

IRM PROCEDURAL UPDATE

DATE: 04/18/2025

NUMBER: ts-04-0425-0455

**SUBJECT: Premium Tax Credit Procedural Updates for Tax Years 2021-2024;
The Related Federal Poverty Line**

AFFECTED IRM(s)/SUBSECTION(s): 4.19.14

CHANGE(s):

IRM 4.19.14.8.2, Third Party Affidavit for Residency - Updated language to reflect the applicable processing years.

(1) In Processing Year (PY) 2019 and 2020, TS Correspondence Exam accepted Form 14086, Qualifying Children Residency Statement - Third Party Affidavit, as an option for taxpayers to verify the residency of qualifying children that were claimed for EITC on Tax Years (2018 and 2019) for project codes (PC) 1031 and 1032 only.

(2) The taxpayer could submit Form 14086 instead of the documents listed on Form 886-H-EIC to verify the residency requirements for each child the taxpayer claimed on their return for EITC. The taxpayer was not required to use Form 14086.

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

(3) PC 1031 was used for post-refund audits. PC 1032 was used for pre-refund audits.

(4) The Filer Bridge was used to issue the initial contact letter, Letter 566-S, and Form 14086.

(5) All fields on Form 14086 were required to sign to be completed **fully**. If Form 14086 was incomplete, it could **not** be accepted.

- a. The taxpayer and the third party source were both required to sign and date the affidavit. If a joint return was filed, both taxpayers had to sign Form 14086.
- b. Part I was completed by the taxpayer.
- c. Part II had to be completed and signed by the person verifying the residency of the child(ren). Only authorized sources listed on Form 14086 could verify the residency of the child(ren). The Form 886-H-EIC has the same sources for residency verification.

d. Authorized sources included the following:

- Childcare Provider
- Health Care Provider
- Social Service or Other Government Official
- Court or Authorized Adoption or Placement Agency Official
- Employer
- Landlord or Property Owner
- School official
- Native American Tribal Official
- Clergy

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

(6) Documents had to be for the same year under examination.

(7) Below were possible reasons for rejecting Form 14086 (not all inclusive):

- Partial time frame
- Non-acceptable source
- Illegible
- Missing signature(s)
- Appears to be fraudulent
- Did not include address or used a PO Box as the address
- Wrong year
- Date(s) not listed on document

(8) The Exam Project Code Search tool was used when answering taxpayer calls regarding PC 1031 and PC 1032.

IRM 4.19.14.8.3, Premium Tax Credit (PTC) - Updated explanation for PTC error code 190 in paragraph (2).

(2) Error Codes

- a. PTC error codes will be prioritized depending on the severity of the error. The PTC error code identifies the specific Exam or AQC issue that needs to be evaluated.

PTC Error Code	Explanation
189	# [REDACTED] [REDACTED]

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		#
190	Taxpayer does not attach Form 8962 to the return, however, exchange data indicates coverage and APTC received	
191	Taxpayer claimed the PTC; however, the taxpayer household income is less than 100 percent of the Federal Poverty Level (FPL) - (exchange data indicates coverage with no record of APTC received)	
193	○ Taxpayer reports a greater family size to the Exchange that does not equal the family size reported on the return, or ○ Taxpayer indicates an Alternate Calculation of Marriage (ACM) by providing one or more ACM entries on Form 8962, but: a. Does not complete all of the entries, or b. The start month is before the stop month	
194	Taxpayer indicates an allocation by providing one or more allocation entries on Form 8962, but: a. Does not complete all of the required items, or b. Has a start month before the stop month	
195	Taxpayer claims PTC, but no one claimed on the return was enrolled in a QHP through the Exchange.	
196	○ Taxpayer provides annual calculation, but Form 8962 includes entries for ACM or shared policy allocation, or ○ Taxpayer completes annual calculation, but Exchange data shows premium and SLCSF are not the same values for all 12 months; or the taxpayer has less than 12 months of coverage	
197	○ When Exchange data is available for all months, the taxpayer's annual premium amount does not equal the computed exchange annual premium amount, or ○ When less than 12 months of Exchange data available, the taxpayer annual premium amount is not within the acceptable range with the exchange annual premium amount ○ For months in which exchange data is available, the taxpayer monthly premium amount does not equal the computed exchange monthly premium amount ○ For any month, the taxpayer monthly premium amount is not within acceptable range (based on November/December business rules) with the exchange monthly premium amount	
198	○ When Exchange data is available for all months, the	

