

IRM PROCEDURAL UPDATE

DATE: 07/08/2025

NUMBER: ts-21-0725-3470

SUBJECT: Credits Procedures; Clarification of RSED for RRC and Withholding With RIVO Involvement

AFFECTED IRM(s)/SUBSECTION(s): 21.6.3

CHANGE(s):

IRM 21.6.3.4 Added paragraph 14 regarding treatment of credits not allowed by law.

(1) This section contains the procedures for non-refundable and refundable tax credits.

(2) A limited number of credits are reported directly on Form 1040, U.S. Individual Income Tax Return, Form 1040-SR, U.S. Tax Return for Seniors or Form 1040-NR, U.S. Nonresident Alien Income Tax Return. All other credits are reported on Form 1040 / Form 1040-SR, Schedule 3, Additional Credits and Payments.

(3) For paper processing, if a required form or schedule is **missing**, follow procedures in IRM 21.5.1.5.6, Incomplete CII Claims. If the form, schedule, or documentation is **incomplete** and cannot be perfected with available information, follow claim processing in IRM 21.5.3.4, General Claims Procedures.

(4) If a credit cannot be allowed, unless specifically directed otherwise, follow procedures in IRM 21.5.4.4.1, Setting the Initial Math Error Action, or IRM 21.5.3.4.6, No Consideration and Disallowance of Claims and Amended Returns, as appropriate.

(5) When processing amended or duplicate returns, if the taxpayer was allowed the credit during original processing, but is not entitled to all or a portion of the credit based on changes made:

- a. If the taxpayer didn't address the change, follow the procedures in IRM 21.5.4.4.1, Setting the Initial Math Error Action.
- b. Explain to the taxpayer the adjustment was made and the taxpayer will receive a notice explaining the adjustment and appeal rights.

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

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

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

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

(7) The American Opportunity Tax Credit, Additional Child Tax Credit, Child Tax Credit, Credit for Other Dependents, and the Earned Income Tax Credit require the taxpayer, spouse, and qualifying child have the TIN assigned on or before the due date, or extended due date, of the return.

Note: Any reference throughout this IRM to the date of TIN issuance being by the extended due date or due date (including extensions), include the disaster due date, as it is an extended due date beyond the original due date of the return.

(8) Rev. Rul. 2003-72 provides a uniform method of determining when a child attains a specific age for certain tax purposes. For **all** tax years, taxpayer inquiries or claims about this issue use the following information:

- A child attains a given age on the anniversary of the date that the child was born. For example, a child born on January 1, 2024, attains the age of 1 on January 1, 2025.
- The revenue ruling applies to age determination for children regarding dependent care benefits, adoption credits, child tax credits, earned income tax credits, dependent care assistance programs, foster care payments, adoption assistance programs, and dependency exemptions.

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

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

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

(9) If the Child and Dependent Care Credit, Child Tax Credit, Credit for Other Dependents, Earned Income Tax Credit, Adoption Credit and/or Education Credit is being claimed for a TIN for which our records indicate a date of death prior to the tax year, correspond before using math error procedures. In this instance, the IRS should notify taxpayers of the problem and provide them an opportunity to explain. The correspondence should state SSA records show a date of death prior to the tax year listed. State the TIN being used is for a person who was deceased prior to the tax year.

- a. If documentation is received indicating the math error is incorrect, use CC DM1DT to change or delete the DOD. See IRM 2.3.25, Command Codes DM1DT and DTVUE, for more information.
- b. If proper documentation is not received, disallow the credit(s) and send Letter 105C, Claim Disallowed, using the following (state the specific credits, including exemptions if applicable, in an open paragraph):
"We are disallowing your claim for the credits below because you omitted a correct Social Security Number. The information provided by the Social Security Administration (SSA) shows the number provided belongs to an individual who was deceased prior to the beginning of the tax year for which it is being used."

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

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

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

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

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

(14) If an amended return contains a credit which is not allowable by law, such as Native American Tax Credit, Tribal Tax Credit or Sovereign Tax Credit, as identified in SERP Alert - 25A0153 - Highly Questionable Tribal Credits - Hold All Cases, follow procedures in IRM 21.5.3.4.6, No Consideration and Disallowance of Claims and Amended Returns, to disallow the claim. Issue the appropriate disallowance letter (Letter 105C / 106C) including the following paragraph, "Under the Internal Revenue Code and Treasury regulations, only credits authorized by federal statute are allowable."

