERC WD REQ ACCEPTED” in CII case notes.
5. Close the CII case.

Reminder: As indicated in (5) of IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, the ERC

claim withdrawal case information template must be completed when each accepted or rejected ERC claim withdrawal case is resolved/closed.

Reminder: ERC claim withdrawal cases with a returned refund check are handled as per guidance in IRM 21.7.2.7.7.6, *Processing ERC Claim Withdrawal Requests with a Returned Refund Check*.

21.7.2.7.7.6
(03-15-2024)

**Processing ERC Claim
Withdrawal Requests
with a Returned Refund
Check**

- (1) The guidance in this subsection is intended to be applied by AM employees specifically designated to process ERC claim withdrawal program requests **(only)**.
- (2) The procedures in this subsection are to be applied to ERC claim withdrawal requests with returned (or otherwise uncashed) refund checks which did not meet rejection criteria described in IRM 21.7.2.7.7.2, *Processing ERC Claim Withdrawal Requests — Review for Unprocessable Conditions* or the first ten rows of the table in IRM 21.7.2.7.7.3, *Processing ERC Claim Withdrawal Requests — Review for Ineligible Submissions*.
- (3) Take the following actions on ERC claim withdrawal request cases with a returned refund check for which the credit has **not** yet posted to the associated tax account:
 1. Update the CII case with **Priority Code 4**.
 2. Enter “ERC WD REQ RETD REFUND SUSPEND” in CII case notes.
 3. Suspend the CII case and monitor the account for posting of a TC 841 transaction.
 4. Once credit for the returned refund check is posted to the account, resume processing as per guidance in (6) and succeeding paragraphs below.
- (4) Take the following actions on ERC claim withdrawal request cases with a returned refund check for which the credit has posted to the associated tax account:
 1. If not already done, update the CII case with **Priority Code 4**.
 2. Enter “ERC WD REQ RETD REFUND POSTED” in CII case notes.
 3. Continue/resume processing as per guidance in (6) and succeeding paragraphs below.
- (5) ERC claim withdrawal requests must meet certain eligibility criteria. See (3) and (4) in IRM 21.7.2.7.7, *ERC Claim Withdrawal Program*, for more information on eligibility requirements and exclusionary criteria.
- (6) Review the ERC claim withdrawal request document(s), the previous Form 94XX claiming ERC that the taxpayer is trying to withdraw (if not already associated, conduct research to locate the Form 94XX if possible), and the related tax account to evaluate eligibility factors addressed in the table which follows:

If	Then
<p>The ERC claim withdrawal request is for less than the ERC claimed on the related Form 94XX claiming ERC</p>	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because the amount shown on your request is less than the amount reported on the associated Form [specify form] we received on [specify date].” “If you qualify for some amount of ERC but less than the amount previously claimed, you should file Form [specify form] to make corrections and pay any amount due.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - CLAIM MISMATCH” 3. Enter “ERC WD REQ RJCT - CLAIM MISMATCH” in CII case notes. 4. Close the CII case.
<p>The ERC claim withdrawal request is for more than the ERC claimed on the related Form 94XX claiming ERC</p>	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because the amount shown on your request is more than the amount reported on the associated Form [specify form] we received on [specify date].” “If you need to reduce or remove previously claimed ERC in excess of the amount reported on a specific Form [specify form], you should file a new Form [specify form] to make corrections and pay any amount due.” 2. Input a transaction with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - CLAIM MISMATCH” 3. Enter “ERC WD REQ RJCT - CLAIM MISMATCH” in CII case notes. 4. Close the CII case.

If	Then
The Form 94XX related to the ERC claim withdrawal request reported other non-ERC wage/tax/credit corrections in addition to claiming ERC	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because the claim you’re trying to withdraw reported other corrections in addition to claiming ERC.” “You should file a new Form [specify form] to make corrections to ERC you previously claimed, along with any other necessary corrections, and pay any amount due.” 2. Input a transaction with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - CLAIM NOT ERC ONLY” 3. Enter “ERC WD REQ RJCT - CLAIM NOT ERC ONLY” in CII case notes. 4. Close the CII case.
The ERC claim withdrawal request includes other corrections in addition to withdrawing the previous ERC claimed	<ol style="list-style-type: none"> 1. Send Letter 916C with the following text inserted in two open paragraphs: “We can’t process your request to withdraw your Employee Retention Credit (ERC) claim because you requested other changes to your account information in addition to the ERC claim withdrawal.” “You should file a new Form [specify form] to make corrections to ERC you previously claimed, along with any other necessary corrections, and pay any amount due.” 2. Input a TC 971 with the following data elements: <ul style="list-style-type: none"> • Enter the received date of the ERC withdrawal case as the transaction date • Enter Action Code 333 • Enter Remarks: “NSD ERC WD REQ RJCT - WD REQ INC OTHER CHANGES” 3. Enter “ERC WD REQ RJCT - WD REQ INC OTHER CHANGES” in CII case notes. 4. Close the CII case.

Caution: See (2) in IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, for required consideration and possible release of -A and E- freezes when rejecting or “no-considering” ERC withdrawal requests.

Reminder: As indicated in (5) of IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, the ERC claim withdrawal case information template must be completed when each accepted or rejected ERC claim withdrawal case is resolved/closed.

- (7) For eligible ERC claim withdrawal cases (i.e., those not rejected or otherwise addressed per instructions in (6) above) with a returned refund check, continue processing as per guidance in IRM 21.7.2.7.7.4, *Processing ERC Claim Withdrawal Requests — Review for Account Conditions Requiring Special Handling*.
- (8) Take the actions in the step list below to record acceptance of processable, eligible ERC claim withdrawal requests with a returned refund check:
- **After** unprocessable ERC claim withdrawal requests are rejected as per guidance in IRM 21.7.2.7.7.2, *Processing ERC Claim Withdrawal Requests — Review for Unprocessable Conditions*;
 - **After** ineligible ERC claim withdrawal requests are rejected as per guidance in IRM 21.7.2.7.7.3, *Processing ERC Claim Withdrawal Requests — Review for Ineligible Submissions* or guidance in (6) above; and,
 - **After** any special account conditions are addressed as per guidance in IRM 21.7.2.7.7.4, *Processing ERC Claim Withdrawal Requests — Review for Account Conditions Requiring Special Handling*.
1. Send Letter 916C with the following text inserted in two open paragraphs:
“We accepted your request to withdraw your Employee Retention Credit (ERC) claim.”
“As per your request, we applied credit to your tax account for the refund check you returned and completed a correction to your account to reverse the ERC amount we previously recorded based on your Form [specify form] received [enter date].”
 2. Input a TC 298 in Blocking Series 20 on the tax account to reverse the previously processed Form 94XX as follows:
 - Enter .00 for the transaction amount if the previous adjustment did not include non-refundable ERC
 - Enter the amount of the previous TC 291 for the transaction amount if the previous adjustment included non-refundable ERC
 - Enter a TC 180 for .00
 - Enter the ERC claim withdrawal request received date as the Interest Computation Date (ICD)
 - Enter CRN 296 and IRN 203, IRN 206, IRN 207, IRN 208 and IRN 209 amounts as appropriate
 - Enter the following remarks: “ERC WD REQ ACCEPTED - REF RETD”
 3. Input a TC 971 with the following data elements:
 - Enter the received date of the ERC withdrawal case as the transaction date
 - Enter Action Code 332
 - Enter Remarks: “NSD ERC WD REQ ACCEPTED RETD REFUND”
 4. Enter “ERC WD REQ ACCEPTED RETD REFUND” in CII case notes.
 5. Close the CII case.

Reminder: As indicated in (5) of IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, the ERC claim withdrawal case information template must be completed when each accepted or rejected ERC claim withdrawal case is resolved/closed.

- 21.7.2.7.7.7
(11-01-2023)
**Handling for
Miscellaneous Incorrect
Submissions Received
in the ERC Claim
Withdrawal Program**
- (1) The guidance in this subsection is intended to be applied by AM employees specifically designated to process ERC claim withdrawal program requests **(only)**.

(2) This subsection provides guidance on handling various documents incorrectly received via the ERC claim withdrawal program fax line for which CII cases were created and assigned to AM for handling or that were otherwise misidentified as an ERC claim withdrawal request and are in AM inventory. Handle such receipts as per guidance in the table which follows:

If	And	Then
The document was initially received as a paper submission	Was misidentified as an ERC claim withdrawal request	<div>1. Remove the Priority 2 coding from the CII case.</div> <div>2. Enter "NOT AN ERC WD REQ" in CII case notes.</div> <div>3. Reassign or reroute the case as appropriate to ensure proper handling of the issue presented by the taxpayer.</div>

If	And	Then
The document was incorrectly faxed to the ERC claim withdrawal program fax line	Is a Form 94XX or other amended return reporting a tax increase or credit decrease	<ol style="list-style-type: none"> 1. Remove the Priority 2 coding from the CII case. 2. Enter "94XX INCREASE NOT AN ERC WD REQ" in CII case notes. 3. Reassign as appropriate to ensure the Form 94XX is worked as usual. <p>Caution: See (12) in IRM 21.7.2.4.4, <i>Adjusted Employer's Federal Tax Return or Claim for Refund</i>, for required handling if no -A freeze was set on the account.</p> <p>Exception: If the ASED is imminent, take immediate action to ensure an assessment is made before expiration.</p> <p>Note: When closing these cases (after entering the appropriate adjustment), send Letter 4384C with the following text inserted in an open paragraph: "We processed your Form [specify] dated [specify]. However, the fax line used to submit it to the IRS is not to be used for anything other than ERC claim withdrawal requests."</p>

If	And	Then
The document was incorrectly faxed to the ERC claim withdrawal program fax line	Is a Form 94XX or other amended return reporting a tax decrease or credit increase	<ol style="list-style-type: none"> 1. Remove the Priority 2 coding from the CII case. 2. Enter "94XX DECREASE NOT AN ERC WD REQ" in CII case notes. 3. Reject the Form 94XX and send Letter 4384C with the following text inserted in two open paragraphs: "We cannot process your Form [specify] dated [specify] because it was sent to the IRS via a fax line which can only be used to submit ERC claim withdrawal requests." "You should file your Form [specify] at the address specified in the form instructions." 4. Close the CII case.
The document was incorrectly faxed to the ERC claim withdrawal program fax line	Is correspondence or other documentation not related to an ERC claim withdrawal request	<ol style="list-style-type: none"> 1. Remove the Priority 2 coding from the CII case. 2. Enter "NOT AN ERC WD REQ" in CII case notes. 3. Reject the correspondence or other documentation and send an appropriate "C" letter with the following text inserted in two open paragraphs: "We cannot process your [specify correspondence/document/form] dated [specify] because it was sent to the IRS via a fax line which can only be used to submit ERC claim withdrawal requests." "If you were responding to an IRS notice or letter, you should submit your [specify correspondence/document/form] as instructed in the notice or letter." 4. Close the CII case.

Reminder: Correspondence with general information requests about the ERC claim withdrawal program (e.g., how to submit a withdrawal request) are handled per guidance in the table in (3) of IRM 21.7.2.7.7.2, *Processing*

ERC Claim Withdrawal Requests — Review for Unprocessable Conditions.

Note: When rejecting a Form 94XX, follow IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*, and (9) in IRM 21.5.1.5.6, *Incomplete CII claims*, for the correct input of TC 971-270.

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

21.7.2.7.8
(11-30-2023)

Disallowance Actions for Form 94XX ERC Claims Meeting Certain Filtering Criteria for No Forms W-2 Filed and/or Entity Establishment Dates

- (1) The IRS is operating filters to identify Employee Retention Credit (ERC) claims filed for entities which:
 - Have not filed Forms W-2 as expected; or,
 - Were not established prior to or during the period for which ERC could be claimed (March 13, 2020 through December 31, 2021).
- (2) The IRS has determined that Forms 94XX reporting new or increased ERC amounts (only) filed for accounts meeting the specified filtering criteria will be formally disallowed.
- (3) Cases meeting the specified filtering criteria will be identified to AM on a spreadsheet. The cases will be reassigned and notated as follows to indicate which filtering criteria was met:
 - IDRS number: **0230448611** — CII Case Note: **No W-2**
 - IDRS number: **0230488068** — CII Case Note: **Establishment Date**
 - IDRS number: **1388899251** — CII Case Note: **Failed both Establishment Date and No W-2**
- (4) The procedures which follow are to be applied by AM employees specifically designated (**only**) to work these cases. Take action as follows:
 1. Review the associated Form 94XX for entry items reporting new or increased non-refundable or refundable ERC amounts; if such entries are found, continue to Step 2 below. Otherwise, if the Form 94XX does **not** report a new or increased ERC amount:
 - Enter “No W-2 filter does not apply”, or “Establishment date filter does not apply”, or “No W-2/Establishment date filters do not apply”, in CII case notes as appropriate per the filter identified.
 - Reassign the case and correct any case Priority Code as per guidance in (11) of IRM 21.7.2.7, *COVID-19 Related Employment Tax Relief*.
 2. All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting new or increased ERC amounts meeting the specified filtering criteria. As usual:
 - Review the associated Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
 - Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.). Suspend, route, or

otherwise address the account condition encountered as appropriate.

- Consider guidance specific to processing Forms 94XX reporting ERC changes found in IRM 21.7.2.7.6.3, *Form 94XX — Employee Retention*

#

3. Continue handling processable Forms 94XX reporting new or increased ERC amounts meeting the specified filtering criteria as per guidance in (5), (6), or (7) below depending on which filter was met or if both filters were met.

(5) **No W-2 filter met:**

If	Then
The Form 94XX also reports other changes which meet CAT-A criteria when considered separately	<ul style="list-style-type: none"> • Refer the case to CAT-A as usual. • State in the case notes that the missing Form W-2 ERC filter was met but that the other changes reported separately meet CAT-A criteria.
The Form 94XX also reports other allowable changes	<p>Partially disallow the claim:</p> <ol style="list-style-type: none"> 1. Enter "Partial disallowance per No W-2 filter met" in CII case notes. 2. Complete a TC 29X adjustment in Blocking Series 18 (or 00 if the original return is attached) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX. 3. Send Letter 106C per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>, and insert the following text in an open paragraph: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees."
The Form 94XX also reports other unallowable changes	<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Enter "Full disallowance per No W-2 filter met" in CII case notes. 2. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim. 3. Send Letter 105C per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>. Insert the following text in an open paragraph and insert appropriate text in a second open paragraph to address the reason other items are being disallowed: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees."

If	Then
There are no other changes reported on the Form 94XX	<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Enter "Full disallowance per No W-2 filter met" in CII case notes. 2. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim. 3. Send Letter 105C per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>, and insert the following text in an open paragraph: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees."

(6) **Establishment date filter met:**

If	Then
The Form 94XX also reports other changes which meet CAT-A criteria when considered separately	<ul style="list-style-type: none"> • Refer the case to CAT-A as usual. • State in the case notes that the establishment date ERC filter was met but that the other changes reported separately meet CAT-A criteria.
The Form 94XX also reports other allowable changes	<p>Partially disallow the claim:</p> <ol style="list-style-type: none"> 1. Enter "Partial disallowance per Establishment Date filter met" in CII case notes. 2. Complete a TC 29X adjustment in Blocking Series 18 (or 00 if the original return is attached) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX. 3. Send Letter 106C per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>, and insert the following text in an open paragraph: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business was established after December 31, 2021."
The Form 94XX also reports other unallowable changes	<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Enter "Full disallowance per Establishment Date filter met" in CII case notes. 2. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim. 3. Send Letter 105C per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>. Insert the following text in an open paragraph and insert appropriate text in a second open paragraph to address the reason other items are being disallowed: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business was established after December 31, 2021."

If	Then
There are no other changes reported on the Form 94XX	Disallow the claim: <ol style="list-style-type: none"> 1. Enter "Full disallowance per Establishment Date filter met" in CII case notes. 2. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim. 3. Send Letter 105C per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in an open paragraph: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business was established after December 31, 2021."

(7) **Both No W-2 and Establishment Date filters met:**

If	Then
The Form 94XX also reports other changes which meet CAT-A criteria when considered separately	<ul style="list-style-type: none"> • Refer the case to CAT-A as usual. • State in the case notes that both the missing Form W-2 ERC and Establishment Date filters were met but that the other changes reported separately meet CAT-A criteria.
The Form 94XX also reports other allowable changes	<p>Partially disallow the claim:</p> <ol style="list-style-type: none"> 1. Enter "Partial disallowance per No W-2 and Establishment Date filters met" in CII case notes. 2. Complete a TC 29X adjustment in Blocking Series 18 (or 00 if the original return is attached) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX. 3. Send Letter 106C per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>, and insert the following text in two open paragraphs: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021." "Our records show that your business was established after December 31, 2021. Our records also show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees."

If	Then
The Form 94XX also reports other unallowable changes	<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Enter "Full disallowance per No W-2 and Establishment Date filters met" in CII case notes. 2. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim. 3. Send Letter 105C per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>. Insert the following text in two open paragraphs and insert appropriate text in a third (floating) open paragraph to address the reason other items are being disallowed: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021." "Our records show that your business was established after December 31, 2021. Our records also show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees."
There are no other changes reported on the Form 94XX	<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Enter "Full disallowance per No W-2 and Establishment Date filters met" in CII case notes. 2. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim. 3. Send Letter 105C per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>, and insert the following text in two open paragraphs: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021." "Our records show that your business was established after December 31, 2021. Our records also show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees."

21.7.2.7.9
(01-25-2024)
**ERC Voluntary
Disclosure Program
(VDP)**

- (1) As part of an ongoing initiative aimed at combating dubious and inaccurate Employee Retention Credit (ERC) claims, the IRS announced a new Voluntary Disclosure Program (VDP) to help businesses who want to pay back the money they received after filing incorrect ERC claims.
- (2) Employers meeting ERC VDP requirements:
 - Will generally be required to repay 80 percent of the erroneous ERC amount claimed.
 - Will not be required to repay associated overpayment interest allowed when erroneously claimed ERC was recorded by the IRS.
 - Will not be charged penalties and interest otherwise associated with the erroneous ERC claimed if the required amount is paid in full when due.
- (3) To apply for ERC VDP consideration, employers are required to file Form 15434, *Application for Employee Retention Credit Voluntary Disclosure Program*.

Note: The deadline for filing Form 15434 is March 22, 2024.

- (4) AM telephone assistants should **not** attempt to assist callers with questions regarding the ERC VDP program. Instead, direct any caller making inquiries regarding the ERC VDP to the IRS website information which may be located by searching for the following topics:
 - “IR-2023-247” or *IRS: New Voluntary Disclosure Program lets employers who received questionable Employee Retention Credits pay them back at discounted rate; interested taxpayers must apply by March 22*
 - *Announcement 2024-03*

Note: Callers can also be informed of the option to leave a voice message with questions via the ERC-VDP hotline (not toll-free) identified in the Form 15434 instructions.

- (5) Accepted ERC VDP requests will be recorded via a tax adjustment on the associated tax account in the amount of 80 percent of the previous erroneous ERC amount claimed.
- (6) Payments made for ERC VDP applications will be posted to the associated tax account(s) for which erroneous ERC claims were filed and processed.

21.7.2.7.10
(04-26-2024)
**Letter Replies for
Non-examined COVID-19
Related Credit Reversal
Compliance Projects**

- (1) SBSE operates a number of filters designed to identify accounts warranting additional scrutiny after COVID-19 related employment tax credits were allowed. For cases so identified, the IRS generally issues a “soft” contact letter requesting additional information to substantiate the previously allowed credit(s). Generally, the letters indicate the IRS may disallow/reverse the credits if sufficient supporting information is not received.
- (2) The subsections which follow provide information for handling responses/inquiries received in AM for the following letters associated with these compliance workstreams:

Letter	TXMOD May Reflect Activity Code
Letter 6327	"TUCMPLT"
Letter 6328	"COVIDTU"
Letter 6348	"COVIDTU"
Letter 6378	"WF4LTR6378", or "WF5LTR6378", or "WF6LTR6378"
Letter 6379	"WF4LTR6379", or "WF5LTR6379", or "WF6LTR6379"
Letter 6362, or Letter 6362-A	"CVDGEMMDD"
Letter 6507	"WF7SFL1I"
Letter 6530	"18BRSBQ4"
Letter 6531	"18BRSBQ2"
Letter 6552	"ZEROFTDCVD"
Letter 6554	"SFLCRDT22"
Letter 6577	"ERCRCPTR"

Note: The letter issued is also generally recorded on ENMOD. If the modules on which the letter/activity code/adjustment dropped off of IDRS, and the taxpayer is not able to identify a specific letter sent prior to a credit reversal having been recorded, it will be necessary to pose probing questions to the caller to verify which letter was sent. If it cannot be determined which letter was sent, advise the taxpayer to respond in writing to the notice or letter which prompted their call.

- (3) Reversals of credits pursuant to these workstreams are completed with TC 29X adjustments via ADJ54. IDRS prefix numbers associated with the input of these adjustments may include "04606", "04636", "04634", and "04693".

Note: SBSE initiated a programming request for validation of TC 971 closing code 804 for use in identifying adjustments they made/make pursuant to these workstreams. Tentatively, SBSE expects to initiate a recovery effort to enter the TC 971 transactions on all previously processed adjustment cases once functionality is delivered (currently expected to be operational in early July of 2024). This IRM will be updated with more information on this topic once the TC 971 closing code functionality has been delivered by IT.

21.7.2.7.10.1
(04-26-2024)

**Letter 6327, Letter 6328,
Letter 6348, Letter 6378,
and Letter 6379 Replies**

- (1) Workstream name: **True-Up Workstreams**

(2) *Letter 6327, Letter 6328, Letter 6348, Letter 6378, or Letter 6379* is sent to employers who received an advanced payment of COVID related employment tax credit(s) as requested on Form 7200 but who did not properly reconcile the advance payment amount(s) received when they subsequently filed the related Form 941. Filing scenarios where these letters may be issued include:

- **Letter 6327:** Issued as a closing letter on accounts for which Letter 6348 (discussed below) was issued. (TXMOD may reflect activity code "TUCMPLT".)
- **Letter 6328:** Third Party Payer (TPP) advance payment recipient (i.e., aggregate employment tax return filer) filed their corresponding employment tax return but did not attach Schedule R as required. (TXMOD may reflect activity code "COVIDTU".)
- **Letter 6348:** Employer advance payment recipient or Third Party Payer (TPP) advance payment recipient (i.e., aggregate employment tax return filer) filed their corresponding employment tax return but the COVID related credit advance does not reconcile. (TXMOD may reflect activity code "COVIDTU".)
- **Letter 6378:** Employer advance payment recipient has not filed the corresponding employment tax return. (TXMOD may reflect activity code "WF4LTR6378", "WF5LTR6378", or "WF6LTR6378")
- **Letter 6379:** Third Party Payer (TPP) advance payment recipient (i.e., a client firm) indicated that their wages were reported on an employment tax return filed by the TPP (i.e., aggregate employment tax return filer) but the taxpayer is not listed on the associated Schedule R. (TXMOD may reflect activity code "WF4LTR6379", "WF5LTR6379", or "WF6LTR6379".)

Note: Incorrect credits claimed could include non-refundable and/or refundable portions of ERC, COBRA Premium Assistance Credit, and/or Credit for Qualified Sick and Family Leave Wages.

Note: Additional information on reconciliation of advance payments of employment tax credits can be found in (6) and (7) of IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, and in IRM 21.7.2.7.5.4, *Reconciliation of Advance Payment Amounts for Aggregate Employment Tax Return Filers*

(3) The following table provides guidance on handling common Letter 6327, Letter 6328, Letter 6348, Letter 6378, and Letter 6379 response inquiries:

If	Then
Taxpayer is referring to a Letter 6327, Letter 6328, Letter 6348, Letter 6378, or Letter 6379 they received (either before or after a credit reversal was completed on the tax account)	<ul style="list-style-type: none"> • Refer the taxpayer to the letter they received for information on the change made to their account and how to resolve any concerns. • As appropriate, share information provided in (2) above to explain the change made to their account.

If	Then
If the taxpayer is referring to a notice of adjustment or balance due notice	<ul style="list-style-type: none"> Advise the taxpayer that they should have received a Letter 6327, Letter 6328, Letter 6348, Letter 6378, or Letter 6379 explaining the change made to their account. Refer the taxpayer to the letter for information on the change made to their account and how to resolve any concerns. As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer disagrees with the letter or notice after the reason for the change to their account is explained	<ul style="list-style-type: none"> Advise the taxpayer to respond as per the instructions in the letter or notice they received. The taxpayer can also be referred to Publication 594, <i>The IRS Collection Process</i>. Advise the taxpayer they can also fully pay the account and file a claim for refund.

Reminder: Response handling will generally benefit from accessing the appropriate letter template (i.e., *Letter 6327*, *Letter 6328*, *Letter 6348*, *Letter 6378*, or *Letter 6379*) for reference purposes.

Note: Inquiries where the taxpayer agrees with a credit reversal (proposed or posted) but has questions or concerns with paying amounts due are to be addressed, as appropriate, per usual handling guidance.

21.7.2.7.10.2
(04-26-2024)

Letter 6362 and Letter 6362-A Replies

- (1) Workstream name: **Government Entity (GE)**
- (2) Letter 6362 or Letter 6362-A is sent to a government entity to advise of credit disallowance due to ineligibility for Employee Retention Credit (ERC) and/or Credit for Qualified Sick and Family Leave Wages.
 - Employers receiving Letter 6362 or Letter 6362-A are government entity employers who were not eligible for the COVID related employment tax credits they claimed on an original or amended employment tax return.
 - The incorrect credits claimed could include non-refundable and/or refundable portions of Employee Retention Credit (ERC) and/or Credit for Qualified Sick and Family Leave Wages.
 - The employer's government entity status is verified with the Federal, State & Local Government (FSLG) operation before Letter 6362 or Letter 6362-A is sent.
 - Generally, any additional information the taxpayer provided in response to the letter was considered in determining the change made to their tax account.
- (3) The following table provides guidance on handling common Letter 6362 and Letter 6362-A response inquiries:

If	Then
Taxpayer is referring to a Letter 6362 or Letter 6362-A they received (either before or after a credit reversal was completed on the tax account)	<ul style="list-style-type: none"> Refer the taxpayer to the Letter 6362 or Letter 6362-A for information on the change made to their account and how to resolve any concerns. As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer is referring to a notice of adjustment or balance due notice	<ul style="list-style-type: none"> Advise the taxpayer that they should have received Letter 6362 or Letter 6362-A explaining the change made to their account and refer the taxpayer to the letter for information on the change made to their account and how to resolve any concerns. As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer disagrees with the letter or notice after the reason for the change to their account is explained	<ul style="list-style-type: none"> Advise the taxpayer to respond as per the instructions in the Letter 6362 or Letter 6362-A or notice they received. The taxpayer can also be referred to Publication 594, <i>The IRS Collection Process</i>. Advise the taxpayer they can also fully pay the account and file a claim for refund.

Reminder: Response handling will generally benefit from accessing the *Letter 6362* or *Letter 6362-A* template for reference purposes.

Note: Inquiries where the taxpayer agrees with a credit reversal (proposed or posted) but has questions or concerns with paying amounts due are to be addressed, as appropriate, per usual handling guidance.

21.7.2.7.10.3

(04-26-2024)

Letter 6507 Replies

(1) Workstream name: **Sick & Family Leave >500**

(2) *Letter 6507* is sent to employers with more than 500 employees who claimed Credit for Qualified Sick and Family Leave Wages in error.

- Employers receiving Letter 6507 were not eligible for the Credit for Qualified Sick and Family Leave Wages they claimed on an original or amended employment tax return because they had more than 500 employees for the period(s) they claimed the credit.
- The incorrect credits claimed could include non-refundable and/or refundable portions of Credit for Qualified Sick and Family Leave Wages.
- Generally, any additional information the taxpayer provided in response to the letter was considered in determining the change made to their tax account.

Note: TXMOD may reflect Activity Code "WF7SFL1I".

(3) The following table provides guidance on handling common Letter 6507 response inquiries:

If	Then
Taxpayer is referring to a Letter 6507 they received (either before or after a credit reversal was completed on the tax account)	<ul style="list-style-type: none"> Refer the taxpayer to the Letter 6507 for information on the change made to their account and how to resolve any concerns. As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer is referring to a notice of adjustment or balance due notice	<ul style="list-style-type: none"> Advise the taxpayer that they should have received Letter 6507 explaining the change made to their account and refer the taxpayer to the letter for information on the change made to their account and how to resolve any concerns. As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer disagrees with the letter or notice after the reason for the change to their account is explained	<ul style="list-style-type: none"> Advise the taxpayer to respond as per the instructions in the Letter 6507 or notice they received. The taxpayer can also be referred to Publication 594, <i>The IRS Collection Process</i>. Advise the taxpayer they can also fully pay the account and file a claim for refund.

Reminder: Response handling will generally benefit from accessing the *Letter 6507* template for reference purposes.

Note: Inquiries where the taxpayer agrees with a credit reversal (proposed or posted) but has questions or concerns with paying amounts due are to be addressed, as appropriate, per usual handling guidance.

21.7.2.7.10.4
(04-26-2024)
Letter 6530 Replies

- (1) Workstream name: **Recovery Startup Business Q4**
- (2) *Letter 6530* is sent to employers who claimed Employee Retention Credit (ERC) in the fourth quarter of 2021 (tax period 202112) but did not identify themselves as an Recovery Startup Business (RSB).
 - The only employers who were eligible to claim ERC in the 4th quarter of 2021 were RSBs.
 - The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.
 - Generally, any additional information the taxpayer provided in response to the letter was considered in determining the change made to their tax account.

Note: TXMOD may reflect Activity Code "18BRSBQ4".

Note: Additional information on Recovery Startup Businesses (RSBs) can be found in (4) of IRM 21.7.2.7.2.3, *Employee Retention Credit (ERC) — The American Rescue Plan Act of 2021 (the ARP) Provisions*, and in (2) of IRM 21.7.2.7.2.4, *Employee Retention Credit (ERC) — Infrastructure Investment and*

Jobs Act (Infrastructure Act) Provisions.