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	taxpayer annual premium of SLCSP does not equal the computed exchange annual premium of SLCSP. ○ When less than 12 months of Exchange data available, the taxpayer annual premium of SLCSP is not within acceptable range (based on November / December business rules) with the exchange annual premium of SLCSP. ○ For months in which exchange data is available, the taxpayer monthly premium of SLCSP does not equal the computed exchange monthly premium of SLCSP. ○ For any month, the taxpayer monthly premium of SLCSP is not within acceptable range (based on November/ December business rules) with the exchange monthly premium of SLCSP.
199	○ When Exchange data is available for all months, the taxpayer annual APTC received does not equal the computed exchange annual APTC received. ○ When less than 12 months of Exchange data available, the taxpayer annual APTC received is not within acceptable range (based on November/ December business rules) with the exchange annual APTC received. ○ For months in which exchange data is available, the taxpayer monthly APTC received does not equal the computed exchange monthly APTC received. ○ For any month, the taxpayer monthly APTC received is not within acceptable range (based on November / December business rules) with the exchange monthly APTC received.
272	FS incompatible with ACM, filing status is not MFJ in F1040/F1040A – Ineligible for ACM

b. Breakdown of individual PTC error codes:

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

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

IRM 4.19.14.20.3, Common Terms - Updated language to reflect the exception for tax years 2021 and 2022, and updated federal poverty levels for tax years 2021-2024.

(1) Household Income is the sum of the modified adjusted gross income (MAGI) of the taxpayer, the MAGI of the taxpayer's spouse, if married, and either filing a joint return or filing a separate return and claiming a personal exemption for the spouse, and the MAGI of all the dependents of the taxpayer required to file a tax return because their income is above the filing threshold.

Note: The Tax Cuts and Jobs Act amended IRC 151 by reducing the personal exemption amount to zero for taxable years beginning after 12/31/2017 and before 01/01/2026. IRS Notice 2018-84, 2018-45 I.R.B. 768 provides interim guidance in relation to how the personal exemption deduction is applied for purposes of interpreting the regulatory provisions governing eligibility for the Premium Tax Credit.

Note: Under Notice 2018-84, for purposes of claiming the Premium Tax Credit, a taxpayer is considered to have claimed a personal exemption deduction for themselves if the taxpayer files an income tax return for the year, and a taxpayer is considered to have claimed a personal exemption deduction for an individual other than the taxpayer if the taxpayer is allowed a personal exemption for the individual (taking into account IRC 151(d)(5)(B)) and lists the individual's name and TIN on the Form 1040, U.S. Individual Income Tax Return or Form 1040-NR, U.S. Nonresident Alien Tax Return the taxpayer files for the year.

(2) Modified Adjusted Gross Income (MAGI) is the adjusted gross income shown on the return plus:

- a. Excluded foreign earned income
- b. Foreign earned income housing cost exclusion
- c. Tax-exempt interest,
- d. Non-taxable social security benefits
- e. Non-taxable railroad retirement benefits

Note: Modified adjusted gross income does not include Supplemental Security Income (SSI).

(3) To be eligible for a PTC, a taxpayer must have household income of at least 100 percent and, except for tax years 2021 and 2022, not more than 400 percent of the Federal Poverty Line (FPL) for the taxpayer's family size (although there are 2 exceptions for taxpayers below 100 percent of the FPL). For 2023, for residents of one of the 48 contiguous states or Washington, D.C., a few examples of the federal poverty levels are:

- a. \$14,580 (100 percent) up to \$58,320 (400 percent) for one individual
- b. \$19,720 (100 percent) up to \$78,880 (400 percent) for a family of two
- c. \$30,000 (100 percent) up to \$120,000 (400 percent) for a family of four

(4) The federal poverty line or FPL is an income amount that is used to determine the poverty level for the year, for the size of the family. The Department of Health and Human Services (HHS) determines the federal poverty line amounts annually. HHS provides three federal poverty lines: one for residents of the 48 contiguous states and D.C., one for Alaska residents and one for Hawaii residents. For purposes of the premium tax credit, eligibility for a certain year is based on the most recently published set of federal poverty guidelines at the time of the first day of the annual enrollment period for coverage during that year. As a result, the premium tax credit for 2023 is based on the 2022 FPL. The premium tax credit for 2024 is based on the 2023 FPL. Current FPLs and updated information can be found on the HHS website and in the instructions for Form 8962, Premium Tax Credit (PTC) under line 4.