(15) The Taxpayer Advocate Service is an independent organization within the Internal Revenue Service (IRS), led by the National Taxpayer Advocate, that helps taxpayers and protects taxpayer rights. TAS offers free help to taxpayers when a tax problem is causing a financial difficulty, when they've tried and been unable to resolve their issue with the IRS, or when they believe an IRS system, process, or procedure just isn't working as it should. TAS strives to ensure that every taxpayer is treated fairly and knows and understands their rights under the Taxpayer Bill of Rights. TAS has at least one taxpayer advocate office located in every state, the District of Columbia, and Puerto Rico.

(16) The TBOR lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC

7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For more information about the TBOR, see Taxpayer Bill of Rights.

(17) Refer taxpayers to the Taxpayer Advocate Service (TAS) when the contact meets TAS criteria (see IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria) and you cannot resolve the taxpayer's issue the same day. The definition of the "same-day" is within 24 hours. "Same day" cases include cases you can completely resolve in 24 hours, as well as cases in which you have taken steps within 24 hours to *begin* resolving the taxpayer's issue. Do not refer "same day" cases to TAS unless the taxpayer asks to be transferred to TAS and the case meets TAS criteria. Refer to IRM 13.1.7.5, Same Day Resolution by Operations. When you refer cases to TAS, prepare Form e-911, Request for the Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), via AMS (or Form 911 if AMS is not available) and forward to TAS. For more information about TAS, see IRM 21.1.3.18, Taxpayer Advocate Service (TAS) Guidelines.

IRM 21.6.3.4.1.25 Updated IDRS reassignment number for adoption credit claims.

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

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

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

(2) All adoption credit claims processed in AM are worked at the Andover Campus. Update category to SPC1 and document type to 1040X (you cannot reassign a MEFA/S/P). Reassign through CII to IDRS number 0830101003.

(3) The eligible child must be:

- a. Any child under age 18. If the child turned 18 during the year, the child is eligible for the part of the year the child was under age 18.
- b. Any age, if physically or mentally incapable of caring for themselves.

(4) Many provisions of the adoption credit (for example, the definition of QAE, the dollar limitation and the modified adjusted gross income limitation) apply to any type of adoption. For more information, see the rules and examples contained in the Instructions for Form 8839, Qualified Adoption Expenses. However, each category of adoption (domestic, foreign, or special-needs) also has rules that apply only to that category.

(5) A **domestic adoption** (including an in-process or a never-completed adoption attempt) is one in which the child was a citizen or resident of the U.S. when the adoption process began.

The timing of the adoption credit depends on when (if ever) the adoption becomes final. Generally, a taxpayer paying QAE in a domestic adoption claims the credit in the year after the payment is made.

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

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

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

(6) A **foreign adoption** is one in which the child was not a citizen or resident of the U.S. when the adoption process began. An adoption is classified as a foreign adoption even if the child is re-adopted in the U.S. (although the re-adoption expenses are QAE). The adoption credit for QAE paid before or during the year of finality may be claimed only in the year of finality.

If QAE is paid after the year of finality (for example, in connection with post-placement visits by a social worker), the adoption credit may be claimed in the year of payment. The Instructions to Form 8839 contain information on determining the year of finality of a foreign adoption.

(7) In the case of a **child with special-needs**, the adoption credit may be claimed in the year the adoption is final, even if the taxpayers never pay any QAE.

(8) The adoption of a special-needs child is an adoption in which all the following statements are true.

- The child was a citizen or resident of the United States or its possessions at the time the adoption effort began (U.S. child).
- A state (including the District of Columbia) has determined that the child can't or shouldn't be returned to their parents' home.
- The state has determined that the child won't be adopted unless help is provided to the adoptive parents.

(9) Sometimes, particularly in the case of an in-process or never-finalized domestic adoption, the taxpayer is unable to provide complete information in Part I of Form 8839. In those circumstances, the taxpayer should complete the entries they can. Leave all other entries blank.

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(10) IRC 137 allows employees to exclude employer-provided adoption assistance from their gross income. The exclusion is taken in the year of payment.