- (3) The following table provides guidance on handling common Letter 6530 response inquiries:

If	Then
Taxpayer is referring to a Letter 6530 they received (either before or after a credit reversal was completed on the tax account)	<ul style="list-style-type: none"> Refer the taxpayer to the Letter 6530 for information on the change made to their account and how to resolve any concerns. As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer is referring to a notice of adjustment or balance due notice	<ul style="list-style-type: none"> Advise the taxpayer that they should have received Letter 6530 explaining the change made to their account and refer the taxpayer to the letter for information on the change made to their account and how to resolve any concerns. As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer disagrees with the letter or notice after the reason for the change to their account is explained	<ul style="list-style-type: none"> Advise the taxpayer to respond as per the instructions in the Letter 6530 or notice they received. The taxpayer can also be referred to Publication 594, <i>The IRS Collection Process</i>. Advise the taxpayer they can also fully pay the account and file a claim for refund.

Reminder: Response handling will generally benefit from accessing the *Letter 6530* template for reference purposes.

Note: Inquiries where the taxpayer agrees with a credit reversal (proposed or posted) but has questions or concerns with paying amounts due are to be addressed, as appropriate, per usual handling guidance.

21.7.2.7.10.5
(04-26-2024)
Letter 6531 Replies

- (1) Workstream name: **Recovery Startup Business Q2**
- (2) *Letter 6531* is sent to employers who claimed Employee Retention Credit (ERC) as a Recovery Startup Business (RSB) for the second quarter of 2021.
 - No employers were eligible to claim ERC on the basis of being an RSB prior to the third quarter of 2021.
 - The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.
 - Generally, any additional information the taxpayer provided in response to the letter was considered in determining the change made to their tax account.

Note: TXMOD may reflect Activity Code "18BRBQ2".

Note: Additional information on Recovery Startup Businesses (RSBs) can be found in (4) of IRM 21.7.2.7.2.3, *Employee Retention Credit (ERC) — The American Rescue Plan Act of 2021 (the ARP) Provisions*, and in (2) of IRM 21.7.2.7.2.4, *Employee Retention Credit (ERC) — Infrastructure Investment and Jobs Act (Infrastructure Act) Provisions*.

(3) The following table provides guidance on handling common Letter 6531 response inquiries:

If	Then
Taxpayer is referring to a Letter 6531 they received (either before or after a credit reversal was completed on the tax account)	<ul style="list-style-type: none"> Refer the taxpayer to the Letter 6531 for information on the change made to their account and how to resolve any concerns. As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer is referring to a notice of adjustment or balance due notice	<ul style="list-style-type: none"> Advise the taxpayer that they should have received Letter 6531 explaining the change made to their account and refer the taxpayer to the letter for information on the change made to their account and how to resolve any concerns. As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer disagrees with the letter or notice after the reason for the change to their account is explained	<ul style="list-style-type: none"> Advise the taxpayer to respond as per the instructions in the Letter 6531 or notice they received. The taxpayer can also be referred to Publication 594, <i>The IRS Collection Process</i>. Advise the taxpayer they can also fully pay the account and file a claim for refund.

Reminder: Response handling will generally benefit from accessing the *Letter 6531* template for reference purposes.

Note: Inquiries where the taxpayer agrees with a credit reversal (proposed or posted) but has questions or concerns with paying amounts due are to be addressed, as appropriate, per usual handling guidance.

21.7.2.7.10.6
(04-26-2024)

Letter 6552 Replies

- (1) Workstream name: ***New – FTD Zero**
- (2) *Letter 6552* is sent to employers who made Federal Tax Deposits (FTDs) and claimed refundable Employee Retention Credit (ERC), COBRA Premium Assistance Credit, and/or Credit for Qualified Sick and Family Leave Wages but did not report any FTDs on their associated employment tax return.
 - The incorrect credits claimed could include refundable portions of ERC, COBRA Premium Assistance Credit, and/or Credit for Qualified Sick and Family Leave Wages.

- Generally, any additional information the taxpayer provided in response to the letter was considered in determining the change made to their tax account.

Note: TXMOD may reflect Activity Code “ZEROFTDCVD”.

- (3) The following table provides guidance on handling common Letter 6552 response inquiries:

If	Then
Taxpayer is referring to a Letter 6552 they received (either before or after a credit reversal was completed on the tax account)	<ul style="list-style-type: none"> • Refer the taxpayer to the Letter 6552 for information on the change made to their account and how to resolve any concerns. • As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer is referring to a notice of adjustment or balance due notice	<ul style="list-style-type: none"> • Advise the taxpayer that they should have received Letter 6552 explaining the change made to their account and refer the taxpayer to the letter for information on the change made to their account and how to resolve any concerns. • As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer disagrees with the letter or notice after the reason for the change to their account is explained	<ul style="list-style-type: none"> • Advise the taxpayer to respond as per the instructions in the Letter 6552 or notice they received. • The taxpayer can also be referred to Publication 594, <i>The IRS Collection Process</i>. • Advise the taxpayer they can also fully pay the account and file a claim for refund.

Reminder: Response handling will generally benefit from accessing the *Letter 6552* template for reference purposes.

Note: Inquiries where the taxpayer agrees with a credit reversal (proposed or posted) but has questions or concerns with paying amounts due are to be addressed, as appropriate, per usual handling guidance.

21.7.2.7.10.7
(04-26-2024)
Letter 6554 Replies

- (1) Workstream name: **TY22 Sick & Family Leave**
- (2) *Letter 6554* is sent to employers who claimed Credit for Qualified Sick and Family Leave Wages on a 2022 or 2023 original or amended employment tax return and claimed the same credit on a 2020 or 2021 tax return.
- Credit for Qualified Sick and Family Leave Wages is only allowable in association with payments for leave taken after March 31, 1, 2020 and before October 1, 2021.

- Letter 6554 instructs the employer to review their records to ensure they were entitled to the credits claimed based on qualified wages paid for leave taken in 2020 and/or 2021 but claimed on a 2022 or 2023 return.
- The incorrect credits claimed could include non-refundable and/or refundable portions of Credit for Qualified Sick and Family Leave Wages.
- The credit(s) on the account are only reversed if the employer responds to the letter and agrees they were not eligible for the amount(s) claimed. Letter 6554 includes a page showing amounts claimed along with signature lines to obtain consent for reversal of credit(s).

Note: TXMOD may reflect Activity Code “SFLCRDT22”.

Note: Additional information on timeframes for claiming Credit for Qualified Sick and Family Leave Wages can be found in IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*.

- (3) The following table provides guidance on handling common Letter 6531 response inquiries:

If	And	Then
Taxpayer is referring to a Letter 6554 they received (either before or after a credit reversal was completed on the tax account)		<ul style="list-style-type: none"> • Refer the taxpayer to the Letter 6554 for information on the change made to their account and how to resolve any concerns. • As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer is referring to a notice of adjustment or balance due notice		<ul style="list-style-type: none"> • Advise the taxpayer that they should have received Letter 6554 explaining the change made to their account and refer the taxpayer to the letter for information on the change made to their account and how to resolve any concerns. • As appropriate, share information provided in (2) above to explain the change made to their account.
If the taxpayer disagrees with the letter or notice after the reason for the change to their account is explained	A credit reversal transaction has not been posted to the account	<ul style="list-style-type: none"> • Advise the taxpayer that as per the instructions in the Letter 6554 they are not required to respond to the letter if the credit amount(s) they claimed were correct. • If the taxpayer wishes to respond, direct the taxpayer to submit their response via the fax line identified in the letter.

If	And	Then
If the taxpayer disagrees with the letter or notice after the reason for the change to their account is explained	A credit reversal transaction is pending or has posted to the account	<ul style="list-style-type: none"> Advise the taxpayer to respond as per the instructions in the Letter 6554 or notice they received. The taxpayer can also be referred to Publication 594, <i>The IRS Collection Process</i>. Advise the taxpayer they can also fully pay the account and file a claim for refund.

Reminder: Response handling will generally benefit from accessing the *Letter 6554* template for reference purposes.

Note: Inquiries where the taxpayer agrees with a credit reversal (proposed or posted) but has questions or concerns with paying amounts due are to be addressed, as appropriate, per usual handling guidance.

21.7.2.7.10.8
(04-26-2024)
Letter 6577 Replies

- (1) *Letter 6577* is issued for three workstreams. The *Letter 6577* template includes three selective paragraphs which correspond to the three workstreams.
- (2) Workstream name: **2020 ERC Exceeds Computed ERC - based on W2 Counts**
 - Letter 6577 with selective paragraph 1 is sent to employers who claimed too much Employee Retention Credit (ERC) based on the count of 2020 Forms W-2 filed.
 - Employers receiving Letter 6577 with selective paragraph 1 claimed ERC on a 2020 original or amended employment tax return but the amount of ERC claimed exceeded the \$5,000 per employee limitation for the year.
 - The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.
 - Generally, any additional information the taxpayer provided in response to the letter was considered in determining the change made to their tax account.

Note: TXMOD may reflect Activity Code "ERCRCPTR".

- (3) Workstream name: **2020 ERC Exceeds Computed ERC – based on 50% (reported ERC wages + ERC health care expenses)**
 - Letter 6577 with selective paragraph 2 is sent to employers who claimed too much Employee Retention Credit (ERC) based on 50 percent of (reported ERC wages + ERC health care expenses).
 - Employers receiving Letter 6577 with selective paragraph 2 claimed the ERC on a 2020 original or amended employment tax return but the amount of ERC claimed exceeded 50 percent of reported ERC wages and ERC health care expenses.
 - The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.

- Generally, any additional information the taxpayer provided in response to the letter was considered in determining the change made to their tax account.

Note: TXMOD may reflect Activity Code “ERCRCPTR”.

(4) Workstream name: **2020 ERC Wages + Sick & Family Leave wages exceed total compensation for 2020. ERC wages reduced which results in ERC reduction**

- Letter 6577 with selective paragraph 3 is sent to employers who claimed too much ERC based on the amount of total compensation they reported.
- Employers receiving Letter 6577 with selective paragraph 3 claimed ERC on a 2020 original or amended employment tax return but the ERC wages plus sick and family leave wages exceeds total compensation. ERC wages were reduced which results in a reduction to allowable credit amounts.
- The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.
- Generally, any additional information the taxpayer provided in response to the letter was considered in determining the change made to their tax account.

Note: TXMOD may reflect Activity Code “ERCRCPTR”.

(5) The following table provides guidance on handling common Letter 6577 response inquiries:

If	Then
Taxpayer is referring to a Letter 6577 they received (either before or after a credit reversal was completed on the tax account)	<ul style="list-style-type: none"> • Refer the taxpayer to the Letter 6577 for information on the change made to their account and how to resolve any concerns. • As appropriate, share information provided in (2), (3), or (4) above to explain the change made to their account.
If the taxpayer is referring to a notice of adjustment or balance due notice	<ul style="list-style-type: none"> • Advise the taxpayer that they should have received Letter 6577 explaining the change made to their account and refer the taxpayer to the letter for information on the change made to their account and how to resolve any concerns. • As appropriate, share information provided in (2), (3), or (4) above to explain the change made to their account.

If	Then
If the taxpayer disagrees with the letter or notice after the reason for the change to their account is explained	<ul style="list-style-type: none"> Advise the taxpayer to respond as per the instructions in the Letter 6577 or notice they received. Advise the taxpayer the IRS will consider late submissions of information supporting the amounts claimed. Additional information should be submitted via the fax line identified in the letter. The taxpayer can also be referred to Publication 594, <i>The IRS Collection Process</i>. Advise the taxpayer they can also fully pay the account and file a claim for refund.

Reminder: Response handling will generally benefit from accessing the *Letter 6577* template for reference purposes, keeping in mind the use of the three separate selective paragraphs for the related three workstreams.

Note: Inquiries where the taxpayer agrees with a credit reversal (proposed or posted) but has questions or concerns with paying amounts due are to be addressed, as appropriate, per usual handling guidance.

21.7.2.8

(05-22-2023)

**Deferred Payment of
Social Security Taxes for
2020**

- (1) Two COVID-related relief provisions allowed certain employers to defer some deposits and payments of social security and Tier 1 railroad retirement taxes otherwise due for 2020:
 - Section 2302 of P.L. 116-136, *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, allowed **all employers** to defer the deposit and payment of the employer's share of social security taxes and certain railroad retirement taxes. See IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, for more information.
 - Guidance provided in Notice 2020-65, issued after a related Presidential Memorandum was signed by the President on August 8, 2020, allowed employers to defer the withholding and payment of employee's share of social security taxes for certain employees. Subsequently, Section 274 of the *COVID-related Tax Relief Act of 2020*, (enacted as Subtitle B of the *Consolidated Appropriations Act, 2021* (P.L. 116-260)) further extended the due date for payment of these deferred amounts. See IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information.
- (2) The subsections which follow provide additional background and handling guidance for processing taxpayer paper and phone inquiries related to deferred payment of social security taxes including Forms 94XX requesting changes to deferred social security tax amounts or for accounts on which a reversed or unreversed CRN 280 amount is present.
- (3) **Specialization of BMF deferred payment of social security tax inquiries and cases within AM.** BMF deferred payment of social security tax inquiries and cases received within AM will be handled by designated employees (only) who have received training on the IRM procedures which follow. This includes inquiries and cases for which deferred payment of social security taxes is the

specific issue to be addressed and for other inquiries and cases regarding accounts reflecting a reversed or unreversed CRN 280 amount.

- **BMF phone inquiries received in AM** regarding deferred payment of social security taxes for 2020, or for 2020 tax accounts reflecting a reversed or unreversed CRN 280 amount, will be addressed on **App 40**.
- **BMF paper cases** (scanned into CII) received in AM by employees not designated and trained to work deferred payment of social security tax issues, including accounts reflecting a reversed or unreversed CRN 280 amount, are to be recontrolled with activity code "ET-DEFPAYT" and reassigned to either IDRS number **0230265068** (CAMC) or **0430477615** (OAMC) as appropriate.

Note: Employees who are designated to work cases described above are **not** required to update the cases with the specified activity codes.

Reminder: See (11) in IRM 21.7.2.7, *COVID-19 Related Employment Tax Relief*, for instructions on controlling paper cases involving COVID-related credits (Employee Retention Credit (ERC), Credit for Qualified Sick and Family Leave Wages, and COBRA Premium Assistance Credits).

21.7.2.8.1
(11-16-2021)

**Deferred Payment of
Employer's Share of
Social Security Taxes for
2020**

- (1) Section 2302 of P.L. 116-136, *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, allows **all employers** to defer the deposit and payment of the employer's share of social security taxes and certain railroad retirement taxes.

Note: Under the CARES Act, employers that received a Paycheck Protection Program (PPP) loan were prohibited from deferring deposit and payment of the employer's share of social security tax after the receipt of the lender's decision forgiving all or a portion of the loan. However, the relevant CARES Act provision was repealed with enactment of the Paycheck Protection Program Flexibility Act of 2020 (PPP Flexibility Act) on June 5, 2020. Accordingly, the impacted employers were subsequently permitted to defer applicable social security taxes.

Note: Self-employed individuals may defer the payment of 50 percent of the social security tax on net earnings from self-employment income.

- (2) The deferral applies to deposits and payments of the employer's share of social security tax that would otherwise be due on or after March 27, 2020, and before January 1, 2021 (i.e., the "payroll tax deferral period"), as well as deposits and payments due after December 31, 2020 that are required for wages paid during the quarter ending on December 31, 2020.
- (3) Employment tax forms were revised to administer the deferred payment of employer's share of social security tax:
- Form 941 was revised beginning with the second quarter of 2020. The amount of the employer's share of social security tax that the taxpayer is deferring for the quarter is entered on Line 13b of Form 941 (and posts as a TC 766 with CRN 280).

Caution: Deferrals of employee's share of social security taxes under Notice 2020-65 provisions are also being reported on Line

13b of Form 941. The amount reported on Line 13b will be the total of the deferrals of both the employer's share and the employee's share of social security taxes. See IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020* and IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

- Due to timing matters, the first quarter 2020 Form 941 could not be revised to include a line for reporting amounts due on or after March 27, 2020 for which payment could be deferred. See IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*, for guidance on handling taxpayer inquiries with regards to that topic.
- Annual employment tax forms and instructions were also revised to enable reporting deferred payment amounts.

Note: Employers reporting employment taxes on Schedule H with Form 1041 (MFT 05) were permitted to defer payment of employer's share of social security taxes. See the third and fourth rows of the table in (3) of IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*, for MFT 05 deferral handling.

Caution: In no case will employers be required to make a special election to be able to defer deposits and payments of these employment taxes. Form 94XX adjusted returns include lines for making corrections but a Form 94XX is not required to make a social security tax deferral request that was omitted from an original return.

(4) For purposes of completing original employment tax returns, form instructions indicated the maximum amount of employer's share of social security taxes that could be deferred each quarter was the lesser of:

- The employer's share of social security tax; or,
- Total taxes after adjustments (from Line 10 of Form 941) **less** any amount of QSB Research Credit (from Line 11a of Form 941) and **less** total deposits made for the quarter (from Line 13a of Form 941).

Reminder: Qualified sick and family leave wages paid for periods of leave taken after March 31, 2020 and before April 1, 2021 aren't subject to the employer share of social security tax (or the equivalent portion of the Tier 1 RRTA tax). Therefore, employers cannot include the employee social security taxes reported on lines 5a(i) and 5a(ii) on 2020 employment tax returns in determining amounts for which payment can be deferred.

Note: Employers do not reduce the maximum amount for which payment can be deferred by any amounts of non-refundable credits reported on Line 11a, Line 11b, or Line 11c of Form 941.

(5) Generally, the employer's share of social security tax is 50 percent of column 2, Line 5a of Form 941 plus 50 percent of column 2, Line 5b of Form 941.

However, the maximum amount that can be deferred is modified for certain third-party payers of sick pay and employers reporting Section 3121(q) Notice and Demand amounts:

- Third-party payers of sick pay who aren't an agent (e.g., an insurance company) must reduce the amount of the employer's share of social security tax reported on line 5a by any adjustment taken on Form 941, Line 8 for the employer share of social security tax transferred to their client to determine the maximum amount of tax for which payment can be deferred.
 - Employers who receive a Section 3121(q) Notice and Demand for tax due on unreported tips (Letter 3263 or Letter 4520) must report the amount for the employer share of social security tax and Medicare tax on Form 941, Line 5f. The employer's share of social security tax is shown on an attachment to Letter 3263 or Letter 4520 and payment for that amount can be deferred.
- (6) An employer that is eligible to claim the refundable Credit for Qualified Sick and Family Leave Wages (see IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages*) or the Employee Retention Credit (see IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*) can defer its deposit and payment of the employer's share of social security tax prior to determining the amount of employment tax deposits that it may retain in anticipation of these credits, the amount of any advance payments of these credits, or the amount of any refunds with respect to these credits.

Note: The ability to defer deposits of the employer's share of social security tax is in addition to the relief provided in *Notice 2020-22*. (*Notice 2020-22* provides relief from the failure to deposit penalty for not making deposits of employment taxes, including taxes withheld from employees, in anticipation of the Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit.)

- (7) The deferred amount of the employer's share of social security tax is a deferral of deposits and payments, **not** a deferral of liability. Accordingly, employers can't retroactively defer payment of taxes in order to receive a refund or credit of any amount of the employer's share of social security tax that was already deposited or paid for a quarter (unless such refund is with respect to the non-refundable portion of the credit for qualified sick and family leave wages reported on line 11(b) or the employee retention credit reported on line 11(c)). **However**, employers who deferred payment of taxes and subsequently paid all or part of those taxes (either before or after the return filing date), but failed to properly report the amount of deferred social security taxes on their employment tax return **may** request that the deferred social security tax amounts be recorded on their tax account in order to receive appropriate consideration for penalty and interest purposes. In those cases, the amount of the deferred social security taxes (up to the maximum deferrable amount) will be recorded but the account will also be systemically or manually updated to ensure no refund is issued (and no offsets generated) for the previous payment(s) of deferred taxes.
- (8) The Service is administering deferred payments of employer's share of social security taxes for 2020, as well as deferrals of employee's share of social security taxes under Notice 2020-65 provisions (see IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes*

for 2020) by posting CRN 280 “credit” transactions to impacted employment tax accounts and then reversing them, in part or in full, as of appropriate effective dates. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

Caution: Although a CRN is being used for this purpose, amounts posted with CRN 280 do **NOT** represent a refundable credit. Rather, CRN 280 amounts are a “false” credit solely used for the tax administrative purpose of “masking” balances owing specifically attributable to deferred payment amounts **until** the earlier of payment being made or the due dates for payment.

(9) Amounts of employer’s share of social security taxes eligible to be deferred must be paid by the following dates (i.e. “applicable dates”) in order to avoid late payment or federal tax deposit penalties:

- 50 percent of the maximum amount of taxes that could be deferred for each calendar quarter is due on or by December 31, 2021.
- The remaining 50 percent of the maximum amount of taxes that could be deferred for each calendar quarter is due on or by December 31, 2022.

Note: Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date and payments made by January 3, 2023 will be considered timely for the December 31, 2022 payment due date.

(10) With regards to required payment(s) of deferred social security tax amounts:

- As a courtesy, the IRS will issue CP 256V (and Spanish version CP 956V) reminder notices for BMF accounts reflecting deferred social security tax amounts remaining due shortly before the December 31, 2021 and December 31, 2022 due dates.
- For information on how amounts due for the respective due dates are computed and for information on responding to taxpayer inquiries on that topic, see IRM 21.7.2.8.4, *Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM*.
- For information on how payments of deferred social security tax should be made by employers, see IRM 21.7.2.8.5, *Deferred Social Security Tax Amount — Guidance on Making Payments*.
- For information on how the computer treats overpayments on tax modules with recorded social security tax deferral amounts, see IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*.

(11) For information on handling common phone and correspondence contacts relating to deferral of social security taxes, see IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*.

(12) For information on handling Forms 94XX requesting changes to deferred social security tax amounts or for accounts on which a reversed or unreversed CRN 280 amount is present, see IRM 21.7.2.8.13, *Form 94XX — Adjusting*

Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts.

21.7.2.8.2
(11-16-2021)

**Notice 2020-65 —
Deferred Payment of
Employee's Share of
Social Security Taxes for
2020**

- (1) This subsection provides information specific to the administration of deferrals of employee's share of social security taxes for 2020. This relief was in addition to deferral of employer's share of social security taxes. Accordingly, addressing employee's share social security tax deferral inquiries/issues will usually require familiarity with the general information found in IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, and the application of specific guidance found throughout the subsections which follow.
- (2) On August 8, 2020, the President issued a *Presidential Memorandum* directing the Secretary of the Treasury to use his authority pursuant to Section 7508A of the Internal Revenue Code to defer the withholding, deposit, and payment of certain payroll tax obligations.
 - As specified in *Notice 2020-65*, the Secretary determined that employers required to withhold social security taxes or the equivalent portion of Tier 1 railroad retirement taxes (RRTA) from wages paid to employees were affected taxpayers for purposes of the relief described in the Presidential Memorandum and in *Notice 2020-65*.
 - As provided for in *Notice 2020-65*, if an employee's wages paid during the period beginning on September 1, 2020 and ending on December 31, 2020 were less than \$4,000 in any bi-weekly pay period (or the equivalent threshold amount for other pay period intervals), the due date for withholding and payment of the employee's share of social security or the equivalent portion of Tier 1 railroad retirement taxes (RRTA) on applicable wages was postponed until the period beginning on January 1, 2021 and ending on April 30, 2021. The social security tax deferral eligibility determination for an employee was made on a pay period-by-pay period basis for wages paid during the period beginning on September 1, 2020 and ending on December 31, 2020.
 - Subsequently, Section 274 of the *COVID-related Tax Relief Act of 2020*, (enacted as Subtitle B of the *Consolidated Appropriations Act, 2021* (P.L. 116-260)) **extended the due date** for payment of these deferred amounts to December 31, 2021. The IRS issued *Notice 2021-11* providing further guidance on this topic.
 - Employers must withhold the total taxes deferred under *Notice 2020-65* ratably from wages and compensation paid between January 1, 2021 and December 31, 2021. If necessary (e.g., employment ends for an effected individual), the employer may make arrangements to otherwise collect the total applicable taxes from the employee.
 - If the employer does not fully pay taxes that were deferred by December 31, 2021, applicable interest, penalties, and additions to tax will begin to accrue on the unpaid amounts on January 1, 2022.

Note: Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date.

- (3) As a courtesy, the IRS will issue CP 256V (and Spanish version CP 956V) reminder notices for BMF accounts reflecting deferred social security tax amounts remaining due shortly before the December 31, 2021 and December

31, 2022 due dates. Amounts of any unpaid deferred employee's share of social security taxes will not be shown separately on the first reminder notice but will instead be included in the total amount showing as due along with any amounts of unpaid deferred employer's share social security taxes.

Note: A second reminder notice will not be issued if the amount of deferred payments recorded on an account consists entirely of employee's share of social security taxes.

- (4) The Service is administering deferred payments of employee's share of social security taxes for 2020, as well as deferrals of employer's share of social security taxes under Section 2302 of the CARES Act (see IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*) by posting CRN 280 "credit" transactions to impacted employment tax accounts and then reversing them, in part or in full, as of appropriate effective dates. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

Caution: Although a CRN is being used for this purpose, amounts posted with CRN 280 do **NOT** represent a refundable credit. Rather, CRN 280 amounts are a "false" credit solely used for the tax administrative purpose of "masking" balances owing specifically attributable to deferred payment amounts **until** the earlier of payment being made or the due dates for payment.

- (5) Form 941 was revised for third and fourth quarters of 2020 to enable employers to report deferred amounts of employee's share of social security taxes.
- Taxpayers were instructed to include deferred amounts of employee's share of social security taxes on Line 13b combined with any amount for deferred payment of employer's share of social security taxes (i.e., a single CRN 280 amount will be posted for both amounts).
 - Taxpayers were also instructed to enter the amount of deferred employee's share of social security taxes on Line 24 of Form 941. The figure entered by the taxpayer on Line 24 will be used by the IRS in combination with the Line 13b entry to determine the amounts due on the respective due dates for employee's share deferral amounts (December 31, 2021) and employer's share deferral amounts (December 31, 2021 and December 31, 2022) reported as a total figure on Line 13b.
- (6) Due to timing issues, field displays on TXMOD and BMFOL could not be updated to reflect the re-purposing of Line 24 of Form 941 as described above until January of 2021 (i.e., 2020 end of year conversion). (See IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for discussion of TC 970 transactions and new data field displays.) IRS employees must take care to correctly interpret field names and values when analyzing tax accounts, making adjustments, and interacting with callers. The following table illustrates how figures from Line 24 of Form 941 correlate to field name displays on TXMOD and BMFOL before and after 2020 end of year conversion:

Tax Period	Form 941, Line 24 Description	TC 970 Field Name (through December of 2020)	TXMOD Posted Return Information Display (beginning January 2021)	BMFOLR Display (beginning January 2021)
202006	Qualified wages paid March 13 through March 31, 2020, for the employee retention credit	QLFY-EMPL-MARCH-WG-PD-AMT	EMP-MARCHWG-PD	QLF EMP MARCH WG
202009 - 202012	Deferred amount of the employee share of social security tax included on line 13b	QLFY-EMPL-MARCH-WG-PD-AMT (202009 only, TC 970 was not used for 202012 field/value recordation)	N/A If reported, constitutes a portion of the CRN 280 transaction amount(s) reflected on TXMOD (and BMFOLT). If an adjustment for this item is necessary, see BMFOLR for the separately recorded amount.	DEFR EE FICA AMT

Note: IRN 208 will be used to adjust the fields described above for all three referenced tax periods. Programming will “point” any IRN 208 change to the correct field based on the tax period associated with input and alter the field value appropriately. See the table in (2) of IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for more information on IRN usage for 2020 Form 941.

- (7) The table that follows provides guidance for handling some common inquiries related to deferral of employee’s share of social security taxes for 2020:

If	Then
A taxpayer contacts the Service with questions regarding the Presidential Memorandum, Notice 2020-65, or deferral of employee social security taxes (or Tier 1 railroad retirement taxes)	Refer the caller to <i>Notice 2020-65</i> and advise them to monitor the irs.gov website at <i>Coronavirus Tax Relief for Businesses and Tax-Exempt Entities</i> for any additional guidance.
If a taxpayer asks if the relief provided in Notice 2020-65 was optional	Advise the taxpayer as follows: <ul style="list-style-type: none"> • Notice 2020-65 provides employers with relief under section 7508A of the Internal Revenue Code. • The relief allowed employers to postpone the due date for the withholding and payment of the employee share of social security tax (or the equivalent portion of the Tier 1 RRTA tax) on certain wages. • Like all relief provided under section 7508A, the relief for employers under Notice 2020-65 was optional. • Employers were not required to utilize the relief.
A taxpayer asks if they could permit employees to opt-out or opt-in	Advise the taxpayer as follows: <ul style="list-style-type: none"> • Notice 2020-65 does not address how an employer chooses to implement the relief in Notice 2020-65. • Accordingly, nothing precluded the employer from obtaining employee input on whether to apply the relief to postpone the due date for the withholding and payment of the employee share of social security tax on certain wages or compensation paid to the employee.

If	Then
A taxpayer asks who (employer or employee) pays taxes that were deferred under Notice 2020-65	<p>Advise the taxpayer as follows:</p> <ul style="list-style-type: none"> • Under Notice 2020-65, as modified by the <i>COVID-related Tax Relief Act of 2020</i>, if an employer deferred employee social security taxes (or Tier 1 railroad retirement taxes), the employer must withhold and pay the taxes that were deferred ratably from wages or compensation paid between January 1, 2021 and December 31, 2021. • If the employer is unable to withhold the employee social security taxes (or Tier 1 railroad retirement taxes) that were deferred from the employee's wages or compensation because an employee terminates employment before December 31, 2021, or for another reason, the employer may make other arrangements to collect the deferred taxes from the employee. • The employer is liable to pay the deferred taxes to the IRS and must do so by December 31, 2021 to avoid being charged penalties, interest, or other additions to tax on those amounts. <p>Note: For more information on making payments of deferred social security taxes, see IRM 21.7.2.8.4, <i>Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM</i>, and IRM 21.7.2.8.5, <i>Deferred Social Security Tax Amount — Guidance on Making Payments</i>.</p>

Reminder: See IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, for general information on administration of deferred payment of social security taxes. In particular, see (10), (11), and (12) in that subsection for cross-references to IRM guidance for handling common taxpayer inquiries.