(5) Additional terminology can be found in IRM 21.6.3.4.2.12.1, Affordable Care Act (ACA) Terminology.

IRM 4.19.14.20.7, Creating the PTC Issue(s) - Updated ERROR CODES and added plain language for creating PTC issues.

(1) The PTC issues for cases fully automated in ACE or initiated via the Filter Bridge, will be created based on the assigned Error Code(s) and/or Flags, and available ACA Verification System (AVS) data. For cases assigned to ACE Group B1 or B2, and when working replies, examiners will verify that the Per Exam amounts in these issues are consistent with the data supplied by the taxpayer and the ACA Marketplace policy data available using CC IRPOLA and modify the PTC issues.

(2) Prior to creating the PTC issue, ensure that all other issues that might affect the PTC have been addressed:

- Research CC IRPTRL to ensure that all income has been properly reported on return. Create issues to address any unreported or mis-reported income in the General Income section under Special Applications in RGS. Be sure to include income from both spouses on jointly filed returns. Refer to IRM 4.19.11.4.3.2, Issues Appropriate for Taxpayer Services versus SB/SE, for guidance on the types of unreported income that should be addressed.
- If the case has multiple EITC/PTC issues, ensure that all of the issues that pertain to Filing Status and Dependent Exemptions are properly created.

(3) Research IDRS CC DLITE to determine the Error Code (EC)(s) and/or Flags that apply to the case. Refer to IRM 4.19.14.8.3, Premium Tax Credit (PTC), for a description of the Error Code and Flag conditions.

Note: When Error Codes are present, they may also be viewed on:

- CC RTVUE Definer O1
- CC TRDBV CODES screen
- RGS in the Pre-audit comments of the Batch History Issue

Issue Determination

IF	AND	THEN
Error Codes and Flags exist on DLITE	NA	Follow the steps in paragraphs 4 -9 and 11 -12 to create or modify the appropriate PTC issues in RGS based on the Error Codes
Only Flags exist on DLITE	There is an indication that data matching was not completed: SPC 4 (CC RTVUE) Definer R1 or ARC 7 or 8 (CC AMDIS)	Follow the steps in paragraphs 10 -12 to create or modify the PTC issue in RGS based on the Flags only

(4) When AVS data is available at the time the taxpayer's return is processed, the data from that system is displayed on CC RTVUE screens B1 and B2. This data is used by the Filer Bridge to determine the Per Exam amounts on the PTC issues in RGS.

RTVUE fields used in creation of PTC Issues by the Filer Bridge

RTVUE Definer	Field Name	Description
B1	AVS EXPOSURE AMT	Discrepancy in the PTC calculated by AVS. This will include any increase to the repayment of Advance PTC
B1	AVS RECONCILED PTC	This number will generally be the same as the amount of PTC that is posted to the tax module. (TC 766 CRN 262)
B2	PREM CMPTR AMT	The policy premium amounts per AVS. Note: There will be a yearly amount (row Y) and amounts for each month. These amounts are compared to the corresponding entries on F 8962 Part 2 to identify discrepancies.
B2	SLCP CMPTR AMT	The SLCSPP premium amounts per AVS (see Note above)
B2	MAX APTC CMP	Advance PTC paid per AVS (see Note above)
B2	CNTRB CMPTR AMT	Taxpayer's monthly contribution.

(5) There are two IMF Codes in RGS for creating PTC issues:

- IMF Code 62002 - Premium Tax Credit (PTC)
- IMF Code 62003 – Excess Advance PTC (APTC) Repayment

(6) Research CC IRPOLA to verify the accuracy of Per Exam Amounts for the issue created by the Filer Bridge and ACE.