(11) # [REDACTED] #

(12) # [REDACTED] #

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

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

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

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

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

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

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

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

- a. Review the earliest tax period claim first.
- b. Verify the amount of the carryforward for the earliest tax period. If the claim is not a statute period, apply the adoption credit amount listed on Form 8839 to

the taxpayer's tax liability. Statute year periods are addressed in paragraphs 16 and 17 below.

- c. The Adoption Credit may change the priority order of other non-refundable credits, such as the Child Tax Credit. See IRM 21.6.3.4.1, Non-refundable Credits Procedures.
- d. Take any remaining balance of the carryforward to the next period and repeat the steps above.

Example:

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

The taxpayer files a 2018 Form 1040-X to claim the carryforward of \$10,650 in QAE. Their 2018 original return had a tax liability (before credits) of \$8,850 and a child tax credit of \$2,000. The 2018 module shows a TC 150 of \$6,850.

After using the worksheets shown in Pub. 972, you determine the taxpayer is entitled to a Child Tax Credit of \$600, an Adoption Credit of \$8,250, and a refundable Additional Child Tax Credit of \$1,400. This leaves \$2,400 available to be carried forward to the next year (\$10,650 carryforward from 2017 - \$8,250 tax liability after CTC = \$2,400 carryforward to next year).

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

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

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

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

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

Since the refund amount is \$2,400, follow IRM 21.5.4.4.1, Setting the Initial Math Error Action.

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

(16) If a statute period claim comes in showing no change in tax liability and only a carryforward:

- a. Input a TC 290 .00 with a BS 05 and RC 36.
- b. Send a Letter 288C with the following fill-in language:
Thank you for your Form 8839. We have recorded your carryforward amount of (provide the amount).

(17) If a statute period claim comes in requesting a change in tax liability, follow procedures in IRM 25.6.1, Statute of Limitations Processes and Procedures.

(18) If the statute period claims are returned to Accounts Management, process as follows:

- a. Input a TC 290 .00 with a BS 98 / 99 to disallow the change in tax liability due to the expired refund statute.

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- b. Send a Letter 106C to explain the disallowance of the tax refund and explain you have recorded the carryforward amount and provide the amount.

IRM 21.6.3.4.2.2 Added procedures for cases with RIVO markers and reorganized information for clarity.

(1) Employers are required to withhold income tax on wages paid to employees. A Form W-2, Wage and Tax Statement, is issued to the employee by February 1 following the end of the tax year. This form shows the wages and the total withholding (W/H) deducted for the year. The amount withheld is allowed as a credit to the employee on the employee's individual tax return. Federal income tax is deducted (withheld) from various other types of income which the taxpayer receives. Verify the W/H amount is from the correct box.

(2) # [REDACTED]

[REDACTED]

(3) Examine all documents and related information before making adjustments or answering taxpayer inquiries. Refer to the table below before adjusting the W/H.

Caution: # [REDACTED]

[REDACTED]

Row Number	If	Then
1	The W/H amount # [REDACTED] # of the income amount on Form W-2 or other income document and can not be verified on CC IRPTR .	Do not consider the claim. Follow procedures in IRM 21.5.3.4.6.3, No Consideration Procedures. Note: If an ITIN, see (10) below.
2	The W/H amount # [REDACTED] # of the income amount on Form W-2 or other income document and/or one of the following are present (regardless of whether or not it is verifiable on CC IRPTR):	Disallow the withholding, follow IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.