21.7.2.8.3
(11-16-2021)

**Credit Reference
Number (CRN) 280,
Computer Maximum
Deferral Figure, UPC
306-3, and Reason Code
195**

- (1) See IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, and IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for discussion of 2020 social security taxes for which payment can be deferred and associated due dates for payment.
- (2) The Service is administering deferred payments of social security taxes for 2020 by posting CRN 280 / TC 76X "credit" transactions to impacted employment tax accounts and then reversing them, in part or in full, as of appropriate effective dates.
- (3) The figure reported by a taxpayer on Line 13b of Form 941 (or equivalent line on annual employment tax returns) is transcribed (up to the maximum calculated deferral amount) and posted with the original return as a CRN 280 / TC

766 “credit” for the same amount. The recorded amount is adjustable via ADJ54 with an appropriate CRN 280 entry.

- (4) Although a CRN is being used for this purpose, the amounts posted with CRN 280 do **NOT** represent a refundable credit. Rather, CRN 280 amounts are a “false” credit solely used for the tax administrative purpose of “masking” balances owing specifically attributable to deferred payment amounts **until** the earlier of payment being made or the due dates for payment (December 31, 2021 and December 31, 2022 as applicable).
- (5) The posting of CRN 280 and subsequent reversals as of appropriate effective dates ensures that penalty and interest calculations associated with 2020 deferred payment amounts are accurately computed and posted by Masterfile.
- (6) **For penalty and interest purposes (including for FTD penalties):**
 - A systemically generated TC 766 with CRN 280 (including amounts subsequently reversed with a systemic TC 767) is treated as a deposit made on the first day of the tax period to which it is posted.
 - A TC 766 with CRN 280 that is manually entered with a TC 290 transaction (or a TC, 291/300/301) is also treated as a deposit made on the first day of the tax period to which it is posted.
 - A TC 766 with CRN 280 that is manually entered with a TC 298 or TC 299 adjustment is treated as a deposit made on the interest computation date entered with the transaction.
 - A systemically generated TC 767 with CRN 280 is treated as a reversal of the “false credit” as of the 23c date of the posted transaction.
 - A TC 767 with CRN 280 that is manually entered with a TC 298 or TC 299 adjustment is treated as a reversal of the “false credit” as of the interest computation date entered with the transaction.

Note: Command Code AMCLS, used by Exam to record adjustments, is programmed to accept TC 300 and TC 301 transactions accompanied by CRN 280 adjustments but **not** TC 308 or TC 309 transactions with CRN 280 amounts.

- (7) **Assessed Module Balance (AMB) analysis on original return settlement:**

When original return posting analysis is conducted, assessed module balance computations are completed by the computer to ensure that a CRN 280 amount being posted with an original return does not trigger an overpayment condition wherein all or a portion of the CRN 280 deferral “false credit” would incorrectly refund or offset.

 - Although the CRN 280 “false credit” amount posted to record and “mask” amounts of deferred social security taxes is not itself refundable, it can “free up” or “release” other credits that **are** then available for refund or offset. Specifically, net overpayments attributable to the refundable **and** otherwise non-refundable portions of Employee Retention Credit (ERC) and Credit for Qualified Sick and Family Leave Wages **can** be refunded or offset on accounts for which deferred social security tax amounts have been recorded with CRN 280 transactions.
 - To the extent that all or a portion of a CRN 280 amount would otherwise be incorrectly included in the overpayment figure upon settlement, BMF Masterfile will simultaneously post a CRN 280 reversal transaction such that any remaining overpayment upon posting will consist solely of amounts permitted to offset or refund.

- For Form 941, if the assessed module balance (AMB) upon return settlement (not including any unassessed penalty and/or interest accruals) is more than the sum of the posted (unreversed) CRN 296 credit amount, and the CRN 299 credit amount, and the computed Line 11b amount, and the computed Line 11c amount, a CRN 280 reversal (TC 767) will be systemically posted for the excess amount (AMB minus sum of specified items) up to, but not more than, the amount of any posted CRN 280 transaction amount(s).

Example: Original Form 941 for second quarter of 2020 posts and reflects an overpayment of \$1,000, a deferred social security tax amount of \$3,000 and no COVID-related tax credits. In the posting cycle of the TC 150, a TC 766 with CRN 280 will be posted for \$3,000- and a TC 767 with CRN 280 will post in the same cycle for \$1,000 bringing the module balance to zero.

Example: Original Form 941 for third quarter of 2020 posts and reflects an overpayment of \$5,000, a deferred social security tax amount of \$2,000 and a non-refundable ERC credit for \$10,000. In the posting cycle of the TC 150, a TC 766 with CRN 280 will be posted for \$2,000- and the entire overpayment of \$5,000 will refund or offset. No TC 767 with CRN 280 would be posted in this scenario because the amount of the overpayment was less than the amount of COVID-related tax credits.

Example: Original Form 941 for fourth quarter of 2020 posts and reflects an overpayment of \$4,600, a deferred social security tax amount of \$4,000 and a non-refundable Credit for Qualified Sick and Family Leave Wages \$1,600. In the posting cycle of the TC 150, a TC 766 with CRN 280 will be posted for \$4,000-, a TC 767 with CRN 280 will post in the same cycle for \$3,000, and the remaining overpayment of \$1,600 will refund or offset since it is attributable to the COVID credit.

(8) **Assessed Module Balance (AMB) analysis on subsequently overpaid tax modules:** After the posting of an original return with a CRN 280 amount, or the posting of a CRN 280 amount via ADJ54 or an Exam adjustment, the posting of any manual or systemic transaction in a subsequent cycle (i.e., tax adjustment, penalty adjustment, payment application, etc.) which results in the tax module being overpaid will trigger a computer assessed module balance (AMB) analysis to determine if all or part of the overpayment should be applied against the recorded deferred social security tax amount.

- Such applications of overpayments against recorded deferral amounts will be reflected by the systemic posting of a CRN 280 / TC 767 reversal transaction in the same cycle as the triggering event and will carry the 23c date of that cycle as the transaction date of the CRN 280 reversal.
- Overpayments on the account will generally be applied to deferred payment amounts prior to being considered available for refund or offset. However, similar to the analysis routine applied to original returns (as described in the first bullet in (7) above), refundable **and** otherwise non-refundable COVID-related credits **posting in the same cycle** as the transaction generating the overpayment (and thus triggering AMB analysis) **are** refundable to the extent they do not exceed the net over-

payment (i.e., the CRN 280 “false credit” is not itself refundable but can “free up” or “release” other credits that are then available for refund or offset).

- For Form 941, if the assessed module balance (AMB) after posting transactions (not including any unassessed penalty and/or interest accruals) is more than the sum of CRN 296, CRN 299, IRN 202, and IRN 203 credit amounts **posting in the same cycle**, a CRN 280 reversal (TC 767) will be posted for the excess amount (AMB minus sum of specified items) up to, but not more than, the amount of any posted CRN 280.

Exception: A TC 290 transaction with a CRN 280 amount (only) and first position Reason Code (RC) 195 will bypass the described AMB analysis. See discussion of RC 195 in (11) below.

Example: A payment of \$350 is applied to an account, currently in debit balance of \$500, with a posted CRN 280 for \$10,000. After application of the payment, the module will still be in debit balance status and thus will not trigger AMB analysis for purposes of possible CRN 280 reversal.

Example: A payment of \$275 is applied to an account, currently in zero balance, with a posted CRN 280 for \$5,000. Application of the payment will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle the payment posts, a CRN 280 / TC 767 reversal will post for \$275 with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal.

Example: A payment of \$878 is applied to an account, currently in debit balance of \$328, with a posted CRN 280 for \$32,000. When the payment is posted, \$328 will be absorbed by the outstanding balance showing due leaving the account overpaid by \$550 (\$878 less \$328). The overpayment condition will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the payment posting, a CRN 280 / TC 767 reversal will post for \$550 with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal.

Caution: See IRM 21.7.2.8.6.1, *Payments for Balance Due Modules with Recorded Deferral Amounts and Unassessed Accruals of Penalties or Interest*, for a description of a problem with how the computer treats unassessed accrued penalties and interest on accounts with CRN 280 deferral amounts when posting payments and for correction procedures.

Example: A payment of \$8,000 is applied to an account, currently in zero balance, with a posted CRN 280 for \$6,000. Application of the payment will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the payment posting, a CRN 280 / TC 767 reversal will post for \$6,000 with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal. The remaining \$2,000 overpayment will be available for refund or offset.

Example: A TC 650 federal tax deposit for \$2,000 attempts to post to a tax account, currently in zero balance, with a posted CRN 280 for \$120,000.

Before the deposit is posted, FTD rollover analysis is applied which results in the posting of a TC 650 .00 transaction to the module in question and resequencing of the TC 650 to the next succeeding tax module a cycle later. In this instance, the deposit was not posted to the account and thus did not trigger AMB analysis for purposes of possible CRN 280 reversal. If the deposit in question was intended to be a payment towards the recorded deferred social security taxes, it will be necessary to wait until the TC 650 posts to a succeeding tax period and then reapply the deposit/payment manually via a credit transfer.

Example: A TC 291 tax adjustment for \$250 is input to an account, currently in zero balance, with a posted CRN 280 for \$18,000. The tax adjustment consists solely of a withholding tax decrease (for an administrative error) with an IRN 111 in the same amount. Posting of the tax adjustment will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the adjustment posting, a CRN 280 / TC 767 reversal will post for \$250 with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal.

Example: A TC 291 tax adjustment for \$5,000 is input to an account, currently in zero balance, with a posted CRN 280 for \$82,000. The tax adjustment consists of a \$3000 social security tax decrease (IRN 112), an increase to the ERC non-refundable credit in the amount of \$800 (IRN 203), and an increase to the ERC refundable credit in the amount of \$1,200 (CRN 296). Posting of the tax adjustment will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the adjustment posting, a CRN 280 / TC 767 reversal will post for \$3,000 (\$5,000 aggregate tax change less COVID-related non-refundable credit of \$800 and less COVID-related refundable credit of \$1,200) with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal. The remaining \$2,000 overpayment attributable to the COVID credits posting in the same cycle (\$800 plus \$1,200) will be available for refund or offset.

Example: A TC 181 penalty adjustment for \$730 is input to an account, currently in zero balance, with a posted CRN 280 for \$5,700. Posting of the penalty adjustment will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the adjustment posting, a CRN 280 / TC 767 reversal will post for \$730 with the 23c date of the posting cycle as the transaction date of the CRN 280 reversal.

Example: A CRN 280 for \$500 is input to an account in zero balance (with or without a previously posted CRN 280 amount). The posting of the CRN 280 will cause the module to be in overpaid status and will trigger AMB analysis for purposes of possible CRN 280 reversal. In the same cycle as the adjustment posting, a CRN 280 / TC 767 reversal will post for \$500 with the 23c date of the adjustment as the transaction date of the CRN 280 reversal. See (9) below for why this action may be required and represent a correct outcome. Also, see discussion of RC 195 in (13) below.

Caution: If an overpayment consisting in part or whole of COVID-related credits is held beyond the cycle of its posting (e.g., Hold Code 1, 2, or 4 is used) and released for refund or offset in a later cycle, the AMB analysis described above will be triggered in that later cycle but will not be able to identify that the overpayment consisted in part or whole of COVID-related credits. Accordingly, in such cases, the entire overpayment will (incorrectly) be considered by the computer as being available to be applied against recorded deferred social security tax amounts.

- (9) To ensure correct systemic penalty and interest computations, it will often be necessary to manually record a deferred social security tax amount with a CRN 280 even when it is known that the computer will systemically reverse the transaction.

Example: Taxpayer filed their third quarter 2020 Form 941 reflecting unpaid tax of \$500,000 but did not report a deferred social security tax amount on Line 13b. Subsequently, the taxpayer makes payments of \$50,000 and \$100,000 towards the balance due. Later, they contact the IRS and establish that the entire \$500,000 was eligible to be deferred. A CRN 280 / TC 766 will be recorded on the account via ADJ54 for the entire \$500,000 deferred social security tax amount. In the same posting cycle, the computer will systemically post a CRN 280 / TC 767 reversal for \$150,000 equal to the amounts paid (\$50,000 plus \$100,000) with the appropriate reversal effective date. Recording a deferral of \$350,000 (\$500,000 owed less payments of \$150,000) would be an incorrect resolution for the inquiry because it would result in incorrect systemic penalty and interest assessments.

(10) **Deferred tax amounts recorded with unreversed CRN 280 / TC 766 transaction are not subject to systemic offset:**

- The computer is not programmed to apply overpayments arising on other tax forms and tax periods against deferred social security taxes.
- Manual offsets of overpayments on other tax forms and tax periods are **not** to be completed by AM employees **unless** the taxpayer specifically requests such an overpayment to be applied against deferred social security tax amounts.
- Incorrect systemic and manual offsets into modules which erroneously reflected balances due as the result of IRS failure to correctly record deferred social security tax amounts will generally require reversal action when the deferral is subsequently recorded **unless** the taxpayer specifically requests such application of credits against the deferred social security tax amounts to be maintained.

(11) **All reinstatements of CRN 280 deferral amounts must be input manually:**

- The computer is not capable of determining when a systemic CRN 280 reversal was in error and it is not programmed to restore or reinstate a reversed deferral amount even when the specific transaction that triggered a reversal is reversed.
- See IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts* for more information.

(12) **Computer maximum deferral figure and UPC 306-3:**

- The computer is programmed to calculate a maximum deferral figure for tax periods 202006, 202009, and 202012 on Form 941 accounts and for 202012 on annual Form 943, Form 944, and Form CT-1 accounts.
- This figure is used to prevent inadvertently excessive deferred social security tax amounts from being recorded and to assist in systemic determinations of amounts due to be paid as of respective due dates.
- The computer maximum deferral figure is equal to the taxable social security wage figure (Line 5a, Column 1 of Form 941 or as adjusted) plus the taxable social security tips figure (Line 5b, Column 1 of Form 941 or as adjusted) multiplied by 6.2% (.062).
- The computer maximum deferral figure **is not currently displayed** in TXMOD or BMFOL for Form 941, Form 943, Form 944, and Form CT-1 accounts and **is not an adjustable field** via ADJ54 for these tax forms (MFT 01/11/14/09).

Note: This field is adjustable for MFT 05 (**only**) with IRN 211. See the third and fourth rows of the table in (3) of IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*, for MFT 05 deferral handling.

- CRN 280 amounts recorded from original returns which exceed the calculated correction in ERS. #
- Adjustments to CRN 280 amounts which exceed the calculated 306-3 **unless** Reason Code (RC) 195 is present in the first reason code position (see discussion of RC 195 in (13) below). #

Caution: See (5) in IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*. The actual amount of social security taxes an employer is eligible to defer is modified when certain third-party sick pay situations apply and when Section 3121(q) Notice and Demand amounts are reported. The computer maximum deferral figure **does not** account for such modifications.

Caution: See IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*. Although CRN 280 is used for administering both employer and employee share social security tax deferrals, the computer maximum deferral figure **does not** include deferred amounts of employee's share social security taxes.

Note: Transactions unposted with UPC 306-3 will usually require reinput with first position RC 195. See (13) below.

(13) **First position Reason Code (RC) 195 with CRN 280 adjustments:** First position Reason Code 195 was validated for use with CRN 280 adjustments (**only**) on ADJ54 (and AMCLS for use by Exam operations) and has two critical associated functionality features:

1. Use of first position RC 195 with a CRN 280 bypasses the UPC 306-3 unpostable check described in (12) above.
2. Use of first position RC 195 with a CRN 280 bypasses the AMB analysis for purposes of possible systemic CRN 280 reversal described in (8) above for the posting cycle in which the CRN 280 / RC 195 transaction posts (**only**). Unless a suitable hold code is used with the adjustment to

freeze the account, the overpayment will be treated by the computer as being available for refund or offset to other tax modules with open balance due amounts.

Note: There will be occasions when it is necessary to bypass the unpostable condition and occasions when it is necessary to bypass AMB analysis to achieve the correct outcome on the account. Guidance on use of RC 195 with CRN 280 adjustments is found throughout the specific handling procedures which follow. However, the impact of using RC 195 with a CRN 280 transaction must be carefully considered. RC 195 should generally only be used when there are specific instructions in the IRM to do so or when analysis of the account indicates it use is required.

Caution: Incorrect usage of RC 195 with CRN 280 transactions can trigger erroneous offsets/refunds of overpayments that should be applied against recorded social security tax deferral amounts.

Example: A CRN 280 for \$500 is input to an account in zero balance (with or without a previously posted CRN 280 amount) with first position RC 195 and Hold Code 0 or Hold Code 3. The posting of the CRN 280 will cause the module to be in overpaid status. Ordinarily, the overpayment condition would trigger AMB analysis for purposes of possible CRN 280 reversal. However, the RC 195 with the adjustment will result in the computer bypassing CRN 280 AMB reversal analysis. Accordingly, the resulting \$500 overpayment will be available for refund or offset.

Example: A CRN 280 for \$400 is input to an account in zero balance (with or without a previously posted CRN 280 amount) with first position RC 195 and Hold Code 1, 2, or 4. The posting of the CRN 280 will cause the module to be in overpaid status. However, the RC 195 with the adjustment will bypass AMB analysis for purposes of possible CRN 280 reversal. And, because the Hold Code used sets a -K freeze, the \$400 overpayment will remain frozen on the account until some action is taken to release the freeze or otherwise apply the overpayment.

Example: A CRN 280 for \$1,200 is input to an account in zero balance (with or without a previously posted CRN 280 amount) with first position RC 195 and Hold Code 1, 2, or 4. The posting of the CRN 280 will cause the module to reflect an overpayment of \$1,200. However, the RC 195 with the adjustment will bypass AMB analysis for purposes of possible CRN 280 reversal. And, because the Hold Code used sets a -K freeze, the credit will remain frozen as an overpayment on the account. One cycle later, a TC 290 .00 is input to release the -K freeze. Because the account is overpaid, AMB analysis for purposes of possible CRN 280 reversal is triggered with this subsequent adjustment action. A CRN 280 / TC 767 reversal will post for \$1,200 with the 23c date of the adjustment as the transaction date of the CRN 280 reversal.

Example: A CRN 280 for \$18,000 is input to an account in zero balance (with or without a previously posted CRN 280 amount) with first position RC 195 and Hold Code 1, 2, or 4. The posting of the CRN 280 will cause the module to be in overpaid status. However, the RC 195 with the adjustment will bypass AMB analysis for purposes of possible CRN 280

reversal. And, because the Hold Code used sets a -K freeze, the credit will remain frozen as an overpayment on the account. One cycle later, a \$12,000 misapplied payment is transferred from the account to another tax period. Because the account is overpaid after the debit credit transfer transaction is posted, AMB analysis for purposes of possible CRN 280 reversal is triggered with this subsequent account action. A CRN 280 / TC 767 reversal will post for \$6,000 with the 23c date of the debit credit transfer transaction as the transaction date of the CRN 280 reversal.

(14) **CRN 280 reversals for amounts not paid when due.** If the taxpayer does not pay deferred social security tax amounts by the required payment due dates:

- The IRS plans to take action approximately four weeks after the first required payment due date of December 31, 2021 and again after the December 31, 2022 second due date to reverse an amount of posted CRN 280 "credit" equal to the amount due but not paid.
- The CRN 280 reversal transactions posted in these instances will reflect the required payment due date, either December 31, 2021 or December 31, 2022 as appropriate, as the effective transaction date.
- Generally, an FTD penalty equal to 10% of the unpaid deferred social security taxes will be assessed along with the posting of such CRN 280 reversals.
- Other applicable penalties and interest charges will begin to accrue from the applicable payment due date.
- An adjustment notice reflecting the account changes will be issued to the employer when the reversal transaction and any penalty/interest assessments are posted.
- If payment is not timely made for the tax amounts showing due on the adjustment notice, the FTD penalty will be subject to the 15% fourth FTD penalty tier (i.e., additional 5% penalty rate).

Reminder: As a courtesy, the IRS will issue CP 256V (or Spanish version CP 956V) reminder notices for BMF accounts reflecting deferred social security tax amounts remaining due shortly before the December 31, 2021 and December 31, 2022 due dates.

21.7.2.8.4
(11-16-2021)
**Deferred Social Security
Tax Amounts Due on
Respective Payment Due
Dates and Command
Code BMFOLM**

(1) Amounts of **employer's** share of social security taxes eligible to be deferred must be paid by the following dates (i.e. "applicable dates") in order to avoid late payment or federal tax deposit penalties:

- 50 percent of the maximum amount of taxes that could be deferred for each calendar quarter is due on or by December 31, 2021.
- The remaining 50 percent of the maximum amount of taxes that could be deferred for each calendar quarter is due on or by December 31, 2022.

Example: The employer's share of social security tax for the third quarter of 2020 was \$100,000. The employer deferred payment for the full amount and reported \$100,000 on Line 13b of the associated Form 941. The amount due by December 31, 2021 is \$50,000 and the amount due by December 31, 2022 is the remaining \$50,000.

Example: The employer's share of social security tax for the fourth quarter of 2020 was \$160,000. However, the employer timely deposited \$40,000 of em-

employer's share social security taxes during the quarter, only deferred payment for \$120,000, and therefore reported \$120,000 on Line 13b of the associated Form 941. The amount due by December 31, 2022 is \$80,000 (50 percent of the maximum deferral). The amount due by December 31, 2021 is \$40,000 (\$160,000 maximum deferral amount less the \$80,000 due on December 31, 2022 or, from an alternate view point, the \$80,000 otherwise due by that date less the \$40,000 previously deposited).

Example: The employer's share of social security tax for the second quarter of 2020 was \$360,000. However, the employer timely deposited \$300,000 of employer's share social security taxes during the quarter, only deferred payment for \$60,000, and therefore reported \$60,000 on Line 13b of the associated Form 941. No amount remains due to be paid by December 31, 2021 because the amount already deposited exceeds the 50 percent due by that date. The amount due by December 31, 2022 is \$60,000.

Reminder: Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date and payments made by January 3, 2023 will be considered timely for the December 31, 2022 payment due date.

- (2) Employers who deferred payment of **employee's** share of social security taxes are required to withhold (and pay) those deferred taxes ratably from wages and compensation paid to the impacted employees between January 1, 2021 and December 31, 2021. The deferred employee social security taxes must be paid **in full** by December 31, 2021 in order to avoid late payment or federal tax deposit penalties.

Example: The employer defers no employer's share social security taxes for the fourth quarter of 2020 but does defer \$30,000 in employee's share social security taxes. The employer reports the total deferred social security tax amount of \$30,000 on Line 13b of the associated Form 941 (and \$30,000 on Line 24). Payment for the entire \$30,000 amount of deferred tax is due by December 31, 2021.

Example: The employer's share of social security tax for the third quarter of 2020 was \$120,000. The employer deferred payment for the full amount and also deferred payment of \$40,000 of employee's share social security taxes. The employer reports the total deferred social security tax amount of \$160,000 (\$120,000 plus \$40,000) on Line 13b of the associated Form 941 (and \$40,000 on Line 24). The amount due by December 31, 2021 is \$100,000 (\$40,000 employee's share deferred taxes plus \$60,000 of the employer's share deferred taxes) and the amount due by December 31, 2022 is the remaining \$60,000 employer's share deferred taxes.

Reminder: Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date.

- (3) As a courtesy, the IRS will issue CP 256V (and Spanish version CP 956V) reminder notices for BMF accounts reflecting deferred social security tax

amounts remaining due shortly before the December 31, 2021 and December 31, 2022 due dates. Amounts of any unpaid deferred employee's share of social security taxes will not be shown separately on the first reminder notice but will instead be included in the total amount showing as due along with any amounts of unpaid deferred employer's share social security taxes.

- (4) For additional background information and information on how the IRS is administering deferred payments of social security taxes:
 - See IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, for more information on deferral of employer's share of social security taxes.
 - See IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information on deferral of employee's share of social security taxes.
 - See (7), (8), and (14) in IRM 21.7.2.8.3, Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195, for information on the IRS posting of CRN 280 reversals for overpayment conditions when original returns are posted, when payments/overpayments post to accounts with recorded deferred social security tax amounts after original return processing, and when deferred tax amounts are not paid when due.
- (5) Any payment the employer makes before December 31, 2021, including payments or deposits made before the return is due to be filed and overpayments (except for amounts attributable to COVID-related credits) that becomes available on the account is first applied against the deferred amount due on December 31, 2021 (employee share deferred social security tax amounts first and then employer share deferred social security tax amounts) and then applied against the deferred amount due on December 31, 2022.

Example: See first example in (1) above. The amount due by December 31, 2021 is \$50,000 and the amount due by December 31, 2022 is the remaining \$50,000. On July 7, 2021, the employer pays \$30,000 towards the deferred taxes. After the payment is applied, the remaining amount due by December 31, 2021 is \$20,000 and the remaining amount due by December 31, 2022 is \$50,000.

Example: See second example in (1) above. The amount due by December 31, 2021 is \$40,000 and the amount due by December 31, 2022 is \$80,000. On August 19, 2021, the employer makes a payment of \$75,000 towards the deferred taxes. After the payment is applied, no amount remains due by December 31, 2021 and \$45,000 remains due as of December 31, 2022.

Example: See second example in (2) above. The amount due by December 31, 2021 is \$100,000 (\$40,000 employee's share deferred taxes plus \$60,000 of the employer's share deferred taxes) and the amount due by December 31, 2022 is the remaining \$60,000 employer's share deferred taxes. On September 18, 2021, the employer pays \$18,000 towards the deferred taxes. After the payment is applied, the remaining amount due by December 31, 2021 is \$82,000 (\$22,000 employee's share deferred taxes plus \$60,000 of the employer's share deferred taxes) and \$60,000 remains due by December 31, 2022.

- (6) **Command Code BMFOL with definer “M”** currently displays three field values with regards to unpaid amounts of deferred social security taxes:
- “UNPAID EMPLOYEE SHARE OF SS TAX DUE BY 12/31/2021”
 - “UNPAID DEFERRED SOCIAL SECURITY TAX DUE BY 12/31/2021”
 - “UNPAID DEFERRED SOCIAL SECURITY TAX DUE BY 12/31/2022”
- (7) Employers may contact the IRS for information about amounts of deferred social security taxes due prior to receiving reminder notices. **BMFOLM field displays are to be used whenever possible in responding to phone and paper inquiries about deferred social security tax amounts due as of respective due dates.** Handle such inquiries as follows:

If	And	Then
The employer requests the amount of deferred social security taxes due on one or both payment due dates	There are any pending transactions on the tax module which might increase or decrease the deferred tax amounts showing as due (i.e., pending payments, pending adjustments which will create overpayments, CRN 280 adjustments, etc.)	<p>BMFOLM does not account for any pending transactions.</p> <ul style="list-style-type: none"> • For phone inquiries: If the impact of the pending transaction on the unpaid deferred social security tax figure can be determined, continue to process the request as per guidance in the table rows which follow. Otherwise, advise the employer we are unable to provide the requested information at this time due to pending action on their account and to call back for the information. Provide the employer with an appropriate interval for calling back based on when the pending transactions will post. • For paper cases: If the impact of the pending transaction on the unpaid deferred social security tax figure can be determined, continue to process the request as per guidance in the table rows which follow. Otherwise, suspend the case until the pending transactions are posted.

If	And	Then
The employer requests the amount of deferred social security taxes due on one or both payment due dates	The tax module reflects a Section 3121(q) amount (posted from Line 5f of Form 941 or as adjusted via IRN 114) or third-party sick pay amounts (posted from Line 8 of Form 944 or as adjusted via IRN 107)	BMFOLM does not account for modifications to amounts which can be deferred based on the applicability of Section 3121(q) assessments or for certain third-party sick payers. <ul style="list-style-type: none"> • For phone inquiries: Advise the employer we are unable to provide the requested information at this time and to submit their request in writing. Offer to send a transcript of the account if the employer is experiencing difficulty in reconciling payments made and amounts of deferred social security taxes remaining due. • For paper cases: Contact the IRM author through your management chain and the site P&A Staff for guidance on case handling.
The employer requests the amount of deferred social security taxes due as of December 31, 2022		<ol style="list-style-type: none"> 1. Provide the figure from BMFOLM for the remaining unpaid deferred taxes due as of December 31, 2022 to the employer. 2. Offer to send a transcript of the account if the employer is experiencing difficulty in reconciling payments made and amounts of deferred social security taxes remaining due. 3. See (8) below for required communication instructions.

If	And	Then
The employer requests the amount of deferred social security taxes due as of December 31, 2021	Does not specifically request respective amounts due for deferred employer and employee social security taxes	<ol style="list-style-type: none">1. See Caution below table.2. Add the employer and employee remaining unpaid deferred tax amounts due on December 31, 2021 from BMFOLM.3. Provide the figure calculated in Step 2 to the employer.4. Offer to send a transcript of the account if the employer is experiencing difficulty in reconciling payments made and amounts of deferred social security taxes remaining due.5. See (8) below for required communication instructions.

If	And	Then
The employer requests the amount of deferred social security taxes due as of December 31, 2021	Requests (either or both) respective amounts due for deferred employer and employee social security taxes	<ol style="list-style-type: none"> 1. Research the account to verify whether the recorded deferral consists of, or did consist of, both employer and employee social security taxes. 2. If the recorded deferral consisted entirely of employer share taxes or entirely of employee share taxes, follow the instructions in the row above but also state that the figure provided consists solely of the employer or employee share taxes, as appropriate. 3. If the recorded deferral consists/consisted of both employer and employee share taxes, follow the instructions in the row above but also state that the figure is the total amount due as of December 31, 2021, that we are unable to provide the respective amounts at this time, and to contact us in writing if they still require a further breakdown of the amounts owing. Exception: If Step 3 is being followed for a paper case, contact the IRM author through your management chain and the site P&A Staff for guidance on case handling. 4. Offer to send a transcript of the account if the employer is experiencing difficulty in reconciling payments made and amounts of deferred social security taxes remaining due. 5. See (8) below for required communication instructions.