(7) There are two IMF Codes in RGS for creating PTC issues:

- IMF Code 62002 - Premium Tax Credit (PTC)
- IMF Code 62003 - Excess Advance PTC (APTC) Repayment

(8) Use IMF Code 62003 when creating the issue associated with PTC Error Code 190 (as described below). For all other PTC Error Codes and Flags use IMF Code 62002. As always, when creating multiple issues in RGS with the same IMF Code, each issue must have a unique name. Give each issue a name that is descriptive of the associated issue categorization.

Note: The American Rescue Plan Act of 2021, enacted on March 11, 2021, suspended the repayment of excess advance premium tax credit (APTC) amounts for tax year 2020 only.

(9) Error Codes 191 and 195 will result in a full disallowance of the PTC and full repayment of any Advance PTC. These issues will normally be created systemically by ACE on the initial 30-day report. For tax years prior to 2020, taxpayers whose household income excess 400% of the Federal Poverty Line (FPL) for the taxpayers family size, must repay the full amount of any APTC received.

Note: The American Rescue Plan Act of 2021 and the Inflation Reduction Act of 2022 temporarily modified PTC eligibility for tax years 2021 through 2025, allowing taxpayers whose household income exceed 400% of the FPL to claim the PTC.

Error Codes resulting in full disallowance of PTC

Error Code	RGS Issue Categorization	Per Return Amount	Per Exam Amount	Standard Paragraph Number
190 (tax years 2019 and prior)	APTC repayment-net tax adj	Form 1040 Line 46, Form 1040-A Line 29, or for 2018 on Schedule 5 of Form 1040	Per Return Amount + AVS EXPOSURE AMT (from IDRS CC RTVUE Definer B1)	8703
191	Net PTC-net credit adj	AVS RECONCILED PTC (from	0	8704
195	Net PTC-net credit adj	IDRS CC RTVUE Definer B1)	0	8707

Caution: IF the taxpayer has provided a response (i.e. Form 8962, Premium Tax Credit), and /or Form 1095-A, Health Insurance Marketplace Statement) and for year 2021 through 2025, EC 190 will require computation of the APTC repayment amount. The repayment amount may be determined by creating issues in RGS for the Premium, SLCSF Premium, and APTC amounts and running a tax computation, or by entering these amounts in the AMS PTC Calculator. Research CC IRPOLA to

determine the correct values for these amounts.

(10) These instructions provide guidelines for adjusting specific lines on Form 8962. The taxpayer's Form 8962 entries may be viewed on the following:

- CC RTVUE Definer PT and P2
- CC TRDBV 8962 screen
- RGS Return Setup Form 8962 tab
- RTF F-8962 section (viewable in RGS)

(11) Follow the steps below to create the RGS PTC issue. Multiple error conditions may result for some of the Error Codes listed below.

Error codes that potentially affect multiple entries on Form 8962

Error Code	RGS Issue Categorization	Per Return Amount	Per Exam Amount	Standard Paragraph Number
	Create issues for each entry on F-8962 Columns A, B, & F, lines 12-23 that do not match the corresponding entries on CC RTVUE B2	See Table in paragraph 14	See Table in paragraph 14	Provide appropriate explanation based results of Form 8962
193 with no other error	Net PTC-net credit adj	AVS Reconciled PTC (from CC RTVUE Definer B1)	0	8705
193 with any of the following ECs: 197, 198, 199	Do NOT create an issue for Net PTC-net credit adj. Create the issues for the additional ECs as described in para 8	See table in para 14	See Table in para 14	8705 (Include this paragraph on each associated issue.)
194 (may be accompanied by ECs 197, 198, and/or 199)	Create issues for each entry on F-8962 Columns A, B & F, lines 12-23 that do not match the corresponding entries on CC RTVUE B2	See Table in para 14	See Table in para 14	8706
196 (This EC indicates that the TP incorrectly used the annual	Create issues for each month that has a non-zero entry in the first,	PTC-calculation method-Monthly = 0:(Important: Enter zero as the	PTC-calculation method-Monthly = 1:	8706