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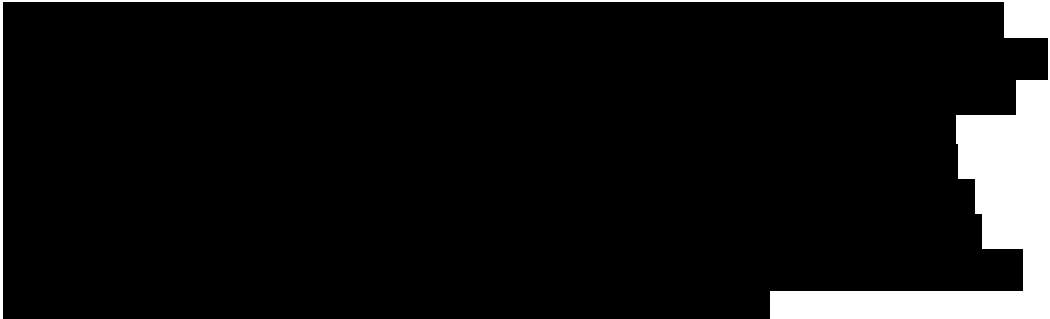
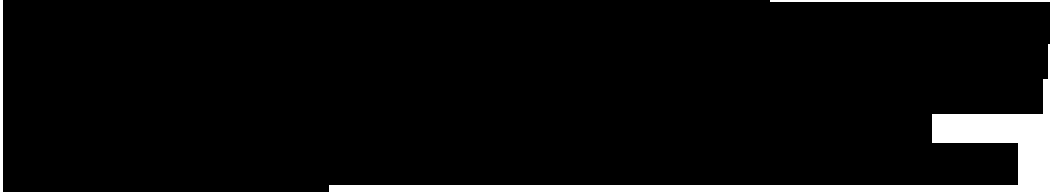
	• # [REDACTED] • # [REDACTED] • # [REDACTED] • # [REDACTED] • # [REDACTED]	
3	The W/H amount # [REDACTED] # of the income amount on Form W-2 or other income document, can be verified on CC IRPTR, # [REDACTED]	Disallow the withholding, follow IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.
4	The taxpayer responds to a previous disallowance, there is a RIVO marker (listed in paragraph 2) and the taxpayer submits documentation to substantiate withholding.	RIVO must verify the withholding prior to adjusting the account. Suspend the CII case, open a new control base with activity "WHVERFREQ" and assign to IDRS# 1483822222. Note: RIVO will respond with either "VERIFIED" or "DOESNOTVER". If the response is "DOESNOTVER", follow procedures in IRM 21.5.3.4.6.3, No Consideration Procedures.
5	The taxpayer reports income resulting in a tax increase and additional withholding is not verifiable.	Follow procedures in IRM 21.5.3.4.1.1, Tax Increase and Credit Increase Processing.
6	The withholding is substantiated and all the income is reported.	Allow the withholding, up to the amount requested.
7	The withholding is not substantiated or the income is not reported.	Do not consider the claim. Follow procedures in IRM 21.5.3.4.6.3, No Consideration Procedures.
8	The withholding is only partially substantiated.	Partially disallow the claim. See IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.
9	The W/H amount is equal/similar to the FICA (Social Security and Medicare taxes) on the same amount of income.	The taxpayer has mistaken FICA for W/H. Allow W/H amount from the Form W-2.
10	The total payment is # [REDACTED] #, but	Do not adjust the taxpayer's

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	no entries are in the "payment" section of the return.	figures. (Code and Edit allowed the amount as "W/H" during processing.)
11	If CC RTVUE shows W/H was reported/transcribed as refundable credit (i.e., EITC, ES payment).	Adjust the withholding.
12	Form 1099-R or Schedule K-1 shows the credit as back-up withholding.	Allow taxpayer's figures.

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

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(4) To substantiate withholding claimed, taxpayers can submit:

- Form W-2, Wage and Tax Statement, or
- Form W-2G, Certain Gambling Winnings, or
- Form 1099-R, Distribution from Pensions, Annuities, Retirement, or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. or
- Form 4852, Substitute for Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRA, Insurance Contracts, etc., or
- Form 8959, Additional Medicare Tax (see IRM 21.6.4.4.18, Additional Medicare Tax, or
- Schedule K-1, or
- Similar documentation.

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(5) If a taxpayer receives a notice showing math error code 283 or 582, refer to IRM 21.5.4, General Math Error Procedures.

Exception: Unsubstantiated math error processing cannot be used for withholding errors, follow the table in paragraph 3 to determine how to proceed.

(6) Allow withholding increases of up to # [REDACTED] # with oral statement or written request, if **ALL** the following criteria are met:

- a. The W/H credit amount was incorrectly reported, incorrectly processed, or not reported at all.
- b. The W/H relates to income already included on the original, a previously processed amended return or the amended return currently being processed.
- c. A previous adjustment has not been made to the W/H tax credit for this module.

(7) If the withholding exceeds the threshold in (6) **AND** documentation (paper or electronic copy of income documents (W-2, 1099, etc), is not available, **OR** the withholding associated with social security (SSA) benefits or other types of income is questionable (regardless of the tolerance in (8)), refer to table in paragraph 3.