Caution: Due to programming challenges, the amounts shown in the respective BMFOLM fields for employee and employer amounts due as of December 31, 2021 are not always individually accurate. However, the sum of the two figures is the accurate **total** amount due as of December 31, 2021, **unless** conditions described in the first two rows of the table above apply.

Reminder: All employee share deferred social security taxes are due to be paid by December 31, 2021.

- (8) If an amount for deferred social security taxes due as of one or more due dates is provided as per guidance in (7) above, the following information **must** be provided to the employer verbally before concluding a phone call or in a letter response for a paper case:

- Advise the employer that they can make payment towards the deferred social security taxes at any time on or before the respective due dates for payment.

Note: See IRM 21.7.2.8.5, *Deferred Social Security Tax Amount — Guidance on Making Payments*, if the employer requests specific information on how to make payments of deferred social security taxes.

- Advise the employer that in the meantime, any overpayments arising on the tax form/tax period specific to the deferred social security tax amounts in question will be applied against recorded deferred social security tax amounts before any refund can be considered, unless all or a portion of the overpayment is attributable to COVID-related employment tax credits.
- Advise the employer that applicable penalties and interest will begin to accrue as of the respective due dates if full payment of deferred social security tax amounts is not received when due.

Note: For language which may be useful in responding to these inquiries, particularly when the response is being provided in a letter to the taxpayer, see the table in IRM 21.7.2.8.12, *Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)*.

21.7.2.8.5
(11-16-2021)
**Deferred Social Security
Tax Amount — Guidance
on Making Payments**

- (1) Employers may contact the IRS with questions about making payments of deferred social security taxes. This subsection contains general guidance which will assist in responding to such inquiries.
- (2) Employers may use the following methods to pay deferred amounts of social security taxes:
- **Electronically using EFTPS.** This is the preferred payment method. When using EFTPS to pay deferred social security tax amounts, the employer should select the appropriate employment tax form filed (e.g., Form 941), the appropriate 2020 tax period for which the payment is being made, and indicate it is a payment for “Deferred Social Security Tax”.
 - **By credit or debit card.** Employers wishing to make payment by this method may be referred to *Pay Your Taxes by Debit or Credit Card* on the IRS.gov website for more information. Advise employers that payments made by this method are subject to convenience fees charged by the service providers (see IRM 21.2.1.48.4, *Payment by Credit Card, Debit Card or Digital Wallet (General)*, for more information).
 - **By check or money order.** Refer the employer to “How to pay the deferred amount of the employer and employee share of social security tax” in the form instructions for the appropriate employment tax return

for mailing addresses and instructions on the preparation of a corresponding payment voucher to ensure proper application of the payment.

- (3) When providing information to employers on how to make payments of deferred social security taxes, advise the employer that:
- Payments of deferred social security taxes **must** be made separately from other tax payments to ensure they are applied to the correct deferred social security tax balance.
 - Payments for deferred social security taxes on multiple tax periods **can't** be combined. A separate payment **must** be submitted for each tax period for which payment of deferred social security taxes is being made.
 - IRS systems won't properly apply payments made for multiple tax periods or which combine amounts for deferred social security taxes with other tax payment amounts.
 - The "Federal Tax Deposit" option should **not** be selected if the employer is using EFTPS to pay deferred social security tax amounts because doing so will prevent computer application of the payment to the proper tax account.
- (4) The following information applies to payments made for deferred social security taxes reported by **aggregate employment tax return filers** (Section 3504 Agents, CPEOs, and PEOs):
- Aggregate employment tax return filers that reported deferred employer's share of social security taxes for 2020 were required to report the amounts attributable to respective client companies on Schedule R attached to their aggregate employment tax returns filed in 2020.
 - The employer is solely liable for payment of deferred employer's share of social security taxes.
 - Aggregate employment tax return filers and client companies should coordinate payment of deferred social security taxes to ensure proper application to the appropriate tax form and tax period under the EIN of the aggregate return filer.

Note: In certain cases of non-payment, the IRS may transfer liability for deferred social security taxes from the tax account of the aggregate employment tax filer to the tax account of the client company. This IRM will be updated when more information on that topic is available.

- (5) For more information on making payments of deferred social security tax amounts, employers may be referred to:
- "How to pay the deferred amount of the employer and employee share of social security tax" in the form instructions for the appropriate employment tax return.
 - The topic *What employers need to know about repayment of deferred payroll taxes* on the IRS.gov website.
 - The topic *Making payments for deferred tax reported by third party payers* on the IRS.gov website.
 - The topic *How self-employed individuals and household employers repay deferred Social Security tax* on the IRS.gov website.

Reminder: As a courtesy, the IRS will issue CP 256V (and Spanish version CP 956V) reminder notices for BMF accounts reflecting deferred social se-

curity tax amounts remaining due shortly before the December 31, 2021 and December 31, 2022 due dates.

Note: For deferred payment administration purposes, deposits and payments will generally be considered as being applied first to outstanding balances of non-deferred taxes, outstanding amounts of penalties and interest, then to deferred employee's share of social security tax, and then to deferred employer's share of social security taxes, in that order.

(6) For information on other deferred social security tax payment related topics:

- For information on amounts due at respective due dates, see IRM 21.7.2.8.4, *Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM*.
- For information on how CRN 280 / TC 767 reversal transactions are generated when payments are applied, see IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*.
- For information on certain problems with posting accruals of penalties and interest on accounts with recorded social security tax deferral amounts, see IRM 21.7.2.8.6.1, *Payments for Balance Due Modules with Recorded Deferral Amounts and Unassessed Accruals of Penalties or Interest*.
- For information on resolving common inquiries related to deferred social security tax amounts, see IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*.

21.7.2.8.6
(11-16-2021)
**Deferred Payment of
Social Security Taxes for
2020 — Handling
Guidance for Common
Correspondence and
Phone Inquiries**

- (1) Taxpayers may contact the IRS with regards to amounts of deferred social security taxes either previously reported or omitted on original (or amended) employment tax returns.
- (2) **Oral Statements:** Changes to deferrals (increases and decreases) on 2020 employment tax accounts will be considered in AM based on oral statements **unless** the taxpayer is also requesting changes to the tax account which would **otherwise** require the filing of a Form 94XX (e.g., changes to wages, tax, or credits previously reported on an employment tax return) or written correspondence.

Reminder: In no case will employers be required to make a special election to be able to defer deposits and payments of these employment taxes.

- (3) The following table provides guidance on handling common inquiries relating to deferred social security taxes:

If	And	Then
The employer is asking for general information with regards to deferral of employer's share of social security taxes		<ul style="list-style-type: none"> See IRM 21.7.2.8.1, <i>Deferred Payment of Employer's Share of Social Security Taxes for 2020</i>, and appropriate form instructions for general information which may assist in answering the employer's questions. For out of scope inquiries, refer the taxpayer to guidance on the irs.gov website at <i>Deferral of employment tax deposits and payments through December 31, 2020</i>.
The employer is asking for general information with regards to deferral of employee's share of social security taxes		See IRM 21.7.2.8.2, <i>Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020</i> , in particular (7) in the referenced IRM section, and appropriate form instructions for general information which may assist in answering the employer's questions.
The inquiry is with regards to deferral of social security taxes reported on a Schedule H with Form 1041 (i.e., MFT 05)	Is a general question about deferral of social security taxes	Handle as per guidance in the preceding table rows.
The inquiry is with regards to deferral of social security taxes reported on a Schedule H with Form 1041 (i.e., MFT 05)	Is not a general question which can be addressed per guidance in the preceding rows of this table (e.g., a request to record a new or revised deferral amount)	<ul style="list-style-type: none"> Phone inquiries: Advise the taxpayer that we are unable to assist them at this time and to write in with a complete explanation of their concerns and any accounts actions they are requesting to be taken. Input STAUPS on the account for 9 weeks if the account currently reflects a balance due. Paper cases: Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

If	And	Then
The employer requests information with regards to amounts remaining due for unpaid deferred social security taxes, including amounts due at the respective payment due dates		See IRM 21.7.2.8.4, <i>Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM</i> .
The employer requests information on how to make a payment of deferred social security taxes		See IRM 21.7.2.8.5, <i>Deferred Social Security Tax Amount — Guidance on Making Payments</i> .
A payment intended for an account with recorded deferred social security amounts (i.e., posted CRN 280 amount) was misapplied to another tax form or tax period		<ul style="list-style-type: none"> The outcome of transferring the credit(s) into the tax module with the recorded deferral must be carefully considered, including whether reapplication of the credit should trigger a full or partial CRN 280 reversal. See IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>, for handling guidance.
A payment intended for another tax period or tax form was misapplied to account with recorded deferred social security amounts (i.e., posted CRN 280 amount)		<ul style="list-style-type: none"> The outcome of transferring the credit(s) out of the tax module with the recorded deferral must be carefully considered, including whether the misapplication of the credit(s) triggered an erroneous full or partial CRN 280 reversal which must now be reinstated. See IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>, for handling guidance.

If	And	Then
A payment by a client company for deferred social security taxes reported by an associated aggregate employment tax filer (Section 3504 Agents, CPEOs, and PEOs) was applied to an account under the client company's EIN instead of to the appropriate tax account under the associated aggregate return filer's EIN		<ol style="list-style-type: none"> 1. See (4) in IRM 21.7.2.8.5, <i>Deferred Social Security Tax Amount — Guidance on Making Payments</i>. 2. Follow procedures in IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>, to reapply the payment to the aggregate return filer's tax account on which the deferred social security taxes were recorded. 3. As appropriate, delete any employment tax filing requirements incorrectly opened on the client company's tax account when the misapplied payment was posted.
The employer is responding to a balance due of accrued unassessed penalties or interest after making payment towards an amount due on an account with recorded deferred social security amounts (i.e., posted CRN 280 amount)	The application of the payment triggered a CRN 280 / TC 767 reversal transaction instead of credit being first applied against the accruals	See IRM 21.7.2.8.6.1, <i>Payments for Balance Due Modules with Recorded Deferral Amounts and Unassessed Accruals of Penalties or Interest</i> .
The employer is requesting penalty abatement for an account with recorded deferred social security amounts (i.e., posted CRN 280 amount)		<ul style="list-style-type: none"> • The outcome of any manual penalty adjustment on the tax module with the recorded deferral must be carefully considered, including whether a resulting overpayment condition will trigger a full or partial CRN 280 reversal. • See IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>, for handling guidance.

If	And	Then
The employer is responding to a balance due or adjustment notice resulting from systemic or manual reversal of a CRN 280 / TC 766 transaction	Disagrees with the reversal	<ul style="list-style-type: none"> Analyze the account to determine the reason for the reversal transaction(s). (See IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>, for information which will assist in analyzing the account.) If the reversal action was incorrect, take appropriate action to resolve the issue that caused the incorrect reversal (e.g., correct mis-applied payments) and follow procedures in IRM 21.7.2.8.10, <i>Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts</i>, to correct the recorded deferred social security tax amount. If the reversal action was correct, explain the reason for the reversal to the employer and advise them to make payment for any amounts currently showing due.
The employer is making a new or corrected request for deferred payment of social security taxes	The request is not for a 2020 tax period	<ul style="list-style-type: none"> Advise the taxpayer that deferred payment of social security taxes applies only to calendar year 2020 employment tax returns. Address any balance due on the account for which the taxpayer is inquiring as appropriate.
The employer is making a new or corrected request (including reinstatement requests) for deferred payment of social security taxes	The request is for Form 941, tax period 202003	See IRM 21.7.2.8.11, <i>First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447</i> , for handling guidance.

If	And	Then
The employer is making a new or corrected request (including reinstatement requests) for deferred payment of social security taxes	Is also making other tax reporting changes that require the filing of a Form 94XX.	<ul style="list-style-type: none"> Advise the taxpayer we are unable to take any action on their account at this time and to submit their request in writing with their calculation of the deferred social security tax amount along with a Form 94XX (specify form to be filed) reporting the other changes to their tax account. Input STAUPS on the account for 9 weeks if the account reflects a balance due.
The employer is making a new or corrected request (including reinstatement requests) for deferred payment of social security taxes	There are one or more misapplied credits	<p>Correct ordering of transactions is critical for achieving the correct outcome on the account:</p> <ul style="list-style-type: none"> For information on transferring credits, see IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>. For information on processing new or corrected requests for deferred payment of social security taxes, see IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>.
The employer is making a new or corrected request (including reinstatement requests) for deferred payment of social security taxes	Is also requesting penalty abatement	<p>Correct ordering of transactions is critical for achieving the correct outcome on the account:</p> <ul style="list-style-type: none"> For information on adjusting the penalty, see IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>. For information on processing new or corrected requests for deferred payment of social security taxes, see IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>.

If	And	Then
The employer has filed a Form 94XX amended/adjusted employment tax return	The tax module reflects recorded deferred social security amounts (i.e., posted CRN 280 amount) or the Form 94XX reflects a new/revised social security tax deferral request	See IRM 21.7.2.8.13, <i>Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts</i> .
The employer is making a new or corrected request for deferred payment of social security taxes	None of the preceding rows apply.	See IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i> .

21.7.2.8.6.1

(11-16-2021)

Payments for Balance Due Modules with Recorded Deferral Amounts and Unassessed Accruals of Penalties or Interest

- (1) The computer is not programmed to post accruals of penalties and interest when systemic posting analysis for payments is conducted on tax modules containing unreversed CRN 280 transactions recording unpaid deferred social security tax amounts. As a result, any overpayment exceeding the current module balance will be applied to recorded social security tax deferral amounts instead of being correctly applied to the accrued penalty or interest charges.

Example: The taxpayer has a recorded social security tax deferral (CRN 280) of \$10,000 on a Form 941 account for the third quarter of 2020. The taxpayer subsequently files a Form 941-X reporting an additional \$2,000 in taxes due but fails to make the associated required \$2,000 payment and does not pay when the adjustment notice is issued. Failure to Pay penalty and interest charges accrue and the taxpayer later receives a bill for \$2,500 (\$2,000 tax plus \$500 in accrued penalty and interest). The taxpayer submits payment of \$2,500. When the payment is posted, \$2,000 will be applied to satisfy the amount of tax assessed and showing due (i.e., the current module balance showing on TXMOD). The remaining \$500 showing as overpaid will be treated by the computer, incorrectly, as available to be applied to the deferred social security taxes. Instead of posting the \$500 in accrued penalty and interest, the computer will instead, incorrectly, post a CRN 280 / CRN 767 reversal for \$500.

Example: Same situation as in the preceding example except that after the CRN 280 reversal the taxpayer receives a bill for \$520 consisting of the \$500 in previous accruals plus \$20 in additional accruals. The taxpayer submits payment of \$520. When the payment is posted, the \$520 payment will trigger another CRN 280 / TC 767 reversal, this time for \$520, instead of posting the accrued penalties and interest.

- (2) If a taxpayer contacts the IRS about an account for which the situation described applies, resolve the account as follows:
1. Input a TC 290 00, Priority Code (PC) 5 adjustment to the account to post the accrued penalty and interest.
 2. Follow procedures in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*, to reinstate the amount of the CRN 280 reversed in error due to accruals not being

posted when payment was applied . Use a suitable post delay code to ensure the CRN 280 transaction posts one cycle after the PC 5 adjustment force-posting the accruals.

3. Apologize to the taxpayer (verbally or in writing) for the problem and advise them of the amount of social security tax deferral that was reinstated. Also see the appropriate rows of the table in IRM 21.7.2.8.12, *Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)*.

Caution: Careful consideration and ordering of corrective transactions will be necessary if other account actions are also required to resolve the taxpayer inquiry.

21.7.2.8.7
(11-16-2021)

**Deferred Payment
Modules — Misapplied
Payments and Credit
Transfers**

- (1) As is discussed in greater detail in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*:
 - CRN 280 / TC 766 transactions are used to “mask” balances of social security taxes for which payment can be deferred.
 - The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions, etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction.
 - The computer is not capable of determining when a systemic CRN 280 reversal was in error and it is not programmed to restore or reinstate a reversed social security tax deferral amount even when the specific transaction that triggered a reversal is reversed.
- (2) Accordingly, resolving misapplied payment situations on accounts with posted CRN 280 transactions, or on accounts on which a new/revised CRN 280 amount is to be input, requires careful consideration and ordering of corrective transactions.
- (3) Take the following preliminary actions prior to initiating credit transfers into or out of modules reflecting posted CRN 280 transactions or on which a CRN 280 transaction will be input as part of resolving the account:
 1. Determine the correct application of payments.
 2. Determine the expected account outcome in terms of final module balance (i.e., zero balance, debit balance or overpayment) after the posting of any credit transfers (including impact on penalties/interest) and, if overpaid, whether the overpayment should be applied against the recorded social security tax deferral amount or is refundable/available for offset.
 3. Determine the impact of any credit transfer actions on the previously recorded CRN 280 deferral or any new/revised CRN 280 to be recorded (i.e., whether the reapplication of credits will trigger systemic CRN 280 / TC 767 reversal).
 4. Determine the general action required to address the taxpayer’s previous or new social security tax deferral request (i.e., reinstatement of a previous CRN 280, input of a new CRN 280, or allowing a full or partial systemic reversal of a previous CRN 280 amount).

Note: Completing the four steps described above requires analyzing the taxpayer request and the tax accounts to be addressed as well as a familiarity with social security tax deferral guidance found throughout IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, and its subsections.

- (4) After completing the preliminary steps described above, continue processing as per guidance in the appropriate subsection referenced below:
- IRM 21.7.2.8.7.1, *Moving Credits Into Modules with Recorded CRN 280 Amounts*
 - IRM 21.7.2.8.7.2, *Moving Credits Out of Modules with Recorded CRN 280 Amounts*
 - IRM 21.7.2.8.7.3, *Moving Credits Into/Out of Modules with New or Revised Deferral Requests*

21.7.2.8.7.1
(11-16-2021)
**Moving Credits Into
Modules with Recorded
CRN 280 Amounts**

- (1) This subsection provides handling guidance for completing credit transfers when moving credits **into** a tax module with a previously posted CRN 280 (reversed or unreversed).

Note: If the taxpayer is making a new or revised social security tax deferral request (not a reinstatement) and credits transfers are required, see IRM 21.7.2.8.7.3, *Moving Credits Into/Out of Modules with New or Revised Deferral Requests*.

- (2) See (3) in IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for **required** preliminary research steps. After completing preliminary research, continue processing as follows:

If	And	Then
A manual penalty adjustment is also required		<ol style="list-style-type: none"> 1. See handling guidance in IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>, in particular the guidance on ordering of transactions. 2. Complete the credit transfer(s) as per guidance in the following table rows using, as appropriate, posting delay codes to ensure transactions post in the correct sequence.

If	And	Then
The credit transfer is related to the processing of a Form 94XX adjusted return		Follow guidance IRM 21.7.2.8.13, <i>Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts</i> , for processing Forms 94XX with deferred social security tax implications, including those involving credit transfers. Handling requirements for credit transfers associated with Forms 94XX are incorporated in the cross-referenced guidance.
The corrective action requires moving credits both into and out of the tax module with the previously posted CRN 280.		<p>Unless some handling factor clearly points to a different ordering of transactions:</p> <ol style="list-style-type: none"> 1. First complete the credit transfer(s) out of the module as per guidance in IRM 21.7.2.8.7.2, <i>Moving Credits Out of Modules with Recorded CRN 280 Amounts</i>. 2. Then complete the credit transfer(s) into the module as per guidance in the following table rows with a suitable post delay code to ensure the credit transactions post after the debit transactions. 3. Take any other actions to resolve the account, including any CRN 280 transactions, using appropriate post delay codes to ensure they post after the credit transfer actions (unless specific instructions state to post in a different order).

If	And	Then
The tax module will be in zero or debit balance after posting credit transfer(s)		<ul style="list-style-type: none"> Complete the credit transfer(s) as normal. No special handling is required for the recorded social security tax deferral since the application of the credit(s) will not trigger AMB analysis for purposes of possible systemic CRN 280 reversal.
The tax module will be in credit balance after posting credit transfer(s)	The credit(s) should be applied to the recorded social security tax deferral amount	<ul style="list-style-type: none"> Complete the credit transfer(s) as normal. No special handling for the recorded social security tax deferral is required. The posting of the credit(s) will trigger AMB analysis for purposes of possible systemic CRN 280 reversal.
The tax module will be in credit balance after posting credit transfers	The credit(s) should not be applied to the recorded social security tax deferral amount	<p>This credit transfer scenario should rarely be encountered since overpayments on the account are generally required to be applied against the recorded social security tax deferral. However, if necessary and appropriate (e.g., correcting a previous processing error), handle as follows:</p> <ol style="list-style-type: none"> Complete the credit transfer(s) as normal. This action will trigger a systemic CRN 280 reversal. Determine the 23c date for the posting of the payment/credit/CRN 280 reversal. Follow procedures in IRM 21.7.2.8.10, <i>Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts</i>, to reinstate the incorrect CRN 280 reversal and allow the resulting overpayment to refund.

Reminder: The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions,

etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

- (3) See the table in IRM 21.7.2.8.12, *Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)* for notification requirements when the processing of credit transfers results in manual or systemic changes to deferred social security tax amounts.

21.7.2.8.7.2
(11-16-2021)

Moving Credits Out of Modules with Recorded CRN 280 Amounts

- (1) This subsection provides handling guidance for completing credit transfers when moving credits **out** of a tax module with a previously posted CRN 280 (reversed or unreversed).

Note: If the taxpayer is making a new or revised social security tax deferral request (not a reinstatement) and credits transfers are required, see IRM 21.7.2.8.7.3, *Moving Credits Into/Out of Modules with New or Revised Deferral Requests*.

- (2) See (3) in IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for **required** preliminary research steps. After completing preliminary research, continue processing as follows:

If	And	Then
A manual penalty adjustment is also required		<ol style="list-style-type: none"> 1. See handling guidance in IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>, in particular the guidance on ordering of transactions. 2. Complete the credit transfer(s) as per guidance in the following table rows using, as appropriate, posting delay codes to ensure transactions post in the correct sequence.
The credit transfer is related to the processing of a Form 94XX adjusted return		Follow guidance IRM 21.7.2.8.13, <i>Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts</i> , for processing Forms 94XX with social security tax deferral implications, including those involving credit transfers. Handling requirements for credit transfers associated with Forms 94XX are incorporated in the cross-referenced guidance.

If	And	Then
The corrective action requires moving credits both into and out of the tax module with the previously posted CRN 280.		<p>Unless some handling factor clearly points to a different ordering of transactions:</p> <ol style="list-style-type: none"> 1. First complete the credit transfer(s) out of the module as per guidance in the following table rows. 2. Then complete the credit transfer(s) into the module as per guidance in IRM 21.7.2.8.7.1, <i>Moving Credits Into Modules with Recorded CRN 280 Amounts</i>, with a suitable post delay code to ensure the credit transactions post after the debit transactions. 3. Take any other actions to resolve the account, including any CRN 280 transactions, using appropriate post delay codes to ensure they post after the credit transfer actions (unless specific instructions state to post in a different order).
The tax module will be in zero or debit balance after posting credit transfer(s)	A CRN 280 reversal was not posted when the credit(s) originally posted to the incorrect module	<ul style="list-style-type: none"> • Complete the credit transfer(s) as normal. • No special handling for the recorded social security tax deferral is required since the removal of the credit(s) from the module will not trigger AMB analysis for purposes of possible systemic CRN 280 reversal.
The tax module will be in zero or debit balance after posting credit transfer(s)	A CRN 280 reversal was posted when the credit(s) originally posted to the incorrect module	<ol style="list-style-type: none"> 1. Complete the credit transfer(s) as normal. 2. Follow procedures in IRM 21.7.2.8.10, <i>Restoring or Re-instating Incorrectly Reversed Social Security Tax Deferral Amounts</i>, to reinstate the amount of the CRN 280 incorrectly reversed due to the misapplied credit.

If	And	Then
The tax module will be in credit balance after posting credit transfers	A CRN 280 reversal was not posted when the credit(s) originally posted to the incorrect module	<ol style="list-style-type: none"> 1. Complete the credit transfer(s) as normal. 2. Take appropriate action to address the remaining overpayment on the account. <p>Note: This should only occur in instances where the social security tax deferral amount was previously paid in full or otherwise fully reversed. As such, no special handling for the recorded social security tax deferral is required unless the taxpayer is requesting a revision to the previously requested deferral amount.</p>
The tax module will be in credit balance after posting credit transfers	A CRN 280 reversal was posted when the credit(s) originally posted to the incorrect module	<ul style="list-style-type: none"> • Phone inquiries: Advise the taxpayer that we are unable to assist them at this time and to write in with a complete explanation of the actions they are requesting to be taken on their account, including information on any misapplied payments and any changes they are requesting to the social security tax deferral amount recorded on their account. Input STAUPS on the account for 9 weeks if the account currently reflects a balance due. • Paper cases: Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

Reminder: The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions, etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

- (3) See the table in IRM 21.7.2.8.12, *Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)* for notification requirements when the processing of credit transfers results in manual or systemic changes to deferred social security tax amounts.

21.7.2.8.7.3
(11-16-2021)
**Moving Credits Into/Out
of Modules with New or
Revised Deferral
Requests**

- (1) This subsection provides handling guidance for completing credit transfers when moving credits into or out of a tax module and the taxpayer is either making a new social security tax deferral request (i.e., there is no previously posted reversed or unreversed CRN 280 transaction on the tax module) or the taxpayer is requesting to revise a previously recorded (i.e. posted CRN 280) deferral amount.
- (2) See (3) in IRM 21.7.2.8.7, *Deferred Payment Modules — Misapplied Payments and Credit Transfers*, for **required** preliminary research steps. Also, see general information in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*. After completing preliminary research, continue processing as follows:

If	And	Then
A manual penalty adjustment is also required		<ol style="list-style-type: none"> 1. See handling guidance in IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>, in particular the guidance on ordering of transactions. 2. Complete the credit transfer(s) as per guidance in the following table rows using, as appropriate, posting delay codes to ensure transactions post in the correct sequence.
A new or revised social security tax deferral request is being made (i.e., there is no posted unreversed CRN 280/ TC 766 amounts)	A Form 94XX adjusted return is also being processed	Follow guidance IRM 21.7.2.8.13, <i>Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts</i> , for processing Forms 94XX with deferred social security tax implications, including those involving credit transfers. Handling requirements for credit transfers associated with Forms 94XX are incorporated in the cross-referenced guidance.

If	And	Then
<p>A new social security tax deferral request is being made (i.e., there is no posted unreversed CRN 280/ TC 766 amounts on the tax module)</p>		<ol style="list-style-type: none"> 1. First, complete all required credit transfer(s) into and out of the tax module as normal. 2. Complete the processing of the new social security tax deferral request as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>, but use a suitable post delay code to ensure the actions to record the deferred taxes post after the credit transfer(s). <p>Note: No special handling for the credit transfers or the social security tax deferral amount to be recorded is required (other than appropriate post delay codes) if the credit transfer transactions are posted to the account before the deferral is recorded with a CRN 280 transaction. And, moving the credits first will ensure that the module balance situation is known prior to applying the procedures for recording the deferred social security taxes (making it easier to apply those procedures since they are based in part on module balance conditions).</p>

If	And	Then
<p>A revised social security tax deferral request is being made (i.e., there is one or more previously posted unreversed CRN 280/ TC 766 amounts on the tax module)</p>	<p>The required action requires moving credit(s) out of (but not into) the tax module</p>	<ol style="list-style-type: none"> 1. First, complete all required credit transfer(s) out of the tax module as normal. 2. Complete the processing of the revised social security tax deferral request as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>, but use a suitable post delay code to ensure the actions taken to record the deferred social security taxes post after the credit transfer(s). 3. As appropriate, follow procedures in IRM 21.7.2.8.10, <i>Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts</i>, to reinstate any portion of the deferral recorded prior to the current revision request that was incorrectly reversed due to the previous misapplication of credit(s) to the account. <p>Note: Moving the credits out of the account first will ensure that the module balance situation is known prior to applying the procedures for recording the revised deferred social security taxes (making it easier to apply those procedures since they are based in part on module balance conditions). Also, action to reinstate any incorrectly reversed CRN 280 amount should generally be the last action taken to resolve an account with a recorded deferral amount.</p>

If	And	Then
<p>A revised social security tax deferral request is being made (i.e., there is one or more previously posted unreversed CRN 280/ TC 766 amounts on the tax module)</p>	<p>The required action requires moving credit(s) into (but not out of) the tax module</p>	<ol style="list-style-type: none"> 1. First, process the request for the revised social security tax deferral as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>. 2. Complete all required credit transfer(s) into the tax module as normal but use a suitable post delay code with the credit transfer(s) to ensure posting after the actions taken to record the revised deferred social security tax amount. <p>Note: Completing the credit transfer(s) into the module after processing the revised social security tax deferral request will ensure that the AMB analysis described in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i> will be triggered, when appropriate, for potential systemic reversal of all or a portion of the posted CRN 280 / TC 766 amount.</p>

If	And	Then
<p>A revised social security tax deferral request is being made (i.e., there is one or more previously posted unreversed CRN 280/ TC 766 amounts on the tax module)</p>	<p>The required action requires moving credit(s) both into and out of the tax module</p>	<p>Correct ordering of transactions is critical for achieving the correct outcome on the account. Handle as follows:</p> <ol style="list-style-type: none"> 1. First, complete all required credit transfer(s) out of the tax module as normal. 2. Complete the processing of the revised social security tax deferral request as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>, but use a suitable post delay code to ensure the subsequent actions to record the deferred taxes post after the credit transfer(s) out of the module. 3. Complete all required credit transfer(s) into the tax module as normal but use a suitable post delay code with the credit transfer(s) to ensure posting after the actions taken to record the revised deferred social security tax amount. 4. As appropriate, follow procedures in IRM 21.7.2.8.10, <i>Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts</i>, to reinstate any portion of the deferral recorded prior to the current revision request that was incorrectly reversed due to the previous misapplication of credit(s) to the account.