calculation – Form 8962, Line 11 – instead of the monthly calculation – Form 8962, Lines 12-23)	second or fifth column on CC RTVUE B2	Per Return Amount for each issue. Do NOT try to divide the TP's entries on Line 11 between the various months.)	See Table in para 9 for appropriate fields to use from IDRS CC RTVUE Definer B2 or CC IRPOLA	
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(12) The following Error Codes indicate that the taxpayer's entries on specific lines on Part 2 of Form 8962 do not match the values provided by the AVS. The radio buttons on the RGS Return Setup F-8962 tab will indicate whether the taxpayer is using the annual or monthly method to calculate the PTC. If the taxpayer is using the monthly method, create an issue for each month where the taxpayer's entry does not match the corresponding AVS. Do not create an issue for any month in which the taxpayer's Form 8962 entry matches the AVS value.

Note: If creating monthly issues in association with Error Code 196 (see above) create an entry for each month for which there is a non-zero AVS value.

Error codes pertaining to entries on Part 2 of Form 8962. The following table indicates the data elements from CC RTVUE Definer B2 that the Filer Bridge and ACE use for Per Exam amounts. When working replies or rejects in ACE Group B1 or B2, these amounts should be verified by researching IDRS CC IRPOLA.

Error Code	RGS Issue Categorization	Per Return Amount	Per Exam Amount (research IDRS CC RTVUE Definer B2)	Standard Paragraph
197 (TP used annual calculation)	PTC-annual premium amount	Form 8962 Column A Line 11	PREM COMPTR AMT line Y	8708
197 (TP used monthly calculation)	PTC-monthly premium amount- (month) Note: Create an issue for each month for which the amount from F-8962 does not match the corresponding amount from IDRS CC RTVUE B2.	Form 8962 Column A Lines 12 – 23 (or 0 if creating this issue in association with EC 196)	PREM COMPTR AMT lines J - D	8708 (Input paragraph on each monthly issue created*)
198 (TP used annual calculation)	PTC-annual premium SLCP amount	Form 8962 Column B Line 11	SLCP CMPTR AMT line Y	8708
198 (TP	PTC-monthly prem	Form 8962	SLCP CMPTR AMT	8708 (Input

used monthly calculation	SLCSP-(month) See Note above.	Column B Lines 12 – 23 (or 0 if creating this issue in association with EC 196)	lines J - D	paragraph on each monthly issue created*)
199 (TP used annual calculation	PTC-annual advance	Form 8962 Column F Line 11	MAX APTC CMP line Y	8708
199 (TP used monthly calculation	PTC-monthly advance-(month) See Note above	Form 8962 Column F Lines 12 – 23 (or 0 if creating this issue in association with EC 196)	MAX APTC CMP lines J - D	8708 (Input paragraph on each monthly issue created*)

Note: Standard Paragraph 8708 must be input on at least one monthly adjustment. For the remaining monthly adjustments, a custom paragraph may be used. The custom paragraph may consist of a single character such as a period (.). This will allow the paragraph to appear only once on the form instead of multiple times which may cause confusion. A generic Standard Paragraph, such as 9426 can also be used.

(13) Use the following table to create the PTC issue based on the PTC Flags.

Note: This table should only be used if AVS data is unavailable, and it is not possible to determine whether there are any PTC error conditions associated with the return).

PTC Flag	RGS Issue Categorization	Per Return Amount	Per Exam Amount	Standard Paragraph Number
PTC - SLCSP Flag	Net PTC-net credit adj	AVS RECONCILED PTC (from IDRS CC RTVUE Definer B1) (TC 766 CRN 262 amount on IDRS CC IMFOLT if no RTVUE Definer B1)	0	8715
PTC Flag # 1 - 11	Net PTC - net credit adj	AVS RECONCILED PTC (from IDRS CC RTVUE Definer B1) (TC 766 CRN 262 amount on IDRS CC IMFOLT if no RTVUE Definer B1)	0	8716

(14) Run a tax computation in RGS. RGS will generate statutory issues for the change to the Net PTC (Form 8962, Line 26) and the Excess Advance PTC if needed.

(15) Generate the Form 4549 Examination report including the tax computation report for Form 8962 and save to Case File Documents. If this is the initial report, print and mail the report per local procedures and move the case file to ACE Group B0 for Aging and Closing. Include Form 14950 Premium Tax Credit Verification, with the mailing.