(8) For information on Backup Withholding (BUWH), see IRM 21.7.4.4.10, Federal Income Tax Withheld (FITW)/Backup Withholding (BUWH) on Income Tax Returns.

(9) Federal Income Tax Withholding (FITW) reported, or should be reported, on a Form 1041, U.S. Income Tax Return for Estates and Trusts, in the Trust's or Estate's name and Employer Identification Number (EIN) **CANNOT** be transferred from the Trust or Estate to an individual taxpayer's (beneficiary's) Form 1040, U.S. Individual Income Tax Return, account. There are no provisions of law that allow us to distribute FITW to beneficiaries. Backup withholding distributed to the beneficiary is reported on Schedule K-1.

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

(10) A taxpayer not eligible for an SSN must use an ITIN when filing their return. The taxpayer provides an SSN to the employer to obtain employment. Thus, the employer withholds income tax on the taxpayer's wages under the SSN the taxpayer provided, and any Form W-2 or Form 1099 filed with the IRS contains the SSN.

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

- a. When the taxpayer files their return and claims the credit for income tax withheld, the taxpayer must demonstrate they truly earned wages for which the withholding credit is being claimed before the IRS can allow the credit. The taxpayer can provide documentation such as Form W-2, Form 1099, a

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pay stub, earnings statement, or a statement from their employer to verify the amount of federal income tax withheld.

- b. When an ITIN taxpayer files an amended or supplemental return and the additional income and/or withholding is reported under an SSN, or when the name on the return doesn't match the name on the W-2, if you are able to verify the wages and withholding have been reported using CC IRPTR (under the ITIN or SSN), allow the income and withholding.

If the wages and withholding cannot be verified on current year returns prior to IRPTR being fully loaded, document the CII case information on an e-4442, Inquiry Referral (by selecting the AMS category "RIVO - ITIN Only - Wage/WH Verification") and route to Return Integrity Verification Operations (RIVO). Suspend the CII case. Within 30 days, RIVO verifies the income and withholding, adds history to AMS stating "income verified good" or "unable to verify income", and updates the IDRS control base activity to alert the employee RIVO's process is complete. Allow or disallow the claim based on RIVO's response, or based on IRPTR for prior years, see IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. If you have not received a response from RIVO (and the information is still not available on CC IRPTR), after 60 days, resuspend your case and send another e-4442.

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

IRM 21.6.3.4.2.9 Updated IDRS reassignment number for HCTC claims.

(1) HCTC was effective for tax years through Dec. 31, 2021. There has been no extension to the legislation. All information contained in this subsection and subsequent subsections refer to tax year 2021 returns and prior.

(2) The Health Coverage Tax Credit (HCTC) is a refundable credit that pays for 72.5% of health insurance premiums for eligible individuals. The credit is claimed on Form 8885, Health Coverage Tax Credit.

(3) HCTC paper is centralized at the Andover campus. If not trained to work HCTC, update the category code to HCTC or HCTX as necessary and reassign to 0830101003. HCTC can also be claimed on Form 1040-SS, those claims are processed in Philadelphia.

(4) There is no longer a dedicated HCTC phone line. It was deactivated as of June 17, 2024.

(5) For tax years 2016 through 2021, coverage through the Health Insurance Marketplace won't qualify for HCTC.

(6) Taxpayers can receive a full credit for insurance premiums paid upon filing Form 8885 with their return, or can receive the benefit of an advance monthly credit to help cover the cost of insurance premiums. Taxpayers must register with the IRS to receive the benefit of an advance monthly credit. Taxpayers who choose the

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advance credit option are required to submit 27.5% of their total health insurance costs to the IRS. The IRS contributes the remaining 72.5% (the advanced monthly credit), for a total of 100% of the insurance premiums, paid directly to their third-party administrator (TPA) or health plan administrator (HPA).

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

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

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

If	Advise the taxpayer
the taxpayer asks about eligibility for the COBRA subsidy	contact their COBRA administrator to determine eligibility
the taxpayer asks if they need to submit a payment through the HCTC program while receiving the subsidy	• they should not send any payments until their October payment is due • send the payment after September 20, 2021, but before October 10, 2021
the taxpayer requests their April and/or May 2021 payment be returned	they should email the HCTC stakeholder inbox at WI.HCTC.STAKEHLDR.EN@irs.gov to request the payment(s) be returned
the taxpayer received a refund check from their health insurance administrator	• not to send any payments until the October payment is due • return the government's contribution using Form 13560 (Return of Funds) for the months your administrator returned to you • Form 13560 can be found on the HCTC website Note: Payment details, including the government's contribution, can be found in the HCTC database under the Payment History, by selecting the drop down icon next to the payment date. Note: Send a Form 4442/e-4442, Inquiry Referral, to the HCTC Enrollment Team to request Form 13560 be printed and mailed if the taxpayer can't print the form.