If	And	Then
		<p>Note: Moving the credits out of the account first will ensure that the module balance situation is known prior to applying the procedures for recording the revised deferred social security taxes (making it easier to apply those procedures since they are based in part on module balance conditions). And, completing the credit transfer(s) into the module after processing the revised social security tax deferral request will ensure that the AMB analysis described in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i> will be triggered, when appropriate, for potential systemic reversal of all or a portion of the posted CRN 280 / TC 766 amount. Also, action to reinstate any incorrectly reversed CRN 280 amount should generally be the last action taken to resolve an account with a recorded deferral amount.</p>

Reminder: The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions, etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction. See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for more information.

- (3) See the table in IRM 21.7.2.8.12, *Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)* for notification requirements when the processing of credit transfers results in manual or

systemic changes to deferred social security tax amounts.

21.7.2.8.8
(11-16-2021)
**Deferred Payment
Modules — Manual
Penalty Adjustments**

- (1) This subsection provides guidance for completing manual penalty adjustments on modules with posted social security tax deferral amounts (TC 766 CRN 280 transactions) and modules for which new/revised/reinstatement deferral requests are also under consideration.

Note: This subsection does not address restricted interest modules. However, the same general principles discussed here (i.e., ordering of transactions, etc.) for manual penalty adjustments would usually apply to manual interest adjustments.

Note: This subsection does not address matters related to systemic recomputation of penalties (or interest). However, systemic recomputation of penalties (and interest) is a factor requiring careful consideration when taking actions (e.g., credit transfers) on accounts with deferred social security tax issues.

- (2) As is discussed in greater detail in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*:

- CRN 280 / TC 766 transactions are used to “mask” balances of social security taxes for which payment can be deferred.
- The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions, etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction.
- The computer is not capable of determining when a systemic CRN 280 reversal was in error and it is not programmed to restore or reinstate a reversed social security tax deferral amount even when the specific transaction that triggered a reversal is reversed.

- (3) Accordingly, completing manual penalty adjustments on accounts with posted CRN 280 transactions, or on accounts on which a new/revised CRN 280 amount is to be input, requires careful consideration and ordering of corrective transactions.

- (4) Take the following preliminary actions prior to initiating a manual penalty adjustment on a tax module reflecting posted CRN 280 transactions or on which a CRN 280 transaction will be input as part or resolving the account:

1. Determine the manual penalty adjustment required.

Caution: Since the penalty will be restricted and will not afterwards systematically recompute, the impact of any posted CRN 280 amount and/or changes to the recorded CRN 280 amount must be considered when determining the correct penalty change amount.

Reminder: FTP penalty adjustments for reasonable cause do not prevent (i.e., do not restrict) systemic recomputations of FTP. See (7) in IRM 20.1.2.2.4.1, *Penalty Abatements and Re-assessments*.

2. Determine the expected account outcome in terms of final module balance (i.e., zero balance, debit balance or overpayment) after the posting of the manual penalty adjustment and, if overpaid, whether the overpayment should be applied against the amount deferred or is refundable/available for offset.
3. Determine the impact of the manual penalty adjustment on the previously recorded CRN 280 deferral or any new/revised CRN 280 to be recorded (i.e., whether the manual penalty adjustment will trigger systemic CRN 280 / TC 767 reversal).
4. Determine the general action required to address the taxpayer's previous or new social security tax deferral request (i.e., reinstatement of a previous CRN 280, input of a new CRN 280, or allowing a full or partial systemic reversal of a previous CRN 280 amount).

Note: Completing the four steps described above requires analyzing the taxpayer request and the tax accounts to be addressed as well as a familiarity with social security tax deferral guidance found throughout IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, and its subsections.

- (5) After completing the preliminary steps described above, continue processing manual penalty increases or decreases on tax modules with previously posted CRN 280 deferral transactions and tax modules for which new or revised social security tax deferral requests are being considered as follows:

If	And	Then
A previous CRN 280 / TC 767 reversal was incorrect and must be reinstated		<ul style="list-style-type: none"> • Generally, the reinstatement action should be the last action taken on the account. • See IRM 21.7.2.8.10, <i>Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts</i>, for additional handling guidance.

If	And	Then
The taxpayer is also making a new social security tax deferral request or revising (not reinstating) a previous deferral request		<p>Correct ordering of transactions is critical for achieving the correct outcome on the account:</p> <ul style="list-style-type: none">• If the manual penalty adjustment will result in a net debit balance on the tax account (e.g., penalty assessment), the manual penalty adjustment should generally be completed before recording the new or revised social security tax deferral amount.• If the manual penalty adjustment would result in a net credit balance on the tax account (e.g., penalty abatement), the manual penalty adjustment should generally be completed after recording the new or revised social security tax deferral amount.• See IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>, for additional handling guidance.

If	And	Then
There are one or more misapplied credits		<p>Correct ordering of transactions is critical for achieving the correct outcome on the account:</p> <ul style="list-style-type: none"> • If correcting the account requires moving credits out of the tax module (i.e., debit transactions), credits transfers should generally be completed before any transaction that would create a credit on the account (e.g., manual penalty abatement). • If correcting the account requires moving credits into the tax module (i.e., credit transactions), the credit transfers should generally be completed after any transaction that would create a debit on the account (e.g., manual penalty assessment). • See IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>, for additional handling guidance.
A Form 94XX adjusted return is also being processed		<p>Follow guidance IRM 21.7.2.8.13, <i>Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts</i>, for processing Forms 94XX with deferred social security tax implications, including those involving manual penalty adjustments. Handling requirements for manual penalty adjustments associated with Forms 94XX are incorporated in the cross-referenced guidance.</p>

If	And	Then
The account will be in zero or debit balance when the manual penalty adjustment posts		<ul style="list-style-type: none"> Input the penalty adjustment as normal. The penalty adjustment action will not trigger AMB analysis for systemic reversal of the recorded social security tax deferral amount (i.e., no CRN 280 / TC 767 reversal will be posted).
The account will be in credit balance after the manual penalty adjustment	The overpayment should be applied against the recorded deferred social security tax amount	<ul style="list-style-type: none"> Input the adjustment as normal. The overpayment condition created by the penalty adjustment action will trigger AMB analysis for systemic reversal (i.e., CRN 280 / TC 767) of the appropriate amount of the recorded social security tax deferral.
The account will be in credit balance after the manual penalty adjustment	The overpayment should not be against the recorded deferred social security tax amount (i.e., it should refund or offset)	<p>This penalty adjustment scenario should rarely be encountered since overpayments on the account are generally required to be applied against the recorded deferred social security taxes. However, if necessary and appropriate (e.g., correcting a previous processing error), handle as follows:</p> <ul style="list-style-type: none"> Input the adjustment as normal. The overpayment created by the penalty adjustment action will trigger AMB analysis for systemic reversal (i.e., CRN 280 / TC 767) of the appropriate amount of the recorded social security tax deferral. Follow procedures in IRM 21.7.2.8.10, <i>Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts</i>, to reinstate the systemically generated deferral reversal amount and allow the resulting overpayment to refund/offset.

- (6) See the table in IRM 21.7.2.8.12, *Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)* for notification requirements when the processing of a manual penalty adjustment results in manual or systemic changes to deferred social security tax amounts.

21.7.2.8.9
(11-16-2021)
Processing New or Revised Social Security Tax Deferral Requests for 2020

- (1) The procedures that follow are for new or revised social security tax deferral requests for Form 941 tax periods 202006, 202009, and 202012 and for Form 943, Form 944, and Form CT-1 for tax period 202012.

- See IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, for general information on deferred payment provisions.
- See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for information on CRN 280 use and functionality.

Note: Any reference to employer and employee shares of social security tax in this subsection also applies to equivalent Tier 1 taxes for Form CT-1.

Reminder: For Form 941 tax period 202003 requests, see IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*.

Note: Employers reporting employment taxes on Schedule H with Form 1041 (MFT 05) were permitted to defer payment of employer's share of social security taxes. See the fourth row of the table in (3) of IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*, for MFT 05 deferral handling.

- (2) Generally, handling of these inquiries consists of the following steps (described in detail below and in cross-referenced IRM subsections):
1. Determining the amount of the employer's social security tax deferral request, including the respective amounts of employer's share and/or employee's share of social security taxes for which the request is being made.
 2. Determining the maximum computer deferral figure (which may be less than what can actually be recorded).
 3. Determining the amount of the social security tax deferral request which can be recorded.
 4. Recording the social security tax deferral amount (new or as revised) with one or more CRN 280 transactions along with (as appropriate) any other required coding or transaction(s) necessary to properly resolve the account.
 5. Communicating the outcome of the actions taken on the account to the employer.

Note: The procedures in the following paragraphs are intended to be followed in sequential order with either (2) or (3) as the starting point for handling depending on whether the inquiry is being worked on the phone or is a paper case.

Caution: In no case will employers be required to make a special election to be able to defer deposits and payments of employment taxes. Form 94XX adjusted returns include lines for making corrections to social security deferrals for 2020 but a Form 94XX will **not** be required by AM to make a social security tax deferral request that was omitted from an original return.

Note: Guidance for handling reinstatements of incorrectly reversed CRN 280 social security tax deferral amounts are addressed in IRM 21.7.2.8.10, *Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts*. If the taxpayer is revising their social security tax deferral request and a reinstatement is also required, the reinstatement issue must generally be addressed first.

(3) **For phone inquiries**, handle as follows:

1. Advise the employer that the amount of social security tax that can be deferred is generally limited to:
 - a) The employer's share of social security tax (or equivalent Tier 1 taxes for Form CT-1) due with deposits and payments that would otherwise have been required to be made during the period beginning on March 27, 2020 and ending December 31, 2020; and,
 - b) The employer's share of social security tax (or equivalent Tier 1 taxes for Form CT-1) due with deposits and payments that were required after December 31, 2020 for wages paid during the final quarter of calendar year 2020 (for Form 941) or during calendar year 2020 (for Form 943, Form 944, and Form CT-1); and,
 - c) Must be modified for certain filers reporting third party sick pay amounts or amounts due as the result of receiving a Letter 3263 or Letter 4520 Section 3121(q) Notice and Demand for tax due on unreported tips (see (5) in IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*); and,
 - d) If the employer implemented deferral of employee social security taxes under *Notice 2020-65*, the amounts of employee social security not deducted from employees' wages of less than \$4,000 in any bi-weekly pay period (or the equivalent threshold amount for other pay period intervals) paid during the period beginning on September 1, 2020 and ending on December 31, 2020.
2. Ask the employer for:
 - a) The amount of employer's share of social security tax they are requesting to be deferred for the specific tax form and tax period of the request.
 - b) The amount of employee's share of social security tax they are requesting to be deferred for the specific tax form and tax period of the request (**not** applicable to requests for Form 941 tax period 202006).
 - c) The total social security tax they are requesting to be deferred for the specific tax form and tax period of the request. (This figure **must** equal the amounts provided in a) and b) directly above.)
3. If the employer is able to provide the figure(s) for amounts of deferred social security taxes, continue processing the request as per the guidance provided in the table in (5) below.
4. If the employer is unable to provide the figure(s) for the amounts of deferred social security taxes, advise the employer that we are unable to

assist them without that information and to call or write in when they can provide it. Input STAUPS on the account for 9 weeks if the account reflects a balance due.

Note: If the social security tax deferral request is being made for a tax form or tax period for which deferral relief was not available, advise the employer their request for deferral of social security taxes cannot be considered and take any other appropriate actions needed to resolve the employer's inquiry.

(4) **For paper inquiries**, handle as follows:

If	And	Then
The request is for a tax period/ tax form for which social security tax deferral does not apply (see Step 1 in (3) above for valid forms/tax periods)		<ul style="list-style-type: none"> Send a letter to the employer informing them we cannot consider their request since deferred payment of social security taxes was not available for the tax form and tax period [specify] for which their request was made. Take any other appropriate account actions, and close the case.
The employer's correspondence does not provide a figure for the amount of deferred social security taxes	A telephone number is available	<ol style="list-style-type: none"> Make two attempts to contact the employer by phone to determine the amount of social security tax they are requesting to be deferred. If contact is successful, follow the phone inquiry Steps 1 through 4 in (3) above. Otherwise, proceed to the next row of this table.

If	And	Then
The employer's correspondence does not provide a figure for the amount of deferred social security taxes	A telephone number is not available or attempts to obtain the information via telephone were unsuccessful	<ul style="list-style-type: none"> • Send a letter to the employer informing them we cannot consider their request since they did not provide a figure for the amount of social security tax they are requesting to be deferred. • Advise the employer in the letter that they can provide the figure for the deferred social security taxes by phone or in writing. • If the tax form/period of the request is not Form 941 for 202006, also advise the taxpayer to provide separate and total figures for deferral of employer's and employee's share of social security taxes. • Take any other appropriate account actions, and close the case.
The employer's correspondence indicates that a portion (but not all) of the deferral figure provided is for employee share of social security taxes but does not provide a breakdown of the respective amounts	A telephone number is available	<p>The separate figures for deferred employer's share and employee's share of social security taxes must be determined in order to process the request.</p> <ol style="list-style-type: none"> 1. Make two attempts to contact the employer by phone to determine the amount of social security tax they are requesting to be deferred. 2. If contact is successful, follow the phone inquiry Steps 1 through 4 in (3) above. 3. Otherwise, proceed to the next row of this table.

If	And	Then
The employer's correspondence indicates that a portion (but not all) of the deferral figure provided is for employee share of social security taxes but does not provide a breakdown of the respective amounts	A telephone number is not available or attempts to obtain the information via telephone were unsuccessful	<p>The separate figures for deferred employer's share and employee's share of social security taxes must be determined in order to process the request.</p> <ul style="list-style-type: none"> • Send a letter to the employer informing them we cannot consider their request because they did not provide separate figures for the amounts of employer's share of social security taxes and employee's share of social security taxes they are requesting to be deferred. • Advise the taxpayer in the letter that they can provide the separate employer's share/employee's share social security tax deferral figures by phone or in writing. • Take any other appropriate account actions, and close the case.
The taxpayer's correspondence provided a figure for the social security tax deferral amount or it was obtained via phone contact	No other row of this table applies	Follow the guidance provided in table found in (5) below.

Note: If a written social security tax deferral request does not indicate all or a portion of the request is for deferral of employee's share social security taxes, the request will be treated and processed as a request to record a deferral of employer's share social security taxes (only).

- (5) For inquiries (phone or paper) for which the amount of the **requested** social security tax deferral has been provided, determine the amount of deferral **which can be recorded**, comprising either employer's share, employee's share, or both, as follows:

If	Then
For all social security tax deferral requests	<p>Determine the maximum computer deferral figure (see (12) in IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>)</p> <ul style="list-style-type: none"> The computer maximum deferral figure is equal to the taxable social security wage figure (Line 5a, Column 1 of Form 941 or as adjusted) plus the taxable social security tips figure (Line 5b, Column 1 of Form 941 or as adjusted) multiplied by 6.2% (.062). <u>Note this figure as it will be used in multiple succeeding handling steps.</u>
All of the deferral amount requested to be recorded is for employer's share of social security taxes	<ol style="list-style-type: none"> The employer's share social security tax deferral amount to be recorded is the lesser of the amount computed in Step 1 or the amount provided by the employer. Continue handling per instructions provided in (6) below.
All of the deferral amount requested to be recorded is for employee's share of social security taxes	<ol style="list-style-type: none"> Determine the amount of employee's share of social security taxes reported for the tax period: <ul style="list-style-type: none"> Add the taxable social security wage figure (Line 5a, Column 1 of Form 941 or as adjusted) plus qualified sick leave wages (Line 5a(i), Column 1 of Form 941 or as adjusted) plus qualified family leave wages (Line 5a(ii), Column 1 of Form 941 or as adjusted) plus the taxable social security tips figure (Line 5b, Column 1 of Form 941 or as adjusted) and multiply the result by 6.2% (.062). The employee's share social security tax deferral amount to be recorded is the lesser of the amount computed in Step 2 or the amount provided by the taxpayer. Continue handling per instructions provided in (6) below.

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If	Then
The deferral amount requested to be recorded consists of both employer's share and employee's share social security taxes	<ol style="list-style-type: none"> 2. Determine the amount of employee's share of social security taxes reported for the tax period: Add the taxable social security wage figure (Line 5a, Column 1 of Form 941 or as adjusted) plus qualified sick leave wages (Line 5a(i), Column 1 of Form 941 or as adjusted) plus qualified family leave wages (Line 5a(ii), Column 1 of Form 941 or as adjusted) plus the taxable social security tips figure (Line 5b, Column 1 of Form 941 or as adjusted) and multiply the result by 6.2% (.062). 3. Add the amounts determined in Step 1 and Step 2 together. 4. The social security tax deferral amount to be recorded is the lesser of the amount computed in Step 3 or the amount provided by the taxpayer. 5. Continue handling per instructions provided in (6) below.

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Reminder: To ensure correct systemic penalty and interest computations, a social security tax deferral will be recorded for the allowable amount even if it is expected the computer will reverse part of all the deferral being recorded.

Reminder: The amount of any previously recorded deferral of employee's share of social security taxes is displayed on BMFOL definer "R" but **not** on TXMOD.

- (6) For inquiries for which a social security tax deferral amount to be recorded was determined per guidance (5), analyze the account for conditions described in the table below and continue processing as appropriate:

If	And	Then
There are any erroneous offsets into the module or misapplied payments		<p>Correct ordering of transactions is critical for achieving the correct outcome on the account.</p> <ul style="list-style-type: none">• See IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>, for more information.• After considering and applying the guidance in the cross-referenced subsection, including determining whether any deferral reinstatement is required, continue processing the social security tax deferral request as per succeeding rows of this table, but use a suitable post delay code with ADJ54 when completing any CRN 280 adjustment to ensure it posts in the correct sequence.

If	And	Then
Penalties must be manually adjusted		<p>Correct ordering of transactions is critical for achieving the correct outcome on the account.</p> <ul style="list-style-type: none">• The penalty adjustment must post separately from the CRN 280 adjustment (i.e., cannot be combined with the CRN 280 change).• For guidance on ordering the transactions, see IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>.• After considering and applying the guidance in the cross-referenced subsection, including determining whether any deferral reinstatement is required, continue processing the social security tax deferral request as per succeeding rows of this table, but use a suitable post delay code with ADJ54, if necessary, when completing any CRN 280 adjustment to ensure it posts in the correct sequence.

If	And	Then
A Form 94XX adjusted return is also being processed	The Form 94XX reports a tax decrease (or credit increase)	<p>The new or revised social security tax deferral request should generally be processed before the Form 94XX adjustment is made to ensure any overpayment triggers AMB analysis for systemic reversal of the appropriate amount of the social security tax deferral recorded.</p> <ol style="list-style-type: none"> 1. Continue processing the new or revised deferral request as per guidance in the preceding and succeeding table rows. 2. Complete processing the Form 94XX. See IRM 21.7.2.8.13, <i>Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts</i>, for more information.
A Form 94XX adjusted return is also being processed	The Form 94XX reports a tax increase (or credit decrease) or reflects no net change to tax or credits	<p>The new or revised social security tax deferral request should generally be processed after the Form 94XX adjustment is made.</p> <ol style="list-style-type: none"> 1. Complete processing the Form 94XX. See IRM 21.7.2.8.13, <i>Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts</i>, for more information. 2. Continue processing the new or revised deferral request as per guidance in the preceding and succeeding table rows.
There are no previous CRN 280 transactions (unreversed or reversed) posted to the account (i.e., the case being worked is a new social security tax deferral request)	The account will be in zero or debit balance after posting of the CRN 280 amount.	Complete processing as per guidance in IRM 21.7.2.8.9.1, <i>New Social Security Tax Deferral Request — Account Will be in Zero or Debit Balance When CRN 280 is Posted</i> .

If	And	Then
There are no previous CRN 280 transactions (unreversed or reversed) posted to the account (i.e., the case being worked is a new social security tax deferral request)	The account will be in credit balance after posting of the CRN 280 amount	Complete processing as per guidance in IRM 21.7.2.8.9.2, <i>New Social Security Tax Deferral Request — Account Will be in Credit Balance When CRN 280 is Posted.</i>
The account reflects one or more previous CRN 280 transactions (unreversed or reversed) posted to the account (i.e., the case being worked is a revised or corrected social security tax deferral request)	The account will be in zero or debit balance after posting of the CRN 280 amount.	Complete processing as per guidance in IRM 21.7.2.8.9.3, <i>Revised Social Security Tax Deferral Request — Account Will be in Zero or Debit Balance When CRN 280 is Posted.</i>
The account reflects one or more previous CRN 280 transactions (unreversed or reversed) posted to the account (i.e., the case being worked is a revised or corrected social security tax deferral request)	The account will be in credit balance after posting of the CRN 280 amount	Complete processing as per guidance in IRM 21.7.2.8.9.4, <i>Revised Social Security Tax Deferral Request — Account Will be in Credit Balance When CRN 280 is Posted.</i>

21.7.2.8.9.1
(11-16-2021)

New Social Security Tax Deferral Request — Account Will be in Zero or Debit Balance When CRN 280 is Posted

- (1) The procedures that follow in this subsection are for **new** social security tax deferral requests (i.e., no previous unreversed or reversed CRN 280 transactions) for Form 941 tax periods 202006, 202009, and 202012 and for Form 943, Form 944, and Form CT-1 for tax period 202012, when there will be a zero balance or debit balance (i.e., balance due) on the account in the posting cycle in which the deferral request is recorded.

Caution: Procedures in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, including cross-referenced sections for determining correct ordering of transactions (i.e., credit transfers, manual penalty adjustments, and processing Forms 94XX) **must** be followed before applying the guidance that follows.

Reminder: For Form 941 tax period 202003 requests, see IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447.*

- (2) For inquiries for which a deferred social security tax amount to be recorded was determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, continue processing as follows:

If	And	Then
<p>The amount of the social security tax deferral to be recorded is more than or equal to the maximum computer deferral figure</p>		<ol style="list-style-type: none"> 1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>. <ul style="list-style-type: none"> • Enter RC 195 in the first reason code position • Enter Hold Code 0 • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made. • Also enter the amount of any deferred employee share of social security (if any) with IRN 208 (see note after this table). 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

If	And	Then
The amount of the social security tax deferral to be recorded is less than the maximum computer deferral figure		<ol style="list-style-type: none"> Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>. <ul style="list-style-type: none"> Enter RC 195 in the first reason code position Enter Hold Code 0 Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made Also enter the amount of any deferred employee share of social security (if any) with IRN 208 (see note after this table). Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

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If	And	Then
The amount of the social security tax deferral to be recorded is less than the maximum computer deferral figure		<ol style="list-style-type: none"> 1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>. <ul style="list-style-type: none"> • Enter Hold Code 0 • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) with IRN 208 (see note after this table). 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>. <p>Note: Do not use RC 195 for this adjustment.</p>

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Caution: Use of first position RC 195 is required with any CRN 280 adjustment which results in the recording of a net social security tax deferral amount in excess of the computer maximum deferral figure to avoid unpostables with UPC 306-3. However, as is discussed in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, use of RC 195 also causes the computer to bypass AMB analysis for purposes of possible systemic CRN 280 reversal. The instructions for input of transactions provided in the table guidance above are intended to mitigate the potential for erroneous refund or offset of amounts which should instead be applied against deferred social security tax amounts. If account circumstances require a different sequencing of transactions to achieve a correct result, the impact of using RC 195 must be carefully considered as well as the potential for systemic reversal of CRN 280 amounts in any posting cycle in which an account ends in a credit balance.

Note: IRN 208 must be used to record any changes to deferred employee share social security tax in addition to being recorded **as part of** the CRN 280 amount. See (4) and (5) in IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information on how deferral of employee share social security taxes is recorded and adjusted on employment tax accounts.

21.7.2.8.9.2
(11-16-2021)

**New Social Security Tax
Deferral Request —
Account Will be in
Credit Balance When
CRN 280 is Posted**

- (1) The procedures that follow in this subsection are for **new** social security tax deferral requests (i.e., no previous unreversed or reversed CRN 280 transactions) for Form 941 tax periods 202006, 202009, and 202012 and for Form 943, Form 944, and Form CT-1 for tax period 202012, when there will be a credit balance (i.e., overpayment) on the account in the posting cycle in which the deferral request is recorded.

Caution: Procedures in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, including cross-referenced sections for determining correct ordering of transactions (i.e., credit transfers, manual penalty adjustments, and processing Forms 94XX) **must** be followed before applying the guidance that follows.

Reminder: For Form 941 tax period 202003 requests, see IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*.

- (2) For inquiries for which a deferred social security tax amount to be recorded was determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, continue processing as follows:

If	And	Then
<p>The entire amount of the overpayment on the account after recording the CRN 280 amount is to be allowed to systemically refund or offset</p> <p>Caution: This adjustment scenario should rarely be encountered since overpayments on the account are generally required to be applied against any recorded deferred social security taxes unless the overpayment consists of COVID related credits. See IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>, for more information.</p>		<ol style="list-style-type: none"> 1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>. <ul style="list-style-type: none"> • Enter RC 195 in the first reason code position • Enter Hold Code 0 • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) with IRN 208 (see note after this table). 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>. <p>Note: Use of RC 195 is required with this adjustment situation to bypass the AMB analysis described in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i> and allow systemic refund or offset to occur as discussed in (13) of the same cross-referenced subsection.</p>

If	And	Then
The entire amount of the over-payment on the account after recording the CRN 280 amount is to be applied as payment towards deferred social security tax amounts	The amount of the deferral to be recorded is less than the maximum computer deferral	<ol style="list-style-type: none"> 1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>. <ul style="list-style-type: none"> • Enter Hold Code 0 • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) with IRN 208 (see note after this table). 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>. <p>Note: Do not use RC 195 for this adjustment. When the CRN 280 adjustment posts and the account goes to credit balance, AMB analysis as described in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>, will be triggered and a full or partial CRN 280 reversal up to the amount of the overpayment will be systemically posted in the same posting cycle.</p>

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If	And	Then
The entire amount of the over-payment on the account after recording the CRN 280 amount is to be applied as payment towards deferred social security tax amounts	The amount of the deferral to be recorded is more than or equal to the maximum computer	<ol style="list-style-type: none"> 1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>. <ul style="list-style-type: none"> • Enter RC 195 in the first reason code position • Enter Hold Code 1 • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) with IRN 208 (see note after this table). 2. Input a TC 290 .00 with Hold Code 0 with a post delay code such that this transaction would post one cycle after the CRN 280 transaction described in Step 1. 3. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

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If	And	Then
		<p>Note: RC 195 is required with this CRN 280 transaction to avoid UPC 306-3 but would erroneously cause the overpayment to refund absent Hold Code 1 due to RC 195 use also bypassing AMB analysis for the cycle in which it posts as discussed in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>. When the TC 290 .00 Hold Code 0 transaction posts a cycle later and releases the overpayment, AMB analysis will be triggered and a full or partial CRN 280 reversal up to the amount of the overpayment will be posted by the computer in the same posting cycle as the TC 290 .00 Hold Code 0 transaction.</p>
Part of the overpayment after recording the CRN 280 amount is to be applied as payment towards the deferred social security taxes and part is to be allowed to systemically refund or offset		<ul style="list-style-type: none"> • Phone inquiries: Advise the taxpayer that we are unable to assist them at this time and to write in with a complete explanation of the actions they are requesting to be taken on their account. Input STAUPS on the account for 9 weeks if the account currently reflects a balance due. • Paper cases: Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

Caution: Use of first position RC 195 is required with any CRN 280 adjustment which results in the recording of a net social security tax deferral amount in excess of the computer maximum deferral figure to avoid unpostables with UPC 306-3. However, as is discussed in IRM 21.7.2.8.3, *Credit*

Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195, use of RC 195 also causes the computer to bypass AMB analysis for purposes of possible systemic CRN 280 reversal. The instructions for input of transactions provided in the table guidance above are intended to mitigate the potential for erroneous refund or offset of amounts which should instead be applied against deferred social security tax amounts. If account circumstances require a different sequencing of transactions to achieve a correct result, the impact of using RC 195 must be carefully considered as well as the potential for systemic reversal of CRN 280 amounts in any posting cycle in which an account ends in a credit balance.

Note: IRN 208 must be used to record any changes to deferred employee share social security tax in addition to being recorded as part of the CRN 280 amount. See (4) and (5) in IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information on how deferral of employee share social security taxes is recorded and adjusted on employment tax accounts.

21.7.2.8.9.3
(02-04-2022)
**Revised Social Security
Tax Deferral Request —
Account Will be in Zero
or Debit Balance When
CRN 280 is Posted**

- (1) The procedures that follow in this subsection are for **revised** social security tax deferral requests (i.e., the tax module reflects previous unreversed or reversed CRN 280 transactions) for Form 941 tax periods 202006, 202009, and 202012 and for Form 943, Form 944, and Form CT-1 for tax period 202012, when there will be a zero balance or debit balance (i.e., balance due) on the account in the posting cycle in which the deferral request is recorded.

Caution: Procedures in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, including cross-referenced sections for determining correct ordering of transactions (i.e., credit transfers, manual penalty adjustments, and processing Forms 94XX) **must** be followed before applying the guidance that follows.

Reminder: For Form 941 tax period 202003 requests, see IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*.

- (2) For revised social security tax deferral requests, the deferral amount to be recorded as determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, **must be modified** to account for previously recorded amounts, including amounts of deferred employee share of social security taxes. Take the following steps to determine the correct CRN 280 and IRN 208 (if any) adjustment amounts:
1. Add **all** the TC 766 CRN 280 amounts pending or posted to the account with transaction dates equal (only) to the first day of the tax period, **including all reversed** TC 766 CRN 280 amounts (i.e., "766R" transactions, not 767 transactions) with transaction dates equal (only) to the first day of the tax period, **and** any TC 766 CRN 280 amount posted via a TC 298 with an interest computation date equal (only) to the first day of the tax period. From that amount, subtract any TC 767 CRN 280 amounts posted via a TC 298 with an interest computation date equal (only) to the first day of the tax period.
 2. Subtract the amount determined in Step 1) above from the amount of the

deferral to be recorded as determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.

- If the resulting amount is **zero**, no change to the total deferral is indicated and no CRN 280 adjustment should be input. However, an IRN 208 adjustment may be needed as per Step 3) below if the taxpayer is recharacterizing all or part of a previously recorded deferral amount between employer and employee shares of social security taxes.

- If the resulting amount is **positive**, this is the amount that will be entered as a CRN 280 adjustment per guidance which follows below to increase the amount of the recorded deferral.

- If the resulting amount is **negative**, this is the amount that will be entered as a CRN 280 adjustment per guidance which follows below to decrease the amount of the recorded deferral **unless** doing so would reverse more than the current unreversed CRN 280 amount. If the current recorded CRN 280 amount is zero, make no change. If the current unreversed CRN 280 is positive but less than the amount determined for the decrease, only enter a decrease equal to the current CRN 280 amount (i.e., reduce to zero but not below zero).

3. If the revised request includes a change to deferral of employee share social security taxes, subtract the current posted employee deferral amount displayed on BMFOLR (field is **not** displayed on TXMOD) from the revised employee deferral amount.

- This is the amount that will be entered as an IRN 208 adjustment per guidance which follows below.

- This amount can be positive (indicating an increase to the recorded employee deferral amount) or a negative (indicating a decrease to the recorded employee deferral amount).

- If the amount is zero, no change to the recorded employee deferral amount is indicated and no IRN 208 adjustment should be input.

4. Continue processing per guidance in (3) below.

Note: IRN 208 must be used to record any changes to deferred employee share social security tax in addition to being recorded as part of the CRN 280 amount. See (4) and (5) in IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information on how deferral of employee share social security taxes is recorded and adjusted on employment tax accounts.

- (3) After following the guidance in (2) above, continue processing as follows:

If	And	Then
A change to the amount of deferred employee share social security taxes with IRN 208 is required per Step 3 of (2) above	No change is required to the CRN 280 figure as per Step 2 of (2) above	<ol style="list-style-type: none"> 1. Input a TC 290 .00 and an IRN 208 for the amount determined in Step 3 of (2) above. <ul style="list-style-type: none"> • Enter Hold Code 3 • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.
The amount of the social security tax deferral to be recorded is more than or equal to the maximum computer deferral figure		<ol style="list-style-type: none"> 1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. <ul style="list-style-type: none"> • Enter RC 195 in the first reason code position • Enter Hold Code 0 • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) determined in Step 3 of (2) above with IRN 208. 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

If	And	Then
The amount of the social security tax deferral to be recorded is less than the maximum computer deferral figure		<ol style="list-style-type: none"> Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. <ul style="list-style-type: none"> Enter RC 195 in the first reason code position Enter Hold Code 0 Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made Also enter the amount of any deferred employee share of social security (if any) determined in Step 3 of (2) above with IRN 208. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.
The amount of the social security tax deferral to be recorded is less than the maximum computer deferral figure		<ol style="list-style-type: none"> Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. <ul style="list-style-type: none"> Enter Hold Code 0 Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made Also enter the amount of any deferred employee share of social security (if any) determined in Step 3 of (2) above with IRN 208. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>. <p>Note: Do not use RC 195 for this adjustment.</p>

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Caution: Use of first position RC 195 is required with any CRN 280 adjustment which results in the recording of a net social security tax deferral amount in excess of the computer maximum deferral figure to avoid unpostables

with UPC 306-3. However, as is discussed in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, use of RC 195 also causes the computer to bypass AMB analysis for purposes of possible systemic CRN 280 reversal. The instructions for input of transactions provided in the table guidance above are intended to mitigate the potential for erroneous refund or offset of amounts which should instead be applied against deferred social security tax amounts. If account circumstances require a different sequencing of transactions to achieve a correct result, the impact of using RC 195 must be carefully considered as well as the potential for systemic reversal of CRN 280 amounts in any posting cycle in which an account ends in a credit balance.

21.7.2.8.9.4
(02-04-2022)

**Revised Social Security
Tax Deferral Request —
Account Will be in
Credit Balance When
CRN 280 is Posted**

- (1) The procedures that follow in this subsection are for **revised** social security tax deferral requests (i.e., the tax module reflects previous unreversed or reversed CRN 280 transactions) for Form 941 tax periods 202006, 202009, and 202012 and for Form 943, Form 944, and Form CT-1 for tax period 202012, when there will be a credit balance (i.e., overpayment) on the account in the posting cycle in which the deferral request is recorded.

Caution: Procedures in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, including cross-referenced sections for determining correct ordering of transactions (i.e., credit transfers, manual penalty adjustments, and processing Forms 94XX) **must** be followed before applying the guidance that follows.

Reminder: For Form 941 tax period 202003 requests, see IRM 21.7.2.8.11, *First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447*.

- (2) For revised social security tax deferral requests, the deferral amount to be recorded as determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*, **must be modified** to account for previously recorded amounts, including amounts of deferred employee share of social security taxes. Take the following steps to determine the correct CRN 280 and IRN 208 (if any) adjustment amounts:
1. Add **all** the TC 766 CRN 280 amounts pending or posted to the account with transaction dates equal (only) to the first day of the tax period, **including all reversed** TC 766 CRN 280 amounts (i.e., “766R” transactions, not 767 transactions) with transaction dates equal (only) to the first day of the tax period, **and** any TC 766 CRN 280 amount posted via a TC 298 with an interest computation date equal (only) to the first day of the tax period. From that amount, subtract any TC 767 CRN 280 amounts posted via a TC 298 with an interest computation date equal (only) to the first day of the tax period.
 2. Subtract the amount determined in Step 1) above from the amount of the deferral to be recorded as determined per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.
 - If the resulting amount is **zero**, no change to the total deferral is indicated and no CRN 280 adjustment should be input. However, an IRN 208 adjustment may be needed as per Step 3) below if the taxpayer is

recharacterizing all or part of a previously recorded deferral amount between employer and employee shares of social security taxes.

- If the resulting amount is **positive**, this is the amount that will be entered as a CRN 280 adjustment per guidance which follows below to increase the amount of the recorded deferral.

- If the resulting amount is **negative**, this is the amount that will be entered as a CRN 280 adjustment per guidance which follows below to decrease the amount of the recorded deferral **unless** doing so would reverse more than the current unreversed CRN 280 amount. If the current recorded CRN 280 amount is zero, make no change. If the current unreversed CRN 280 is positive but less than the amount determined for the decrease, only enter a decrease equal to the current CRN 280 amount (i.e., reduce to zero but not below zero).

3. If the revised request includes a change to deferral of employee share social security taxes, subtract the current posted employee deferral amount displayed on BMFOLR (field is **not** displayed on TXMOD) from the revised employee deferral amount.

- This is the amount that will be entered as an IRN 208 adjustment per guidance which follows below.

- This amount can be positive (indicating an increase to the recorded employee deferral amount) or a negative (indicating a decrease to the recorded employee deferral amount).

- If the amount is zero, no change to the recorded employee deferral amount is indicated and no IRN 208 adjustment should be input.

4. Continue processing per guidance in (3) below.

Note: IRN 208 must be used to record any changes to deferred employee share social security tax in addition to being recorded as part of the CRN 280 amount. See (4) and (5) in IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information on how deferral of employee share social security taxes is recorded and adjusted on employment tax accounts.

- (3) After following the guidance in (2) above, continue processing as follows:

If	And	Then
A change to the amount of deferred employee share social security taxes with IRN 208 is required per Step 3 of (2) above	No change is required to the CRN 280 figure as per Step 2 of (2) above	<ol style="list-style-type: none"> 1. Input a TC 290 .00 and an IRN 208 for the amount determined in Step 3 of (2) above. <ul style="list-style-type: none"> • Enter Hold Code 4 if the overpayment on the account needs to be held pending further action or enter Hold Code 3 if the overpayment on the account needs to be released for refund/offset/ application to the recorded deferral amount. • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

If	And	Then
<p>The entire amount of the overpayment on the account after recording the CRN 280 amount is to be allowed to systemically refund or offset</p> <p>Caution: This adjustment scenario should rarely be encountered since overpayments on the account are generally required to be applied against the recorded deferred social security taxes.</p>		<ol style="list-style-type: none"> 1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. <ul style="list-style-type: none"> • Enter RC 195 in the first reason code position • Enter Hold Code 0 • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) determined in Step 3 of (2) above with IRN 208. 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>. <p>Note: Use of RC 195 is required with this adjustment situation to bypass the AMB analysis described in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i> and allow systemic refund or offset to occur as discussed in (13) of the same cross-referenced subsection.</p>

If	And	Then
The entire amount of the overpayment on the account after recording the CRN 280 amount is to be applied as payment towards deferred social security tax amounts	The amount of the social security tax deferral to be recorded is less than the maximum computer deferral	<ol style="list-style-type: none"> 1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. <ul style="list-style-type: none"> • Enter Hold Code 0 • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) determined in Step 3 of (2) above with IRN 208. 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>. <p>Note: Do not use RC 195 for this adjustment. When the CRN 280 adjustment posts and the account goes to credit balance, AMB analysis as described in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>, will be triggered and a full or partial CRN 280 reversal up to the amount of the overpayment will be systemically posted in the same posting cycle.</p>

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If	And	Then
The entire amount of the over-payment on the account after recording the CRN 280 amount is to be applied as payment towards deferred social security tax amounts	The amount of the social security tax deferral to be recorded is more than or equal to the maximum computer	<ol style="list-style-type: none"> 1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in Step 2 of (2) above. <ul style="list-style-type: none"> • Enter RC 195 in the first reason code position • Enter Hold Code 1 • Enter an appropriate post delay code if corrections to credits, penalties, or for a Form 94XX were made • Also enter the amount of any deferred employee share of social security (if any) determined in Step 3 of (2) above with IRN 208. 2. Input a TC 290 .00 with Hold Code 0 with a post delay code such that this transaction would post one cycle after the CRN 280 transaction described in Step 1. 3. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

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If	And	Then
		<p>Note: RC 195 is required with this CRN 280 transaction to avoid UPC 306-3 but would erroneously cause the overpayment to refund absent Hold Code 1 due to RC 195 use also bypassing AMB analysis for the cycle in which it posts as discussed in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>. When the TC 290 .00 Hold Code 0 transaction posts a cycle later and releases the overpayment, AMB analysis will be triggered and a full or partial CRN 280 reversal up to the amount of the overpayment will be posted by the computer in the same posting cycle as the TC 290 .00 Hold Code 0 transaction.</p>
Part of the overpayment after recording the CRN 280 amount is to be applied as payment towards the deferred social security taxes and part is to be allowed to systemically refund or offset		<ul style="list-style-type: none"> • Phone inquiries: Advise the taxpayer that we are unable to assist them at this time and to write in with a complete explanation of the actions they are requesting to be taken on their account. Input STAUPS on the account for 9 weeks if the account currently reflects a balance due. • Paper cases: Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

Caution: Use of first position RC 195 is required with any CRN 280 adjustment which results in the recording of a net social security tax deferral amount in excess of the computer maximum deferral figure to avoid unpostables with UPC 306-3. However, as is discussed in IRM 21.7.2.8.3, *Credit*

Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195, use of RC 195 also causes the computer to bypass AMB analysis for purposes of possible systemic CRN 280 reversal. The instructions for input of transactions provided in the table guidance above are intended to mitigate the potential for erroneous refund or offset of amounts which should instead be applied against deferred social security tax amounts. If account circumstances require a different sequencing of transactions to achieve a correct result, the impact of using RC 195 must be carefully considered as well as the potential for systemic reversal of CRN 280 amounts in any posting cycle in which an account ends in a credit balance.

21.7.2.8.10
(05-11-2022)

**Restoring or Reinstating
Incorrectly Reversed
Social Security Tax
Deferral Amounts**

- (1) This subsection provides guidance for manually restoring or reinstating **incorrectly** reversed social security tax deferral transaction amounts.
- (2) As is discussed in (7) and (8) in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, the computer is programmed to apply two different Assessed Module Balance (AMB) analysis routines (one analysis routine when posting original employment tax returns, a different analysis for subsequent posting cycles) when there is an overpayment on an employment tax account with one or more unreversed CRN 280 amounts recorded. These AMB analysis routines are designed to determine whether any portion of the overpayment present on the account should be applied against the deferred payment of social security tax. If an amount of overpayment should be so applied, the computer will post a CRN 280 / TC 767 reversal transaction with the 23c date of the posting cycle as the reversal effective date.

Reminder: The AMB analysis routines can only be bypassed via the posting of a CRN 280 transaction with Reason Code (RC) 195 and only for the cycle in which such transaction posts.

Caution: The AMB analysis routines are not executed at the close of every posting cycle. Rather, they are triggered by module conditions. As such, the fact that a reversal has not yet transpired on an account with a posted overpayment (e.g., credit held with a hold code on an adjustment for which RC 195 was used to bypass AMB analysis) is not necessarily an indication that it will never systemically occur; a subsequent change in module conditions can trigger the AMB analysis and a systemic CRN 280 reversal in a later cycle.

- (3) There will be occasions when the computer programming described above will result in **incorrect systemic CRN 280 deferral reversals**. These situations could include, but are not limited to:
 - Misapplied payment situations.
 - Payment was made with a Form 94XX adjusted returns reporting a tax increase.
 - Instances where erroneous CRN 280 reversals were generated due to incorrect account actions, including incorrect sequencing of transactions.
 - Situations in which an overpayment on an original return that should have refunded based on return posting AMB analysis was instead held and released in a later cycle triggering inappropriate subsequent cycle AMB analysis.

- Complex case handling situations wherein the computer must be allowed to generate incorrect CRN 280 reversals in order to complete other actions required to fully resolve an account issue (should be rare).

Caution: The procedures provided below and in the two succeeding subsections **do not apply** to instances wherein the taxpayer asks for reinstatement of deferral amounts that were **correctly** reversed. The account must be analyzed to verify the reversal was incorrect before applying the procedures which follow. See the appropriate row of the table in (3) of IRM 21.7.2.8.6, *Deferred Payment of Social Security Taxes for 2020 — Handling Guidance for Common Correspondence and Phone Inquiries*, for additional information on handling taxpayer inquiries about deferral reversals.

- (4) There may also be occasions when **incorrect manual CRN 280 deferral reversals** were completed.
- (5) The computer is not capable of determining when a systemic CRN 280 reversal was in error and it is not programmed to restore or reinstate a reversed deferral amount even when the specific transaction that triggered a reversal is reversed. **All reinstatements of CRN 280 deferral amount must be input manually.**

Example: A payment of \$500 is applied to a third quarter 2020 Form 941 account on which a CRN 280 deferral was recorded and creates an overpayment of \$500. In the same posting cycle, the computer generated a CRN 280 / TC 767 reversal for \$500. Later, it is found that the payment was intended for another tax period and a credit transfer is initiated to correct the error. In this scenario, the computer will not systemically reinstate the reversed deferral amount. Instead, a CRN 280 for \$500 must be input via ADJ54 to manually reinstate the reversed deferral amount one cycle after the debit side of the credit transfer posts.

Caution: Because credit balance outcomes at the end of any posting cycle have high potential for triggering a systemic CRN 280 reversal as discussed in (2) above, the ADJ54 transaction to reinstate an incorrect CRN 280 reversal should generally be the last action taken to resolve an account when more than one corrective action (e.g., credit transfers) is required unless procedures which follow direct a different ordering of transactions or a careful consideration of required actions indicates a different processing order must be followed.

- (6) For purposes of applying these procedures, a reinstatement of a CRN 280 deferral means correcting an account to reflect a net social security tax deferral amount not exceeding the total amount of previously recorded CRN 280 deferrals, including systemically or manually reversed CRN 280 deferral transactions.
 - If a taxpayer is requesting an allowable increase for more than what had been previously recorded for deferred social security taxes, the amount of previous reversals will be addressed as per the reinstatement procedures that follow, but the amount in excess of the previous reversals **must** be processed and recorded as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.

- Similarly, the procedures in this subsection do not apply to requests for corrections of issues where the IRS did not record the proper amount of deferred social security taxes during original return processing or in working a subsequent social security tax deferral request (e.g., ERS reduction to a deferral amount requested on an original employment tax return). Those requests **must** also be processed and recorded as per guidance in IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*.

Example: A payment of \$750 is applied to a fourth quarter 2020 Form 941 account on which a CRN 280 deferral for \$12,000 was recorded and creates an overpayment of \$750. In the same posting cycle, the computer generated a CRN 280 / TC 767 reversal for \$750. Later, the taxpayer informs the IRS that the payment was misapplied **and** that the correct deferred social security tax amount for the quarter was \$14,000. The \$750 reversal will be reinstated when the misapplied payment is resolved. However, the \$2000 increase to the net recorded deferral (i.e., increase from the \$12000 previously recorded to new requested amount of \$14,000) must be handled separately as a revised deferral request.

Example: The taxpayer reports a social security tax deferral of \$350,000 on their Form 941 for the third quarter of 2020 but the return errors out to ERS for correction. In completing their handling, ERS reduces the deferral amount and a CRN 280 for \$225,000 is posted with the original return. If the taxpayer supplies information to substantiate the original deferral figure reported, that issue must be addressed as a revised deferral request. Reinstatement procedures do not apply because the amount at issue was not initially posted to the account and was not subsequently reversed.

- (7) Analyze tax accounts requiring reinstatement of reversed social security tax deferral amounts for the following conditions prior to taking deferral reinstatement actions:

If	And	Then
There are one or more misapplied credits		<ol style="list-style-type: none"> 1. Resolve the misapplied credits before addressing the reinstatement transaction. See handling guidance in IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>. 2. Once the misapplied credits are resolved, continue processing per guidance in (8) below.

If	And	Then
Manual penalty adjustments are required		<ol style="list-style-type: none"> 1. Whenever possible, address the penalty adjustments before addressing the reinstatement transaction. See handling guidance in IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>. 2. Once the penalty adjustment issue is resolved, continue processing per guidance in (8) below.
A Form 94XX adjusted return is also being processed		<p>Generally, the reinstatement action should be the last action taken on the account.</p> <ol style="list-style-type: none"> 1. Process the Form 94XX as per guidance IRM 21.7.2.8.13, <i>Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts</i>. 2. Once the Form 94XX adjustment issue is resolved, continue processing per guidance in (8) below.

If	And	Then
The taxpayer is requesting an increase to the recorded social security tax deferral amount in addition to the reinstatement action under consideration		<ol style="list-style-type: none"> 1. Continue processing the reinstatement portion of the deferral action requested as per guidance in (8) below. 2. After the reinstatement issue is resolved, follow guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>, to address the amount of the deferral request in excess of previously recorded deferral amounts. <p>Caution: Due to penalty and interest considerations, the corrections for reinstatement and for any additional deferred social security tax amounts to be recorded cannot be combined in a single adjustment transaction.</p>

(8) Take the following preliminary actions prior to recording deferral reinstatement transactions:

1. Determine the computer maximum deferral figure (see (12) in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*).
 - The computer maximum deferral figure is equal to the taxable social security wage figure (Line 5a, Column 1 of Form 941 or as adjusted) plus the taxable social security tips figure (Line 5b, Column 1 of Form 941 or as adjusted) multiplied by 6.2% (.062).

Caution: The amount of deferred social security taxes to be recorded as a reinstatement should generally not be greater than the computer maximum deferral figure unless all or part of the amount to be recorded consists of deferred employee share social security taxes.

2. Determine the total amount of deferred taxes for which one or more incorrect reversals were recorded.
 - The amount of incorrectly reversed deferred taxes will generally be equal to one or more posted TC 767 amounts with CRN 280 and will usually be equal to a payment or other overpayment amount that triggered the computer reversal actions.
3. Determine the amount of reinstatement to be entered.
 - (a) Divide the computer maximum deferral figure determined in Step 1 by two (2).

(b) The total amount(s) of the reinstatement(s) to be entered is the **lesser** (smaller) of the amounts determined in Step 2 or in Step 3(a).

Caution: If any of the amount under consideration for reinstatement consists of deferred employee's share of social security tax, contact the IRM author through the campus P&A Staff for guidance on resolving the case.

4. Determine the specific amount(s) and transaction date(s) for the reinstatement(s) to be input via Command Code (CC) ADJ54.

(a) Reinstatement Amount(s): If there are between one and three incorrect deferral reversal transactions (TC 767 with CRN 280) to be addressed, a separate reinstatement transaction is required to be input for each incorrect reversal (see the Exception below if there are four or more incorrect deferral reversal transactions). Determine the specific amounts for the transactions by working backward from the most recent incorrect reversal to the earliest until the full amount to be reinstated (as determined in Step 3(b) above) has been accounted for (i.e., absorbed).
(b) Transaction Date(s): The transaction date for the reinstatement transaction(s) will be the same date as the incorrect TC 767 CRN 280 transaction(s) determined in Step 4(a) and will generally be the same as the 23c date (posting date) of the transaction that triggered the incorrect deferral reversal.

Exception: If there are more than three (i.e., four or more) incorrect reversal transactions (TC 767 with CRN 280), complete one reinstatement transaction for the aggregate amount determined in Step 3(b) above using the date of the **earliest** incorrect deferral reversal as determined in Step 4(b).

5. Determine the expected account outcome in terms of final module balance (i.e., zero balance, debit balance or overpayment) and, if overpaid, whether the overpayment should be applied against the social security tax amount deferred or is refundable/available for offset.
- In most cases, the reinstatement action would be expected to return the module to a zero balance (e.g., a misapplied payment triggered an incorrect CRN 280 / TC 767 reversal, the credit is reapplied and the deferral is reinstated to bring module back to zero balance).
 - If the outcome is a balance due, a notice of adjustment must be allowed to generate.
 - If the account will be overpaid and the overpayment is to be applied to the deferral, amount, record the reinstatement and allow the computer to generate the correct reversal transaction.
 - If the account will be overpaid and the overpayment is to be allowed to refund or offset, record the reinstatement and allow the computer to generate the correct refund or offset transactions.
6. Determine the sequence of corrective transactions.
- Careful ordering of corrective transactions is critical to achieving the correct outcome on the tax account.
 - Consider all IRM guidance on account corrections with social security tax deferral issues to determine the correct order of transactions to be entered before taking action (e.g., credit transfers for misapplied payments must be completed before reinstatement transactions).
7. Continue processing the deferral reinstatement as per the MFT and tax period specific procedures found in (9), (10), and (11) below.

- (9) **MFT 01, tax period 202003 accounts:** After considering guidance in (1) through (8) above, follow the handling instructions in the table below to record the social security tax deferral reinstatement:

If	And	Then
The account will be in zero or debit balance when the social security tax deferral is reinstated		<ol style="list-style-type: none"> Input one or more corrective transaction(s) via CC ADJ54 as follows: <ul style="list-style-type: none"> • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 0 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

If	And	Then
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be allowed to refund or offset in full	<ol style="list-style-type: none"> 1. Input one or more corrective transaction(s) via CC ADJ54 as follows: <ul style="list-style-type: none"> • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 0 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>. <p>Note: The use of RC 195 with the adjustment will bypass AMB analysis for reversal of the deferred social security tax amount and trigger the appropriate systemic refund/offset action.</p>

If	And	Then
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be applied in full to the deferred social security tax amount	<p>Two (or more) adjustments are required. First, one or more adjustment(s) are required to record the reinstatement but hold the overpayment. The final adjustment is to release the overpayment and trigger AMB analysis for systemic reversal of the appropriate amount of the deferral recorded.</p> <ol style="list-style-type: none"> 1. Input one or more corrective transaction(s) via CC ADJ54 as follows: <ul style="list-style-type: none"> • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 1 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks 2. Input a final adjustment via CC ADJ54 as follows: <ul style="list-style-type: none"> • TC 290 .00 • Appropriate Post Delay Code (PDC) to ensure this transaction posts 1 cycle after the reinstatement transaction. • Hold Code 0 • Blocking Series 20 • Appropriate remarks 3. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

If	And	Then
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be applied in part to the deferral amount and in part refund/offset	Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

Reminder: First position Reason Code 195 is required for **all** CRN 280 adjustments on MFT 01 for tax period 202003.

- (10) **MFT 01 tax period 202006/202009/202012 accounts and MFT 11/14/09 tax period 202012 accounts:** After considering guidance in (1) through (8) above, take the following actions to record a social security tax deferral reinstatement:

If	And	Then
The account will be in zero or debit balance when the social security tax deferral is reinstated	The amount to be reinstated plus all other unreversed TC 766 CRN 280 transactions is less than the computer maximum deferral figure deter-	<ol style="list-style-type: none"> Input one or more corrective transaction(s) via CC ADJ54 as follows: <ul style="list-style-type: none"> TC 298 .00 CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) Hold Code 0 Blocking Series 20 Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. Appropriate remarks Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>. <p>Caution: Do not use first position RC 195 for this adjustment.</p>

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If	And	Then
The account will be in zero or debit balance when the social security tax deferral is reinstated	The amount to be reinstated plus all other unreversed TC 766 CRN 280 transactions is	<div>1. Input one or more corrective transaction(s) via CC ADJ54 as follows:<ul style="list-style-type: none">• TC 298 .00• CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above.• First position RC 195• Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.)• Hold Code 0• Blocking Series 20• Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above.• Appropriate remarks</div> <div>2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.</div>

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If	And	Then
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be allowed to refund or offset in full	<ol style="list-style-type: none"> 1. Input one or more corrective transaction(s) via CC ADJ54 as follows: <ul style="list-style-type: none"> • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 0 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>. <p>Note: The use of RC 195 with the adjustment will bypass AMB analysis for reversal of the deferred social security tax amount and trigger the appropriate systemic refund/offset action.</p>

If	And	Then
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be applied in full to the deferral amount and the amount to be reinstated plus all other unreversed TC 766 CRN 280 transactions is less than the computer maximum deferral figure determined in Step 1 in	<ol style="list-style-type: none"> 1. Input one or more corrective transaction(s) via CC ADJ54 as follows: <ul style="list-style-type: none"> • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 0 • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks 2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>. <p>Caution: Do not use first position RC 195 for this adjustment. The absence of RC 195 together with the overpaid account status will trigger AMB analysis for systemic reversal of the appropriate amount of the social security tax deferral recorded.</p>

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If	And	Then
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be applied in full to the deferral amount and the amount to be reinstated plus all other unreversed TC 766 CRN 280	<p>Two (or more) adjustments are required. First, one or more adjustment(s) are required to record the reinstatement but hold the overpayment. The final adjustment is to release the overpayment and trigger AMB analysis for systemic reversal of the appropriate amount of the social security tax deferral recorded.</p> <ol style="list-style-type: none"> Input one or more corrective transaction(s) via CC ADJ54 as follows: <ul style="list-style-type: none"> • TC 298 .00 • CRN 280 for amount of reinstatement as determined in Step 4(a) in (8) above. • First position RC 195 • Appropriate Post Delay Code (PDC) to ensure the reinstatement transaction posts 1 cycle after any other corrective transactions (i.e., credit transfers, penalty adjustment, etc.) • Hold Code 1 <ul style="list-style-type: none"> • Blocking Series 20 • Interest Computation Date (ICD) using the date determined in Step 4(b) in (8) above. • Appropriate remarks Input a final adjustment via CC ADJ54 as follows: <ul style="list-style-type: none"> • TC 290 .00 • Appropriate Post Delay Code (PDC) to ensure this transaction posts 1 cycle after the reinstatement transaction. • Hold Code 0 <ul style="list-style-type: none"> • Blocking Series 20 • Appropriate remarks Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

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If	And	Then
The account will be in credit balance when the social security tax deferral is reinstated	The overpayment should be applied in part to the deferral amount and in part refund/offset	Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

- (11) **MFT 05, tax period 202003 through 202111 accounts:** Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

21.7.2.8.11
(11-16-2021)

First Quarter 2020 Form 941 — Deferred Payment of Social Security Taxes and Notice 1447

- (1) Due to timing matters, Form 941 for the first quarter of 2020 could not be revised before the filing due date to account for deferred payment social security tax provisions. Accordingly, there was no line on the form for the taxpayer to report any deferred social security payment amounts which might apply. And, because deferred payment provisions apply to only a portion of the tax period (deposits and payments otherwise due on or after March 27, 2020 or after), the computer is not capable of determining the correct amount of social security taxes that could be deferred for first quarter 2020 Form 941 accounts.
- (2) To address this circumstance, the IRS developed Notice 1447 to be mailed with initial balance due notices issued for first quarter 2020 Form 941 accounts. The notice directs taxpayers who have a balance due to this situation to contact the Service for assistance either in writing or by phone.

Note: Some taxpayers received Notice 1447 in error with initial balance due notices for tax periods other than the first quarter of 2020. See SERP Alert *20A0283* dated July 6, 2020 for more information.

- (3) Process inquiries regarding deferred social security tax payment amounts for first quarter 2020 Form 941 accounts, including responses to Notice 1447, and any Forms 4442 previously created per temporary instructions pending development of handling guidance (treated as a paper case for resolution purposes), as per the guidance found in (4), (5), (6), (7), and (8) below.
- See IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, and IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for general information on deferred payment of social security tax provisions.
 - See IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, for information on CRN 280 use and functionality.

Note: These procedures are intended to be followed in sequential order with either (4) or (5) as the starting point for handling depending on whether the inquiry is being worked on the phone or is a paper case.

- (4) **For phone inquiries**, handle as follows:

1. Advise the taxpayer that the social security tax amount that can be deferred for first quarter 2020 is generally limited to:

- a) The employer's share of social security tax due with deposits and payments that would otherwise have been required to be made during the period beginning on March 27, 2020 and ending March 31, 2020; and,
 - b) The employer's share of social security tax due with deposits and payments required to be made after March 31, 2020 for wages paid during the quarter ending on March 31, 2020; and
 - c) Must be modified for certain filers reporting third party sick pay amounts or amounts due as the result of receiving a Letter 3263 or Letter 4520 Section 3121(q) Notice and Demand for tax due on unreported tips (see (5) in IRM 21.7.2.8.1, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*).
2. Ask the taxpayer for the amount of employer's share of social security tax they are requesting to be deferred for first quarter.
 3. If the taxpayer is able to provide the figure for the deferred social security tax amount, continue processing the request as per the guidance provided in the table in (6) below.

Exception: If the taxpayer indicates a portion of the balance due on the first quarter 2020 Form 941 account is/was due to reducing deposits for Employee Retention Credit (ERC) subsequently claimed on their Form 941 for the second quarter of 2020, advise the taxpayer we are unable to take any action on their account at this time and to submit their request in writing with their calculation of the deferred social security tax amount and the amount by which they reduced deposits on the first quarter for ERC. Input STAUPS on the account for 9 weeks if the account reflects a balance due.