(8) Taxpayers can request reimbursement for premiums they paid (for the current year only) while waiting to be accepted into the advance monthly program. Form

14095, The Health Coverage Tax Credit (HCTC) Reimbursement Request, is used to request reimbursement. Taxpayers must be a monthly HCTC participant or have an HCTC registration in process.

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

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

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

Reference - IRC 35

IRM 21.6.3.4.2.9.6 Updated IDRS reassignment number for HCTC claims.

(1) Claim processing is centralized at the Andover campus. If not trained to work HCTC, update the category code to HCTC or HCTX as necessary and reassign to 0830101003. HCTC can also be claimed on Form 1040-SS and Form 1040-PR, which should be sent to Philadelphia.

(2) The presence of a TC 971 Action Code (AC) 172 on TXMOD for the specific tax year indicates the taxpayer is potentially eligible for the credit. Research must be conducted on the primary and secondary SSNs to determine taxpayer eligibility.

(3) Periodic updates are applied to accounts for HCTC eligibility. The TC 971/972 AC 172 reflects the date of the revision. If a taxpayer filed their return prior to the update, and claimed HCTC, the credit may have been allowed or disallowed incorrectly.

(4) Taxpayers enrolled in Medicare, Part A or B, or entitled to Medicare, are not eligible to claim HCTC for coverage months after their date of Medicare enrollment or eligibility. Generally, Medicare is available for people age 65 or older. Verify the taxpayer's date of birth using CC INOLE. If the taxpayer was 65 or older on the first day of the tax year, or turned age 65 during the year, disallow or partially disallow the claim per IRM 21.5.3, General Claims Procedures.

Note: A taxpayer remains eligible for the credit for 24 months from the date the taxpayer enrolled in Medicare / Medicaid if the taxpayer has a qualifying family member enrolled in qualified health insurance coverage. The taxpayer can claim the credit only for the premiums for those qualifying family members."

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Use the following text in the disallowance letter:

We did not allow the amount of \$(amount of credit claimed) claimed for the Health Coverage Tax Credit. You are not entitled to claim the credit for qualifying family members after 2 years from the date the Medicare eligible taxpayer enrolled in Medicare.

OR

We did not allow the amount of \$(amount of credit claimed) claimed for the Health Coverage Tax Credit. As a spouse/dependent, you are not entitled to claim the credit after 2 years from the date the Medicare eligible taxpayer enrolled in Medicare.

(5) A deceased taxpayer no longer qualifies for the credit for coverage months after their date of death. However, the decedent's spouse and/or dependent may still qualify. Taxpayers filing under these conditions needs to state as such and provide the necessary documentation. Check each claim for a date of death.

(6) Taxpayers must check the correct boxes in Part I, Form 8885, indicating the months they were eligible to receive the credit and provide verification of eligibility (eligibility letter), invoices, and proof of payments. In addition, tax year 2014 and 2015 claims should have a letter of eligibility from PBGC or DOL.

- If no boxes are checked in Part I treat it as an incomplete claim, see IRM 21.5.3, General Claims Procedures.

Reminder: When corresponding for Part I information, include information requesting invoices and proof of payments (e.g., cancelled checks (front and back) or credit card statement) if not present, for any amounts included on line 2 of Form 8885.

- If no invoices, proof of payments or eligibility letters are attached, verify eligibility by checking CC IRPTR for the primary and/or secondary taxpayer for a Form 1099-H issued by the TPA or HPA.

Caution: Form 1099-H is not available on CC IRPTR for tax years 2020 and 2021.