Exception: If there is a previous CRN 280 posted to the account and the taxpayer indicates it was recorded for less than the amount they requested (including responses to letters issued as discussed in (8) below), advise the taxpayer we are unable to address their concerns at this time and to submit their request in writing with their calculation of the deferred social security tax amount. Input STAUPS on the account for 9 weeks if the account reflects a balance due. However, this exception does **not** apply to phone contacts where the IRS honored a previous social security tax deferral request in full and the taxpayer now needs to correct the previous request figure (e.g., taxpayer discovers a calculation error on their part and requests a correction to their account).

4. If the taxpayer is unable to provide the figure for the deferred social security tax amount, advise the taxpayer that we are unable to assist them without that information and to call or write in when they can provide it. Input STAUPS on the account for 9 weeks if the account reflects a balance due.
- (5) **For paper responses**, including inquiries previously documented/suspended on Forms 4442 pending guidance development, handle as follows:

If	And	Then
The taxpayer's correspondence does not provide a figure for the deferred social security tax amount	A telephone number is available	<ol style="list-style-type: none"> 1. Make two attempts to contact the taxpayer by phone to determine the amount of employer's share of social security tax they are requesting to be deferred for first quarter. 2. If contact is successful, follow the phone inquiry Steps 1 through 4 (but not the exceptions) in (4) above. 3. Otherwise, proceed to the next row of this table.
The taxpayer's correspondence does not provide a figure for the deferred social security tax amount	A telephone number is not available or attempts to obtain the information via telephone were unsuccessful	Send a letter to the taxpayer informing them we cannot consider their request since they did not provide a figure for the amount of employer's share of social security tax they are requesting to be deferred for first quarter and advise them to provide the figure by phone or in writing. Close the case.
The taxpayer's correspondence provided a figure for the deferred social security tax amount or it was obtained via phone contact	The correspondence indicates a portion of a balance due on the first quarter 2020 Form 941 account is/was due to reducing deposits for Employee Retention Credit (ERC) subsequently claimed on their Form 941 for the second quarter of 2020	Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

If	And	Then
The taxpayer's correspondence provided a figure for the deferred social security tax amount or it was obtained via phone contact	<p>There is a previous CRN 280 posted to the account and the taxpayer indicates it was recorded for less than the amount they requested (including responses to letters issued as discussed in (7) below)</p> <p>Exception: The handling in this table row does not apply to paper cases where the IRS honored a previous social security tax deferral request in full and the taxpayer now needs to correct the previous request figure (e.g., taxpayer discovers a calculation error on their part and requests a correction to their account).</p>	Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.
The taxpayer's correspondence provided a figure for the deferred social security tax amount or it was obtained via phone contact	The preceding two rows of this table do not apply	Continue processing the request as per the guidance provided in table found in (6) below.

- (6) For inquiries (phone or paper) for which the amount of the requested first quarter social security tax deferral has been provided, determine the amount of deferral **which can be recorded** as follows:

If	And	Then
The taxpayer's first quarter tax is \$2,500 or less		<p>2. Multiply the sum determined in Step 1 by 6.2% (.062).</p> <p>4. The social security tax deferral amount to be recorded is the lesser of the amount computed in Step 3 or the amount provided by the taxpayer.</p> <p>5. Continue handling per instructions provided in (7) below.</p>
If the taxpayer's return reports more than \$2,500 in tax	SIC code 1 is present on the module	<p>1. Advise the taxpayer we are unable to take any action on their account at this time and to submit their request in writing with their calculation of the deferred social security tax amount and a valid Record of Federal Tax Liability (ROFTL).</p> <p>2. Input STAUPS on the account for 9 weeks if the account reflects a balance due.</p>
The taxpayer's return reports more than \$2,500 in tax	The taxpayer's return contains a valid Monthly Schedule of Federal Tax Liability (MSOFTL) record	<p>2. The social security tax deferral amount to be recorded is the lesser of the amount determined in Step 1 or the amount provided by the taxpayer.</p> <p>3. Continue handling per instructions provided in (7) below.</p>

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If	And	Then
The taxpayer's return reports more than \$2,500 in tax	The taxpayer's return contains a valid Schedule B record	<div>_____</div> <div>_____</div> <ol style="list-style-type: none"> 2. The social security tax deferral amount to be recorded is the lesser of the amount computed in Step 1 or the amount provided by the taxpayer. 3. Continue handling per instructions provided in (7) below.

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- (7) For inquiries for which a social security tax deferral amount to be recorded was determined per guidance (6), continue processing as follows:

If	And	Then
There are any erroneous offsets into the module or misapplied payments		<ul style="list-style-type: none"> Correct ordering of transactions is critical for achieving the correct outcome on the account. See IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>, for more information. After considering and applying the guidance in the cross-referenced subsection, continue processing the social security tax deferral request as per succeeding rows of this table, but use a suitable post delay code with ADJ54 when completing any CRN 280 adjustment to ensure it posts in the correct sequence.
A manual penalty adjustment is also required		<ul style="list-style-type: none"> The penalty adjustment must post separately from the CRN 280 adjustment (i.e., cannot be combined with the CRN 280 change). Correct ordering of transactions is critical for achieving the correct outcome on the account. See IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>, for more information. After considering and applying the guidance in the cross-referenced subsection, continue processing the social security tax deferral request as per succeeding rows of this table, but use a suitable post delay code with ADJ54 when completing any CRN 280 adjustment to ensure it posts in the correct sequence.

If	And	Then
There is no previous CRN 280 recorded on the tax module	The account will be in zero or debit balance after posting of the CRN 280 amount.	<ol style="list-style-type: none">1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in (6) above. Use RC 195 in the first reason code position and Hold Code 0 with the adjustment. Also, use the appropriate post delay code if corrections to credits or penalties were made as discussed in the first two rows of this table.2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

If	And	Then
There is no previous CRN 280 recorded on the tax module	The account will be in credit balance after posting of the CRN 280 amount	<p>To ensure correct systemic, penalty and interest calculations, the social security tax deferral amount must be recorded in full and then the computer will be triggered to systemically reverse all or part of the deferral as appropriate a cycle later.</p> <ol style="list-style-type: none"> 1. Resolve any misapplied credit issues as discussed in the first row of this table before proceeding to Step 2. 2. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in (6) above. Use RC 195 in the first reason code position and Hold Code 1 with the adjustment. Also, use the appropriate post delay code if corrections to credits or penalties were made as discussed in the first two rows of this table. 3. Input a TC 290 .00 with Hold Code 0 with a post delay code such that this transaction would post one cycle after the CRN 280 transaction. 4. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

If	And	Then
There is a previous CRN 280 recorded on the tax module		<p>Determine the amount of the CRN 280 adjustment to be made as follows:</p> <ol style="list-style-type: none">1. Add up all posted CRN 280 amounts on the tax module, including CRN 280 amounts that have been previously reversed.2. Subtract the amount computed in Step 1 above from the amount to be recorded as determined per guidance in (6) above. Treat a negative result as zero.3. If the result in Step 2 was zero (or a negative treated as zero), make no change to the account and complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.4. If the result in Step 2 was greater than zero, proceed to the appropriate table row which follows based on whether the CRN 280 change will result in a debit, zero, or credit balance after input.

If	And	Then
There is a previous CRN 280 recorded on the tax module	The account will be in zero or debit balance after posting of the CRN 280 amount determined per guidance in the table row immediately above.	<ol style="list-style-type: none">1. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in the preceding table row immediately above. Use RC 195 in the first reason code position and Hold Code 0 with the adjustment. Also, use the appropriate post delay code if corrections to credits or penalties were made as discussed in the first two rows of this table.2. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

If	And	Then
There is a previous CRN 280 recorded on the tax module	The account will be in credit balance after posting of the CRN 280 amount determined per guidance in the second preceding table row above.	<p>To ensure correct systemic, penalty and interest calculations, the social security tax deferral amount must be recorded in full and then the computer will be triggered to systemically reverse all or part of the deferral as appropriate a cycle later.</p> <ol style="list-style-type: none"> 1. Resolve any misapplied credit issues as discussed in the first row of this table before proceeding to Step 2. 2. Input a TC 290 .00 and a CRN 280 for the amount determined as per guidance in the second preceding table row above. Use RC 195 in the first reason code position and Hold Code 1 with the adjustment. Also, use the appropriate post delay code if corrections to credits or penalties were made as discussed in the first two rows of this table. 3. Input a TC 290 .00 with Hold Code 0 with a post delay code such that this transaction would post one cycle after the CRN 280 transaction. 4. Complete handling per instructions provided in the table in IRM 21.7.2.8.12, <i>Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)</i>.

Caution: Due to a systemic limitation, first position RC 195 is required with **all** CRN 280 adjustments for first quarter 2020 Form 941 accounts to avoid unpostables with UPC 306-3. However, as is discussed in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, use of RC 195 also causes the computer to bypass AMB analysis for purposes of possible systemic CRN 280 reversal. The instructions for input of transactions provided in the table guidance above are intended to mitigate the potential for erroneous refund or offset of amounts which should instead be applied against deferred social security tax amounts. If account circumstances require a different sequencing of transactions to achieve a correct result, the impact of using RC 195 must be carefully considered as well as the

potential for systemic reversal of CRN 280 amounts in any posting cycle in which an account ends in a credit balance.

21.7.2.8.12
(11-16-2021)

Closing

Communications

Requirements for

Deferred Social Security

Tax Inquiries (Phone and

Paper)

- (1) Final closing action of phone and paper inquiries on accounts with previously recorded deferred social security taxes or on which new or revised deferral requests are being recorded will generally require communicating to the taxpayer the account outcome and when payment of deferred taxes is due. Complete processing of the taxpayer request per guidance in the table which follows:

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
For inquiries where amounts due as of respective due dates were provided to the taxpayer	See instructions in next column for phone cases.	See (8) in IRM 21.7.2.8.4, <i>Deferred Social Security Tax Amounts Due on Respective Payment Due Dates and Command Code BMFOLM</i> . Note: Language provided in succeeding rows of this table may be useful in responding to these inquiries, particularly when the response is being provided in a letter to the taxpayer.
For inquiries with regards to methods of making payments for deferred social security taxes	See instructions in next column for phone cases.	See (3) in IRM 21.7.2.8.5, <i>Deferred Social Security Tax Amount — Guidance on Making Payments</i> .
For inquiries related to unassessed accrued penalties and interest	See instructions in next column for phone cases.	See (2) in IRM 21.7.2.8.6.1, <i>Payments for Balance Due Modules with Recorded Deferral Amounts and Unassessed Accruals of Penalties or Interest</i> and , if appropriate, the row below for reinstatements.

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
Credit transfer cases involving deferred social security tax issues	See instructions in next column for phone cases.	<p>Notification requirements for credit transfer cases involving deferred social security tax issues (see <i>IRM 21.7.2.8.7, Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>) are generally the same as they would be for the related deferred social security tax issue (e.g., a credit transfer case also requiring a new deferred tax request being recorded would require communications to the taxpayer as per the applicable table row below).</p> <p>Exception: If the adjustment actions taken will generate a correct notice containing all necessary information with regards to the recording of deferred social security tax amounts (e.g., systemic posting of CRN 280 / TC 767 transaction), a letter duplicating that information is not required.</p>

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
Manual penalty adjustment cases involving deferred social security tax issues	See instructions in next column for phone cases.	<p>Notification requirements for manual penalty adjustments involving deferred social security tax issues (see <i>IRM 21.7.2.8.8, Deferred Payment Modules — Manual Penalty Adjustments</i>) are generally the same as they would be for the related deferred social security tax issue (e.g., a manual penalty adjustment case also requiring a new deferred tax request being recorded would require communications to the taxpayer as per the applicable table row below).</p> <p>Exception: If the adjustment actions taken will generate a correct notice containing all necessary information with regards to the recording of deferred social security tax amounts (e.g., systemic posting of CRN 280 / TC 767 transaction), a letter duplicating that information is not required.</p>

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
Form 94XX cases involving deferred social security tax issues	See instructions in next column for phone cases.	<p>Notification requirements for Form 94XX adjustments involving deferred social security tax issues (see <i>IRM 21.7.2.8.13, Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts</i>) are generally the same as they would be for the related deferred social security tax issue (e.g., a Form 94XX requiring a new deferred tax request being recorded would require communications to the taxpayer as per the applicable table row below).</p> <p>Exception: If the adjustment actions taken will generate a correct notice containing all necessary information with regards to the recording of deferred social security tax amounts (e.g., systemic posting of CRN 280 / TC 767 transaction), a letter duplicating that information is not required.</p>

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
<p>A CRN 280 was input to the account to reinstate a previously recorded deferred social security tax amount that was manually or systemically reversed in error</p>	<p>The following text (both paragraphs) must be inserted into open paragraphs in an appropriate “C” letter when closing the case:</p> <ul style="list-style-type: none"> • “We corrected your Form [specify form] account for tax period ending [specify tax period] to reflect deferred social security tax of \$[specify amount]. Any deferred employee’s share of social security tax and fifty percent of the maximum allowable deferred employer’s share of social security tax is due by December 31, 2021; the remaining amount is due by December 31, 2022.” • “As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022.” 	<p>The following text (both paragraphs) must be recited to the taxpayer before closing the call:</p> <ul style="list-style-type: none"> • “We corrected your Form [specify form] account for tax period ending [specify tax period] to reflect deferred social security tax in the amount of \$[specify amount]. Fifty percent of the maximum allowable deferred employer’s share of social security taxes is due by December 31, 2021 and the remaining amount is due by December 31, 2022. Any deferred employee’s share of social security tax is due by December 31, 2021. No penalties or interest will be due on these amounts if they are paid in full by the due dates. Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date and payments made by January 3, 2023 will be considered timely for the December 31, 2022 payment due date.” • “As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022.”

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
A request to reinstate a previously recorded deferred social security tax amount that was manually or systemically reversed in error could not be honored/completed	An appropriate "C" letter explaining why the previously recorded social security tax deferral could not be restored must be issued when closing the case.	<ul style="list-style-type: none">• Advise the taxpayer that we are unable to reinstate the reversed social security tax deferral and explain why.• Advise the taxpayer that if they disagree they should respond in writing with detailed computations for the amount requested.• Input STAUPS on the account for 9 weeks if the account currently reflects a balance due.

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
<p>One or more CRN 280 transaction were input to the account for the amount the taxpayer requested consisting of only deferred employer's share social security taxes (i.e., does not include any amount for employee's share of social security taxes)</p>	<p>The following text (both paragraphs) must be inserted into open paragraphs in an appropriate "C" letter when closing the case:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Fifty percent of the maximum allowable deferred tax amount is due by December 31, 2021 and the remaining amount is due by December 31, 2022. No penalties or interest will be due on these amounts if they are paid in full when due." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022." 	<p>The following text (both paragraphs) must be recited to the taxpayer before closing the call:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Fifty percent of the maximum allowable deferred employer's share of social security taxes is due by December 31, 2021 and the remaining amount is due by December 31, 2022. No penalties or interest will be due on these amounts if they are paid in full by the due dates. Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date and payments made by January 3, 2023 will be considered timely for the December 31, 2022 payment due date." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022."

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
<p>One or more CRN 280 transaction were input to the account for the amount the taxpayer requested consisting of only deferred employee's share social security taxes (i.e., does not include any amount for employer's share of social security taxes)</p>	<p>The following text (both paragraphs) must be inserted into open paragraphs in an appropriate "C" letter when closing the case:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Taxes deferred under Notice 2020-65 must be withheld ratably from compensation paid to employees between January 1, 2021 and December 31, 2021. No penalties or interest will be due on these amounts if paid in full by December 31, 2021." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021." 	<p>The following text (both paragraphs) must be recited to the taxpayer before closing the call:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Taxes for which payment was deferred under Notice 2020-65 (as modified by the COVID-related Tax Relief Act of 2020) must be withheld and paid ratably from wages or compensation paid to employees between January 1, 2021 and December 31, 2021. No penalties or interest will be due on these amounts if they are paid in full by December 31, 2021. Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022."

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
<p>One or more CRN 280 transaction were input to the account for the amount the taxpayer requested consisting of both deferred employer's share and employee's share social security taxes</p>	<p>The following text (all three paragraphs) must be inserted into open paragraphs in an appropriate "C" letter when closing the case:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Fifty percent of the maximum allowable deferred employer's share tax amount is due by December 31, 2021 and the remaining amount is due by December 31, 2022." • "Employee's share social security taxes deferred under Notice 2020-65 must be withheld ratably from compensation paid to employees between January 1, 2021 and December 31, 2021. No penalties or interest will be due on deferred social security tax amounts if they are paid in full by the due dates." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022." 	<p>The following text (all four paragraphs) must be recited to the taxpayer before closing the call:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Fifty percent of the maximum allowable deferred employer social security taxes payment amount is due by December 31, 2021 and the remaining amount is due by December 31, 2022. " • "Taxes for which payment was deferred under Notice 2020-65 (as modified by the COVID-related Tax Relief Act of 2020) must be withheld and paid ratably from wages or compensation paid to employees between January 1, 2021 and December 31, 2021. No penalties or interest will be due on deferred social security tax amounts if they are paid in full by the due dates." • "Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date and payments made by January 3, 2023 will be considered timely for the December 31, 2022 payment due date." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022."

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
<p>One or more CRN 280 transaction were input to the account for less than the amount the taxpayer requested consisting of only deferred employer's share social security taxes (i.e., does not include any amount for employee's share of social security taxes)</p>	<p>The following text (all three paragraphs) must be inserted into open paragraphs in an appropriate "C" letter when closing the case:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Fifty percent of the maximum allowable deferred tax amount is due by December 31, 2021 and the remaining amount is due by December 31, 2022. No penalties or interest will be due on these amounts if they are paid in full when due." • "If the amount we recorded was less than the amount you requested, we allowed the maximum amount which our computations indicated could be deferred. If you disagree, please respond in writing with detailed computations for the amount requested." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022." 	<p>The following text (all three paragraphs) must be recited to the taxpayer before closing the call:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Fifty percent of the maximum allowable deferred employer social security taxes payment amount is due by December 31, 2021 and the remaining amount is due by December 31, 2022. No penalties or interest will be due on these amounts if they are paid in full by the due dates. Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date and payments made by January 3, 2023 will be considered timely for the December 31, 2022 payment due date." • "If the amount we recorded was less than the amount you requested, we allowed the maximum amount which our computations indicated could be deferred. If you disagree, please respond in writing with detailed computations for the amount requested." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022."

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
<p>One or more CRN 280 transaction were input to the account for less than the amount the taxpayer requested consisting of only deferred employee's share social security taxes (i.e., does not include any amount for employer's share of social security taxes)</p>	<p>The following text (all three paragraphs) must be inserted into open paragraphs in an appropriate "C" letter when closing the case:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Taxes deferred under Notice 2020-65 must be withheld ratably from compensation paid to employees between January 1, 2021 and December 31, 2021. No penalties or interest will be due on these amounts if paid in full by December 31, 2021." • "If the amount we recorded was less than the amount you requested, we allowed the maximum amount which our computations indicated could be deferred. If you disagree, please respond in writing with detailed computations for the amount requested." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021." 	<p>The following text (both paragraphs) must be recited to the taxpayer before closing the call:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Taxes for which payment was deferred under Notice 2020-65 (as modified by the COVID-related Tax Relief Act of 2020) must be withheld and paid ratably from wages or compensation paid to employees between January 1, 2021 and December 31, 2021. No penalties or interest will be due on these amounts if they are paid in full by December 31, 2021. Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date." • "If the amount we recorded was less than the amount you requested, we allowed the maximum amount which our computations indicated could be deferred. If you disagree, please respond in writing with detailed computations for the amount requested." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022."

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
<p>One or more CRN 280 transaction were input to the account for less than the amount the taxpayer requested consisting of both deferred employer's share and employee's share social security taxes</p>	<p>The following text (all three paragraphs) must be inserted into open paragraphs in an appropriate "C" letter before closing the case:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Fifty percent of the maximum allowable deferred employer's share tax amount is due by December 31, 2021 and the remaining amount is due by December 31, 2022." • "Employee's share social security taxes deferred under Notice 2020-65 must be withheld ratably from compensation paid to employees between January 1, 2021 and December 31, 2021. No penalties or interest will be due on deferred social security tax amounts if they are paid in full by the due dates." • "If the amount we recorded was less than the amount you requested, we allowed the maximum amount which our computations indicated could be deferred. If you disagree, please respond in writing with detailed computations for the amount requested." <p>Note: Due to space limitations for current "C" letters, the paragraph with regards to reminder notices will be omitted in this response scenario for paper cases.</p>	<p>The following text (all five paragraphs) must be recited to the taxpayer before closing the call:</p> <ul style="list-style-type: none"> • "We recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Fifty percent of the maximum allowable deferred employer social security taxes payment amount is due by December 31, 2021 and the remaining amount is due by December 31, 2022." • "Taxes for which payment was deferred under Notice 2020-65 (as modified by the COVID-related Tax Relief Act of 2020) must be withheld and paid ratably from wages or compensation paid to employees between January 1, 2021 and December 31, 2021. No penalties or interest will be due on deferred social security tax amounts if they are paid in full by the due dates." • "Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date and payments made by January 3, 2023 will be considered timely for the December 31, 2022 payment due date." • "If the amount we recorded was less than the amount you requested, we allowed the maximum amount which our computations indicated could be deferred. If you disagree, please respond in writing with detailed computations for the amount requested."

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
		<ul style="list-style-type: none">“As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022.”

Account/Inquiry Issue	Handling for Paper Cases	Handling for Phone Cases
<p>No CRN 280 was input to the account because a previously recorded amount exceeded the current request amount requested</p>	<p>The following text (all three paragraphs) must be inserted into open paragraphs in an appropriate "C" letter when closing the case:</p> <ul style="list-style-type: none"> • "We previously recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Fifty percent of the maximum allowable deferred tax amount is due by December 31, 2021 and the remaining amount is due by December 31, 2022. No penalties or interest will be due on these amounts if they are paid in full when due." • "Since the social security tax deferral amount you reported on [specify date of requested being worked] was less than the amount we previously recorded on your tax account, no action to the currently recorded deferred tax amount is necessary at this time." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022." 	<p>The following text (all three paragraphs) must be recited to the taxpayer before closing the call:</p> <ul style="list-style-type: none"> • "We previously recorded deferred social security tax in the amount of \$[specify amount] for your Form [specify form] account for tax period ending [specify tax period]. Fifty percent of the maximum allowable deferred tax amount is due by December 31, 2021 and the remaining amount is due by December 31, 2022. No penalties or interest will be due on these amounts if they are paid in full when due. Due to the timing of holidays and weekend days, payments made by January 3, 2022 will be considered timely for the December 31, 2021 payment due date and payments made by January 3, 2023 will be considered timely for the December 31, 2022 payment due date." • "Since the social security tax deferral amount you reported on [specify date of requested being worked] was less than the amount we previously recorded on your tax account, no action to the currently recorded deferred tax amount is necessary at this time." • "As a courtesy, the IRS will issue reminder notices with the amounts due shortly before the due dates for payment. In the meantime, any payments made for (or overpayment on) your account for tax period ending [specify tax period] will be applied first to any current amounts due and then to deferred amounts due on December 31, 2021 and December 31, 2022."

Note: A “C” letter specific to communications requirements for deferred social security tax issues is currently under development. This IRM section will be updated once the letter is approved and available for use.

21.7.2.8.13
(11-16-2021)
**Form 94XX — Adjusting
Accounts with a Posted
CRN 280 and/or
Corrections to Deferred
Social Security Tax
Payment Amounts**

- (1) The procedures that follow are for completing Form 94XX adjustments on tax modules with posted social security tax deferral amounts (TC 766 CRN 280 transactions) and on tax modules for which new/revised/reinstatement social security tax deferral requests are also under consideration.
- (2) As is discussed in greater detail in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*:
 - CRN 280 / TC 766 transactions are used to “mask” balances of social security taxes for which payment can be deferred.
 - The computer is generally programmed to analyze and reverse portions of posted CRN 280 amounts (recorded either with the return or subsequently) in any posting cycle in which the module would end in credit balance. Use of Hold Codes, freeze conditions, TC 570 transactions, etc., will not prevent this from occurring. The only exception is a CRN 280 transaction posting with first position RC 195 and only for the specific posting cycle of that transaction.
 - The computer is not capable of determining when a systemic CRN 280 reversal was in error and it is not programmed to restore or reinstate a reversed deferral amount even when the specific transaction that triggered a reversal is reversed.

Note: See the table in (2) of IRM 21.7.2.7.6, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for data field literals applicable to 2020 deferred social security taxes.

- (3) Accordingly, completing adjustments for Forms 94XX on accounts with posted CRN 280 transactions, or on accounts on which a new/revised CRN 280 amount is to be input, requires careful consideration and ordering of corrective transactions.
- (4) Take the following preliminary actions prior to initiating an adjustment for a Form 94XX on a tax module reflecting posted CRN 280 transactions or on which a CRN 280 transaction will be input as part of resolving the account:
 1. Determine the tax adjustment to be made based on the Form 94XX under consideration, including the tax change, any credit changes, the IRNs and CRNs to be used, and any penalty adjustments or credit transfers required, in the same manner as would be done for the Form 94XX were social security tax deferral not a consideration (e.g., Form 941-X claim filed, follow procedures in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*).
 2. Determine the expected account outcome in terms of final module balance (i.e., zero balance, debit balance or overpayment) after the posting of the Form 94XX related adjustment and, if overpaid, whether the overpayment should be applied against the social security tax amount deferred or is refundable/available for offset.
 3. Determine the impact of the Form 94XX adjustment on the previously recorded CRN 280 deferral or any new/revised CRN 280 to be recorded

(i.e., whether the manual penalty adjustment will trigger systemic CRN 280 / TC 767 reversal), including whether there are COVID-related credits which would be refundable when the AMB analysis described in (8) of IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*, is triggered.

4. Determine the general action required to address the taxpayer's previous or new social security tax deferral request (i.e., reinstatement of a previous CRN 280, input of a new CRN 280, or allowing a full or partial systemic reversal of a previous CRN 280 amount).

Note: Completing the four steps described above requires analyzing the taxpayer request and the tax accounts to be addressed as well as a familiarity with social security tax deferral guidance found throughout IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, and its subsections.

- (5) After considering the preliminary steps described above, continue processing the Form 94XX based on the type of adjustment requested as follows:

If	And	Then
The Form 94XX reports a tax decrease (or credit increase)	Is marked as (or is being treated as) an adjusted employment tax return	Complete processing as per guidance in IRM 21.7.2.8.13.1, <i>Form 94XX Tax Decreases or Credit Increases — Adjusted Employment Tax Returns and Deferred Social Security Tax Payment Amounts</i> .
The Form 94XX reports a tax decrease (or credit increase)	Is marked as (or is being treated as) a claim	Complete processing as per guidance in IRM 21.7.2.8.13.2, <i>Form 94XX Tax Decreases or Credit Increases — Claims and Deferred Social Security Tax Payment Amounts</i> .
The Form 94XX reports a tax increase (or credit decrease)		Complete processing as per guidance in IRM 21.7.2.8.13.3, <i>Form 94XX Tax Increases or Credit Decreases — Adjusted Employment Tax Returns and Deferred Social Security Tax Payment Amounts</i> .
The Form 94XX reports no net tax or credit change		Complete processing as per guidance in IRM 21.7.2.8.13.3, <i>Form 94XX Tax Increases or Credit Decreases — Adjusted Employment Tax Returns and Deferred Social Security Tax Payment Amounts</i> .

21.7.2.8.13.1
(11-16-2021)
**Form 94XX Tax
Decreases or Credit
Increases — Adjusted
Employment Tax
Returns and Deferred
Social Security Tax
Payment Amounts**

- (1) The procedures that follow in this subsection are for Forms 94XX that:
- Report **tax decreases** or **credit increases** on Form 941, Form 943, Form 944, and Form CT-1 tax modules for tax year 2020; and,
 - Are marked as or are being treated as an **adjusted employment tax return**; and,
 - The tax module reflects a previously posted (reversed or unreversed) CRN 280 deferred payment of social security amount **or** for which a new social security tax deferral request, revised deferral request, or re-instatement action must be considered.
- (2) After considering the **required** preliminary processing steps described in IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, analyze the Form 94XX filed and the tax account for conditions described in the table below and continue processing as appropriate:

If	And	Then
A previous CRN 280 / TC 767 reversal was incorrect and must be reinstated		Generally, the reinstatement action should be the last action taken on the account. <div><div>1. Process the Form 94XX as per guidance which follows below.</div><div>2. Once the Form 94XX adjustment issue is resolved, complete the reinstatement as per procedures in IRM 21.7.2.8.10, <i>Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts</i>.</div></div>

If	And	Then
There are any erroneous offsets into the module or misapplied payments		<p>Correct ordering of transactions is critical for achieving the correct outcome on the account.</p> <ul style="list-style-type: none"> • Generally, credit transfers to move credit out of a tax module should be done before completing the Form 94XX adjustment. • Generally, credit transfers to move credit into a tax module that were made before the Form 94XX was filed or with the Form 94XX should be completed before completing the Form 94XX adjustment. • Generally, credit transfers to move credit into a tax module that were made after the Form 94XX was filed should be completed after completing the Form 94XX adjustment. • See IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>, for more information. • After considering and applying the guidance above and in the cross-referenced subsection, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, but use a suitable post delay code with ADJ54 and/or credit transfer(s) to ensure the transactions post in the correct sequence.

If	And	Then
Penalties must be manually adjusted		<ul style="list-style-type: none"> • The penalty adjustment must post separately from any CRN 280 adjustment (i.e., cannot be combined with the CRN 280 change) but can, if appropriate, be combined with the adjustment made for the Form 94XX. • If a manual penalty assessment (increase) is being made which cannot be combined with the tax decrease (or credit increase) reported on the Form 94XX, the manual penalty assessment (increase) should generally be completed immediately before the tax adjustment. • If a manual penalty adjustment to abate (decrease) all or a portion of a penalty on the module is being made which cannot be combined with the tax decrease (or credit increase) reported on the Form 94XX, the manual penalty decrease should generally be completed immediately after the tax adjustment. • See IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>, for more information on manual penalty adjustments on modules with deferred social security tax implications. • After considering the guidance above, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, but use a suitable post delay code with ADJ54 to ensure the tax adjustment posts in the correct sequence.

If	And	Then
The taxpayer is also making a new social security tax deferral request for revising (not reinstating) a previous deferral request		<p>The new or revised social security tax deferral request should generally be processed before the Form 94XX adjustment is made.</p> <ol style="list-style-type: none"> 1. Continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX. 2. Complete the actions to record the new or revised deferral amount as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>. 3. Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order.
The Form 94XX reflects decreases to social security wages or social security tips	Does not report a change to the previously recorded CRN 280 deferral amount	Follow guidance in IRM 21.7.2.8.13.4, <i>Form 94XX — Wage Decreases on Accounts with Previously Recorded CRN 280 Social Security Tax Deferral Amounts</i> , to verify whether a decrease to the recorded social security tax deferral must be completed.

If	And	Then
<p>The Form 94XX is not changing any of the following return items:</p> <ul style="list-style-type: none"> • Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC) 		<ul style="list-style-type: none"> • If the account will be in zero or debit balance when the Form 94XX adjustment posts, no systemic CRN 280 / TC 767 reversal will post. Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order. • If the account will be in credit balance (i.e., will be overpaid) when the Form 94XX adjustment posts and the amount of the overpayment is less than or equal to the current total unreversed TC 766 CRN 280 transactions, complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order. The computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>, and post a systemic CRN 280 / TC 767 reversal for the amount of the current total unreversed TC 766 CRN 280 transactions on the module or the amount of the overpayment, whichever is less.

If	And	Then
		<ul style="list-style-type: none"> • If the account will be in credit balance (i.e., will be overpaid) when the Form 94XX adjustment posts and the amount of the overpayment is more than the current total unreversed TC 766 CRN 280 transactions, the overpayment amount not absorbed by the deferral must be applied forward to the tax period in which the Form 94XX was filed. Take the following actions: <ol style="list-style-type: none"> 1) Complete the Form 94XX adjustment as appropriate, use Hold Code 1, and use a suitable post delay code to ensure all transactions post in the correct order. The computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>, and post a systemic CRN 280 / TC 767 reversal for the amount of the current total unreversed TC 766 CRN 280 transactions on the module. 2) Optionally, if the amount of the overpayment that will be present on the account cannot be accurately determined beforehand, the case may be suspended until the Form 94XX adjustment posts before taking the next action. 3) Initiate a TC 830/710 credit transfer to apply the remaining overpayment to the tax period in which the Form 94XX was filed as per guidance for the specific form type filed (e.g., for Form 941-X, see Step 2 in (7) of IRM 21.7.2.4.5.6.1, <i>Form 941-X Tax Decreases — Adjusted Employment Tax Return</i>).

If	And	Then
<p>The Form 94XX includes changes to any of the following return items:</p> <ul style="list-style-type: none"> • Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC) 	<p>There is no indication on the Form 94XX that the taxpayer intends those credit amounts to be applied to pay amounts of deferred social security taxes.</p>	<ul style="list-style-type: none"> • If the account will be in zero or debit balance when the Form 94XX adjustment posts, no systemic CRN 280 / TC 767 reversal will post. Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order. • If the account will be in credit balance (i.e., will be overpaid) when the Form 94XX adjustment posts, any non-COVID-related overpayment must be applied to the recorded deferral and the overpayment attributable to the COVID-related credits must be applied forward to the tax period in which the Form 94XX was filed. Take the following actions: <ol style="list-style-type: none"> 1) Complete the Form 94XX adjustment as appropriate, use Hold Code 1, and use a suitable post delay code to ensure all transactions post in the correct order. The computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>, and post a systemic CRN 280 / TC 767 reversal for the appropriate amount. 2) Suspend the case until the Form 94XX adjustment posts. 3) Initiate a TC 830/710 credit transfer to apply the remaining overpayment held on the account via the Hold Code 1 usage to the tax period in which the Form 94XX was filed as per guidance for the specific form type filed (e.g., for Form 941-X, see Step 2 in (7) of IRM 21.7.2.4.5.6.1, <i>Form 941-X Tax Decreases — Adjusted Employment Tax Return</i>). 4) Complete any other actions required to resolve the account.

If	And	Then
<p>The Form 94XX includes changes to any of the following return items:</p> <ul style="list-style-type: none"> • Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC) 	<p>There is an indication on the Form 94XX that the taxpayer intends those credit amounts to be applied to pay amounts of deferred social security taxes.</p>	<p>Treat the Form 94XX as a claim and complete processing as per the instructions in the last row of the table in (2) of IRM 21.7.2.8.13.2, <i>Form 94XX Tax Decreases or Credit Increases — Claims and Deferred Social Security Tax Payment Amounts</i>.</p>

- (3) See the table in IRM 21.7.2.8.12, *Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)* for notification requirements when the processing of a Form 94XX results in manual or systemic changes to deferred social security tax amounts.

21.7.2.8.13.2
(11-16-2021)

**Form 94XX Tax
Decreases or Credit
Increases — Claims and
Deferred Social Security
Tax Payment Amounts**

- (1) The procedures that follow in this subsection are for Forms 94XX that:
- Report **tax decreases** or **credit increases** on Form 941, Form 943, Form 944, and Form CT-1 tax modules for tax year 2020; and,
 - Are marked as or are being treated as a **claim**; and,
 - The tax module reflects a previously posted (reversed or unreversed) CRN 280 deferred payment of social security amount **or** for which a new social security tax deferral request, revised deferral request, or reinstatement action must be considered.
- (2) After considering the **required** preliminary processing steps described in IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, analyze the Form 94XX filed and the tax account for conditions described in the table below and continue processing as appropriate:

If	And	Then
<p>A previous CRN 280 / TC 767 reversal was incorrect and must be reinstated</p>		<p>Generally, the reinstatement action should be the last action taken on the account.</p> <ol style="list-style-type: none"> 1. Process the Form 94XX as per guidance which follows below. 2. Once the Form 94XX adjustment issue is resolved, complete the reinstatement as per procedures in IRM 21.7.2.8.10, <i>Restoring or Reinstating Incorrectly Reversed Social Security Tax Deferral Amounts</i>.

If	And	Then
There are any erroneous offsets into the module or misapplied payments		<p>Correct ordering of transactions is critical for achieving the correct outcome on the account.</p> <ul style="list-style-type: none"> • Generally, credit transfers to move credit out of a tax module should be done before completing the Form 94XX adjustment. • Generally, credit transfers to move credit into a tax module that were made before the Form 94XX was filed or with the Form 94XX should be completed before completing the Form 94XX adjustment. • Generally, credit transfers to move credit into a tax module that were made after the Form 94XX was filed should be completed after completing the Form 94XX adjustment. • See IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>, for more information. • After considering and applying the guidance above and in the cross-referenced subsection, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, but use a suitable post delay code with ADJ54 and/or credit transfer(s) to ensure the transactions post in the correct sequence.

If	And	Then
Penalties must be manually adjusted		<ul style="list-style-type: none"> • The penalty adjustment must post separately from any CRN 280 adjustment (i.e., cannot be combined with the CRN 280 change) but can, if appropriate, be combined with the adjustment made for the Form 94XX. • If a manual penalty assessment (increase) is being made which cannot be combined with the tax decrease (or credit increase) reported on the Form 94XX, the manual penalty assessment (increase) should generally be completed immediately before the tax adjustment. • If a manual penalty adjustment to abate (decrease) all or a portion of a penalty on the module is being made which cannot be combined with the tax decrease (or credit increase) reported on the Form 94XX, the manual penalty decrease should generally be completed immediately after the tax adjustment. • See IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>, for more information on manual penalty adjustments on modules with deferred social security tax implications. • After considering the guidance above, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, but use a suitable post delay code with ADJ54 to ensure the tax adjustment posts in the correct sequence.

If	And	Then
The taxpayer is also making a new social security tax deferral request for revising (not reinstating) a previous deferral request		<p>The new or revised social security tax deferral request should generally be processed before the Form 94XX adjustment is made.</p> <ol style="list-style-type: none"> 1. Continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX. 2. Complete the actions to record the new or revised deferred social security tax amount as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>. 3. Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order.
The Form 94XX reflects decreases to social security wages or social security tips	Does not report a change to the previously recorded CRN 280 deferral amount	Follow guidance in IRM 21.7.2.8.13.4, <i>Form 94XX — Wage Decreases on Accounts with Previously Recorded CRN 280 Social Security Tax Deferral Amounts</i> , to verify whether a decrease to the recorded social security tax deferral must be completed.
<p>The Form 94XX is not changing any of the following return items:</p> <ul style="list-style-type: none"> • Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC) 		<ul style="list-style-type: none"> • Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order. • If the account is in zero or debit balance when the Form 94XX adjustment posts, no systemic CRN 280 / TC 767 reversal will post. • If the account is in credit balance (i.e., is overpaid) when the Form 94XX adjustment posts, the computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>, and post a systemic CRN 280 / TC 767 reversal for the amount of the current total unreversed TC 766 CRN 280 transactions on the module or the amount of the overpayment, whichever is less. Any overpayment remaining after the CRN 280 / TC 767 reversal is posted will be available for refund or offset as appropriate.

If	And	Then
<p>The Form 94XX includes changes to any of the following return items:</p> <ul style="list-style-type: none"> • Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC) 	<p>There is no indication on the Form 94XX that the taxpayer intends those credit amounts to be applied to pay amounts of deferred social security taxes.</p>	<ul style="list-style-type: none"> • Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order. • If the account is in zero or debit balance when the Form 94XX adjustment posts, no systemic CRN 280 / TC 767 reversal will post. • If the account is in credit balance (i.e., is overpaid) when the Form 94XX adjustment posts, the computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>. The computer will post a systemic CRN 280 / TC 767 reversal for the amount of the current total unreversed TC 766 CRN 280 transactions on the module or the amount of the overpayment not attributable to the specified refundable/non-refundable credits, whichever is less. Any overpayment attributable to the specified refundable/non-refundable credits will be available for refund or offset as appropriate, as will any remaining overpayment not attributable to those credits after the CRN 280 / TC 767 reversal is posted.

If	And	Then
<p>The Form 94XX includes changes to any of the following return items:</p> <ul style="list-style-type: none"> • Refundable or non-refundable portions of the Credit for Qualified Sick and Family Leave Wages • Refundable or non-refundable portions of the Employee Retention Credit (ERC) 	<p>There is an indication on the Form 94XX that the taxpayer intends those credit amounts to be applied to pay amounts of deferred social security taxes.</p>	<ul style="list-style-type: none"> • If the account will be in zero or debit balance when the Form 94XX adjustment posts, no systemic CRN 280 / TC 767 reversal will post and no special action is required. Complete the Form 94XX adjustment as appropriate but use a suitable post delay code to ensure all transactions post in the correct order. • If the account will be in credit balance (i.e., will be overpaid) when the Form 94XX adjustment posts, special action is required to work around computer programming and honor the taxpayer's request. Take the following actions: <ul style="list-style-type: none"> 1) Complete the Form 94XX adjustment as appropriate, use Hold Code 1, and use a suitable post delay code to ensure all transactions post in the correct order. 2) Input a TC 290 .00 transactions with Hold Code 0 and a post delay code to ensure this transactions posts one cycle after the tax adjustment. • When the first adjustment posts, the computer will apply the AMB analysis routine discussed in (8) of IRM 21.7.2.8.3, <i>Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195</i>. The computer will post a systemic CRN 280 / TC 767 reversal for the amount of the current total unreversed TC 766 CRN 280 transactions on the module or the amount of the overpayment not attributable to the specified refundable/non-refundable credits, whichever is less. Any overpayment attributable to the specified refundable/non-refundable credits will be held by the hold code used with the first adjustment. • When the second adjustment posts, the AMB analysis will again be triggered, but because no changes to the specified credits are being made in that cycle, a second CRN 280 / TC 767 reversal will post for the appropriate amount.

- (3) See the table in IRM 21.7.2.8.12, *Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)* for notification requirements when the processing of a Form 94XX results in manual or systemic changes to deferred social security tax amounts.

21.7.2.8.13.3
(11-16-2021)

**Form 94XX Tax
Increases or Credit
Decreases — Adjusted
Employment Tax
Returns and Deferred
Social Security Tax
Payment Amounts**

- (1) The procedures that follow in this subsection are for Forms 94XX that:
- Report **tax increases** or **credit decreases** on Form 941, Form 943, Form 944, and Form CT-1 tax modules for tax year 2020; and,
 - The tax module reflects a previously posted (reversed or unreversed) CRN 280 deferred payment of social security amount **or** for which a new social security tax deferral request, revised deferral request, or re-instatement action must also be considered.

Caution: For interest free adjustment and FTD penalty purposes, an amount of social security tax reported as due with a Form 94XX but not paid with the Form 94XX because the tax was reported as being deferred is **not** considered late paid. No FTD penalty is to be charged on the portion of taxes reported as due on the Form 94XX but deferred. (The deferred tax amount will be subject to a 10% FTD penalty later if payment is not timely made by the associated required payment due dates.)

Example: A Form 94XX is timely filed on September 7, 2021 for the third quarter of 2020, reports \$10,000 in additional social security taxes comprising \$5,000 in employer's share and \$5,000 in employee's share, reports a social security tax deferral of \$5,000, and a \$5,000 payment was made with the Form 94XX. The \$10,000 additional tax will be recorded as a TC 298 with an interest computation date of September 7, 2021, the \$5,000 deferral will be recorded with CRN 280, and no FTD penalty will be charged on the \$5,000 employer's social security tax reported but not paid because it was deferred.

- (2) After considering the **required** preliminary processing steps described in IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, analyze the Form 94XX filed and the tax account for conditions described in the table below and continue processing as appropriate:

If	And	Then
A payment was made with the Form 94XX	The application of the credit triggered an incorrect CRN 280 / TC 767 reversal of all or part of the recorded social security tax deferral	Generally, the reinstatement action should be the last action taken on the account. <ol style="list-style-type: none">1. Process the Form 94XX as per guidance which follows below.2. Once the Form 94XX adjustment issue is resolved, complete the reinstatement as per procedures in IRM 21.7.2.8.10, <i>Restoring or Re-instating Incorrectly Reversed Social Security Tax Deferral Amounts</i>.

If	And	Then
There are any erroneous offsets into the module or misapplied payments		<p>Correct ordering of transactions is critical for achieving the correct outcome on the account.</p> <ul style="list-style-type: none"> • Generally, credit transfers to move credit out of a tax module should be done before completing the Form 94XX adjustment. • Generally, credit transfers to move credit into a tax module that were made before the Form 94XX was filed should be completed before completing the Form 94XX adjustment. • Generally, credit transfers to move credit into a tax module that were made with the Form 94XX or after the Form 94XX was filed should be completed after completing the Form 94XX adjustment. • See IRM 21.7.2.8.7, <i>Deferred Payment Modules — Misapplied Payments and Credit Transfers</i>, for more information. • After considering and applying the guidance above and in the cross-referenced subsection, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, but use a suitable post delay code with ADJ54 and/or credit transfer(s) to ensure the transactions post in the correct sequence.

If	And	Then
Penalties must be manually adjusted		<ul style="list-style-type: none"> • The penalty adjustment must post separately from any CRN 280 adjustment (i.e., cannot be combined with the CRN 280 change) but can, if appropriate, be combined with the adjustment made for the Form 94XX. • If a manual penalty adjustment (increase or decrease) is being made which cannot be combined with the tax increase (or credit decrease) reported on the Form 94XX, the manual penalty assessment should generally be completed immediately after the tax adjustment. • See IRM 21.7.2.8.8, <i>Deferred Payment Modules — Manual Penalty Adjustments</i>, for more information on manual penalty adjustments on modules with deferred social security tax implications. • After considering the guidance above, continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX, but use a suitable post delay code with ADJ54 to ensure the tax adjustment posts in the correct sequence.

If	And	Then
The taxpayer is also making a new social security tax deferral request or revising (not reinstating) a previous deferral request		<p>The new or revised social security tax deferral request should generally be processed after the Form 94XX adjustment is made.</p> <ol style="list-style-type: none"> 1. Continue processing the Form 94XX as per the preceding and succeeding rows of this table to ensure all account issues are considered before completing any adjustment for the Form 94XX. 2. Complete the Form 94XX adjustment as appropriate but use the appropriate post delay code to ensure all transactions post in the correct order. 3. Complete the actions to record the new or revised social security tax deferral amount as per guidance in IRM 21.7.2.8.9, <i>Processing New or Revised Social Security Tax Deferral Requests for 2020</i>.
The Form 94XX reflects decreases to social security wages or social security tips	Does not report a change to the previously recorded CRN 280 deferral amount	Follow guidance in IRM 21.7.2.8.13.4, <i>Form 94XX — Wage Decreases on Accounts with Previously Recorded CRN 280 Social Security Tax Deferral Amounts</i> , to verify whether a decrease to the recorded social security tax deferral must be completed.

If	And	Then
None of the conditions described above apply or they were considered and are being addressed.		<ul style="list-style-type: none"> Complete the Form 94XX adjustment as appropriate but use a suitable post delay code with ADJ54 to ensure the tax adjustment posts in the correct sequence if multiple account actions are being taken. The tax increase (or credit decrease) will not trigger a systemic CRN 280 / TC 767 reversal unless the posting of the adjustment would release an overpayment on the account. In most instances, such a systemic reversal would represent the correct account outcome if all payment and other considerations have been fully addressed per instructions in preceding table rows.

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- (3) See the table in IRM 21.7.2.8.12, *Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)* for notification requirements when the processing of a Form 94XX results in manual or systemic changes to deferred social security tax amounts.

21.7.2.8.13.4
(11-16-2021)

Form 94XX — Wage Decreases on Accounts with Previously Recorded CRN 280 Social Security Tax Deferral Amounts

- (1) Decreases to social security wages and tips may have implications for any deferral of social security taxes recorded on the tax account.
- (2) The procedures that follow in this subsection are for Forms 94XX that:
- Report **wage decreases** on Form 941, Form 943, Form 944, and Form CT-1 tax modules for tax year 2020; and,
 - The tax module reflects a previously posted (reversed or unreversed) CRN 280 deferred payment of social security amount; and,
 - The Form 94XX **does not** report a change to the previously recorded CRN 280 deferral amount.

Caution: If the Form 94XX does report a change to the previously recorded CRN 280 deferral amount, **do not** follow the procedures which follow in this subsection. Instead, follow applicable procedures for new or revised social security tax deferral requests (e.g., for a Form 94XX claim, follow IRM 21.7.2.8.13.2, *Form 94XX Tax Decreases or Credit Increases — Claims and Deferred Social Security Tax Payment Amounts*, and IRM 21.7.2.8.9, *Processing New or Revised Social Security Tax Deferral Requests for 2020*).

(3) For the cases specified above, complete the following calculations:

1. Determine the maximum computer deferral figure based on the **adjusted** figures from the Form 94XX:
 - See (12) in IRM 21.7.2.8.3, *Credit Reference Number (CRN) 280, Computer Maximum Deferral Figure, UPC 306-3, and Reason Code 195*.
 - The computer maximum deferral figure for the adjusted wages is equal to the taxable social security wage figure (e.g., Line 8, Column 1 of Form 941-X) plus the taxable social security tips figure (e.g., Line 11, Column 1 of Form 941-X) multiplied by 6.2% (.062). If the Form 94XX reports a change to one of these figures but not both, use the adjusted figure from the Form 94XX for the one but the previously reported figure for the other (e.g., Line 8 provided on Form 94XX but not Line 11, use the Line 8 adjusted figure for social security wages and the current taxable social security tips figure (if any) from TXMOD/BMFOLR).
 - Note this figure as it will be used in multiple succeeding handling steps.
3. If the Form 94XX and BMFOL definer "R" do not reflect any deferral of employee's share of social security taxes for the account being addressed, skip Step 4 and Step 5 and instead go to Step 6 below.
4. If the Form 94XX or BMFOL definer "R" reflect an amount for deferral of employee's share of social security taxes, determine the amount of employee's share of social security taxes reported for the tax period as adjusted by the Form 94XX:
 - Add the taxable social security wage figure (e.g., Line 8, Column 1 of Form 941-X) plus qualified sick leave wages (e.g., Line 9, Column 1 of Form 941-X) plus qualified family leave wages (e.g., Line 10, Column 1 of Form 941-X) plus the taxable social security tips figure (e.g., Line 11 Column 1 of Form 941-X) and multiply the result by 6.2% (.062).
5. Add the amount determined in Step 4 above to the amount determined in Step 2 above.
6. Add all the unreversed CRN 280 / TC 766 amounts on the account, including any pending transactions.
7. Subtract the amount determined in either Step 2 or in Step 5 from the amount determined in Step 6:
 - If the result is zero or negative, then no change to the recorded deferral figure is necessary. Continue processing the Form 94XX as per handling guidance in the subsection appropriate to the type of Form 94XX filed (e.g., for adjusted return increases, see IRM 21.7.2.8.13.3, *Form 94XX Tax Increases or Credit Decreases — Adjusted Employment Tax Returns and Deferred Social Security Tax Payment Amounts*.)
 - If the result is positive, then the result is the amount by which the recorded deferral should be reduced. Input a TC 298 with a CRN 280 for

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the result with a negative sign, a suitable Hold Code based on whether the notice or credit need to be held pending other actions being taken, and an interest computation date of the first day of the tax period being adjusted. This should generally be the first adjustment action taken. Continue processing the Form 94XX as per handling guidance in the subsection appropriate to the type of Form 94XX filed (e.g., for adjusted return increases, see IRM 21.7.2.8.13.3, *Form 94XX Tax Increases or Credit Decreases — Adjusted Employment Tax Returns and Deferred Social Security Tax Payment Amounts*), but use a suitable post delay code to ensure the adjustment posts after the reduction to the recorded social security tax deferral.

Reminder: The amount of any previously recorded deferral of employee's share of social security taxes is displayed on BMFOL definer "R" but **not** on TXMOD.

- (4) See the table in IRM 21.7.2.8.12, *Closing Communications Requirements for Deferred Social Security Tax Inquiries (Phone and Paper)* for notification requirements when the processing of a Form 94XX results in manual or systemic changes to deferred social security tax amounts.

Exhibit 21.7.2-1 (10-01-2021)

Acronyms and Abbreviations Used in This IRM

Acronym	Meaning
ACH	Automated Clearing House
ACT	Automated Computation Tool
AM	Accounts Management
AMRH	Accounts Maintenance Research Hold
ARRA	American Recovery and Reinvestment Act
BMF	Business Master File
BS	Blocking Series
CC	Command Code
CCC	Computer Condition Code
CFOL	Corporate Files On-Line
CFR	Code of Federal Regulations
CII	Correspondence Imaging Inventory
CIS	Correspondence Imaging System
CP	computer paragraph
CSR	Customer Service Representative
DMI	Decision Modeling, Inc.
EC	Employment Code
EFT	electronic funds transfer
EFTPS	Electronic Federal Tax Payment System
E.g.	<i>exempli gratia</i>
EIN	Employer Identification Number
EQ	Embedded Quality
ES	Estimated Tax
Etc.	<i>et cetera</i>
EUP	Employee User Portal
FAD	Federal Agency Delinquency
FICA	Federal Insurance Contribution Act
FR	filing requirement
FTD	Federal Tax Deposit
FTP	Failure to Pay

Exhibit 21.7.2-1 (Cont. 1) (10-01-2021)**Acronyms and Abbreviations Used in This IRM**

Acronym	Meaning
FUTA	Federal Unemployment Tax Act
FY	fiscal year
HC	Hold Code
H.R.	House of Representatives
IAT	Integrated Automation Technologies
IDRS	Integrated Data Retrieval System
IPSO	Identify Protection Strategy & Oversight
IPU	Interim Procedural Update
IRB	Internal Revenue Bulletin
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
KY	Kentucky
LB&I	Large Business and International
MeF	Modernized e-File
MF	master file
MFT	Master File Tax
MSC	Missing Schedule Code
OIC	Offer in Compromise
PA	Pennsylvania
PC	Priority Code
PII	Personally Identifiable Information
PPM	Policy & Program Management
Qtr.	quarter
RC	Reason Code
RDD	return due date
RICS	Return Integrity and Compliance Services
RITE	Resources, Improvement, Training & Engagement
R&JR	Reports & Joint Operations Center Rep
SBSE	Small Business/Self Employed
SC	service center

Exhibit 21.7.2-1 (Cont. 2) (10-01-2021)

Acronyms and Abbreviations Used in This IRM

Acronym	Meaning
SERP	Servicewide Electronic Research Program
SP	Submission Processing
TAS	Taxpayer Advocate Service
TC	Transaction Code
TDA	Taxpayer Delinquent Account
TE	tax examiner
TS	Taxpayer Services
URF	Unidentified Remittance File
U.S.	United States
VRU	voice response unit
W&A	Web & Automation
W&I	Wage and Investment
XSF	Excess Collection File

Exhibit 21.7.2-2 (12-01-2021)

Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA Premium Assistance credit

Tax Period(s)	Credit Type	How Credit is Taken
202006, 202009, and 202012	Non-refundable Credit for Qualified Sick and Family Leave Wages	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), and the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed).
202006, 202009, and 202012	Refundable Credit for Qualified Sick and Family Leave Wages	Any amount of Credit for Qualified Sick and Family Leave Wages for the tax period that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Exhibit 21.7.2-2 (Cont. 1) (12-01-2021)

Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA Premium Assistance credit

Tax Period(s)	Credit Type	How Credit is Taken
202103	Non-refundable Credit for Qualified Sick and Family Leave Wages	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), and the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed).
202103	Refundable Credit for Qualified Sick and Family Leave Wages	Any amount of Credit for Qualified Sick and Family Leave Wages for the tax period that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Exhibit 21.7.2-2 (Cont. 2) (12-01-2021)

Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA Premium Assistance credit

Tax Period(s)	Credit Type	How Credit is Taken
202106 and subsequent	Non-refundable Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), and the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed).
202106 and subsequent	Refundable Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021	Any amount of Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.
202106 and subsequent	Non-refundable Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of Medicare tax (or the equivalent portion of Tier 1 RRTA taxes).

Exhibit 21.7.2-2 (Cont. 3) (12-01-2021)

Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA Premium Assistance credit

Tax Period(s)	Credit Type	How Credit is Taken
202106 and subsequent	Refundable Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021	Any amount of Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.
202006, 202009 and 202012	Non-refundable Employee Retention Credit (ERC)	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed) and any Credit for Qualified Sick and Family Leave Wages reported for the tax period.
202006, 202009 and 202012	Refundable Employee Retention Credit (ERC)	Any amount of Employee Retention Credit for a tax period that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Exhibit 21.7.2-2 (Cont. 4) (12-01-2021)

Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA Premium Assistance credit

Tax Period(s)	Credit Type	How Credit is Taken
202103	Non-refundable Employee Retention Credit (ERC)	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed) and any Credit for Qualified Sick and Family Leave Wages reported for the tax period.

Exhibit 21.7.2-2 (Cont. 5) (12-01-2021)

Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA Premium Assistance credit

Tax Period(s)	Credit Type	How Credit is Taken
202106	Non-refundable Employee Retention Credit (ERC)	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), the "Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters" from Form 5884-D (filed after original employment tax forms are filed) and any Credit for Qualified Sick and Family Leave Wages for leave taken before April 1, 2021 (but is not reduced for Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021) reported for the tax period.
202103 and 2021006	Refundable Employee Retention Credit (ERC)	Any amount of Employee Retention Credit for tax periods 202103 and 202106 that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Exhibit 21.7.2-2 (Cont. 6) (12-01-2021)

Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA Premium Assistance credit

Tax Period(s)	Credit Type	How Credit is Taken
202109 and 202112	Non-refundable Employee Retention Credit (ERC)	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of Medicare tax (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced by non-refundable portion of Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 (but is not reduced for Credit for Qualified Sick and Family Leave Wages for leave before April 1, 2021) reported for the tax period.
202109 and 202112	Refundable Employee Retention Credit (ERC)	Any amount of Employee Retention Credit for tax periods 202109 and 202112 that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.
202106	Non-refundable COBRA premium assistance credit	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of Medicare tax (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced by any non-refundable portion of Credit for Qualified Sick and Family Leave Wages reported for the tax period for leave taken after March 31, 2021 (but is not reduced for any non-refundable portion of Credit for Qualified Sick and Family Leave Wages reported for the tax period for leave taken before April 1, 2021 or any ERC credit reported for the tax period).

Exhibit 21.7.2-2 (Cont. 7) (12-01-2021)

Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA Premium Assistance credit

Tax Period(s)	Credit Type	How Credit is Taken
202109 and 202112	Non-refundable COBRA premium assistance credit	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of Medicare tax (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced (in order) by non-refundable portion of Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 and non-refundable portion of credit for Employee Retention (ERC) reported for the tax period (but is not reduced for any non-refundable portion of Credit for Qualified Sick and Family Leave Wages reported for the tax period for leave taken before April 1, 2021).
202203	Non-refundable COBRA premium assistance credit	The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of Medicare tax (or the equivalent portion of Tier 1 RRTA taxes) as previously reduced by non-refundable portion of Credit for Qualified Sick and Family Leave Wages for leave taken after March 31, 2021 (but is not reduced for any non-refundable portion of Credit for Qualified Sick and Family Leave Wages reported for the tax period for leave taken before April 1, 2021).
202106, 202109, 202112 and 202203	Refundable COBRA premium assistance credit	Any amount of COBRA premium assistance credit for a tax period that cannot be applied as a non-refundable credit can instead be claimed as a refundable credit on the applicable employment tax return.

Exhibit 21.7.2-2 (Cont. 8) (12-01-2021)

Application of Credits by Tax Period: Credit for Qualified Sick and Family Leave Wages, Employee Retention Credit (ERC), and COBRA Premium Assistance credit

Caution: See IRM 21.7.2.7.1.4, *Timing Considerations Applicable to Reporting Qualified Sick and Family Leave Wages, Tax, and Associated Credits*, for information on Credit for Qualified Sick and Family Leave Wages claimed in tax periods later than that in which qualified leave was taken by an employee.