- If unable to determine eligibility from CC IRPTR, research the enrollment database.
- If unable to verify eligibility, suspend the case for 40 days and issue a Letter 3064C to request the missing information. Use the following verbiage in the open paragraphs:
"Provide a letter of eligibility, invoices, and proof of payment for the amount you claimed on line 2, Form 8885. If the insurance plan is through your spouse's employer, include copies of pay stubs showing the health coverage deductions for the qualified months and a letter from the employer confirming the amount the employer paid to the cost of the coverage. "
For COBRA Continuation Coverage, include any of the following: a notice of rights to continue coverage in an employer's plan, a signed election form

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confirming enrollment, a letter or statement from an employer or third-party benefits administrator that confirms enrollment. For an HCTC State Qualified Plan, include the group number provided by the plan.

- If no response is received, no consider / partially disallow the claim as required.
- If eligibility is verified, input a TC 971 AC 172, if not present. If adjusting a joint account and the TC 971 AC 172 is on the secondary taxpayer's account only, input the TC 971 on the primary taxpayer's account. Use a posting delay code 1 on the adjustment to avoid an unpostable when inputting a TC 971.
- If the taxpayer is trying to claim 72.5% of out-of-pocket expenses and received the 72.5% in advance payment, disallow the claim. Explain the credit pays a total of 72.5% of eligible health insurance costs which the taxpayer received through the advance monthly payment.

(7) For tax year 2017 and subsequent, taxpayers must elect HCTC (by filing Form 8885) by the due date of the return, including extensions, to qualify for the credit. A timely election is needed even if the taxpayer received the benefit of advance monthly payments during the year. Failure to make a timely election results in a repayment requirement of any advance payment received. Disallow claims received after the due date of the return. Any repayment requirement is resolved by Compliance.

(8) # [REDACTED] # send the claim to CAT-A, (See Exhibit 21.5.3-3, Examination Criteria (CAT A) - Credits). When referring these claims to Exam via CII, select "HLTHCVRGTC" from the drop-down listing of reasons referred.

(9) Since the law was retroactive, some taxpayers may have enrolled in a Marketplace and be eligible for the Premium Tax Credit. For tax year 2014 and 2015 claims, if a Form 8962 is not attached, use the Search CDR Data tool found in AMS to check for Form 1095-A data, see IRM 21.6.3.4.2.12.4, Tools for Accessing ACA-Related Taxpayer Data, for more information.

- If no CDR data found, process the HCTC claim.
- If CDR data is found and APTC was paid, send a Letter 178C or 324C requesting the taxpayer file Form 8962. Suspend the case. If no response, disallow the claim.

Note: A Form 8962 is not required if APTC was not paid.

- If a Form 8962 is attached, refer to the table below for how it should be completed. Since taxpayers cannot claim HCTC and PTC for the same months for the same coverage, any APTC made on behalf of the taxpayer must reduce the PTC claimed or must be repaid. Taxpayers with a repayment requirement **do not get the benefit of having their repayment limited**. For information on processing the Form 8962, see IRM 21.6.3.4.2.12.6, Premium Tax Credit Amended Returns.

Note: If the taxpayer submitted a Form 8962 repaying all APTC following instructions for tax year 2014 and 2015, recompute Form 8962 if sufficient information is available. If sufficient information is not available, such as premiums and SLCSP, correspond for an updated Form 8962.

If HCTC elected	And	Then complete Form 8962 as follows
All 12 coverage months on Form 8885 are checked so that the election applies to all coverage months	No APTC was made	Do not complete Form 8962
All 12 coverage months on Form 8885 are checked so that the election applies to all coverage months	APTC was made	• Enter a family size of -0- on line 1 • Complete lines 9 and 10 as instructed and Part IV if applicable • Complete line 11, column (f), or lines 12 - 23, column (f) • Complete line 25 and enter this amount on lines 27 and 29. Leave line 28 blank
Fewer than 12 coverage months checked and PTC taken for coverage months not checked	No APTC was made	Complete Form 8962 for the months PTC is being claimed
Fewer than 12 coverage months checked and PTC taken for coverage months not checked	APTC was made	• Complete Form 8962 for the months PTC is being claimed. • Enter APTC in column (f) of line 12 - 23 for all months APTC was paid, even those coverage months checked on Form 8885. • If Part III is required, enter the amount from line 27 on line 29 and leave line 28 blank.

(10) For tax years 2016 and subsequent, coverage through the Marketplace does not qualify for HCTC. In addition, coverage provided by the taxpayer's current employer is never qualified health insurance coverage (taxpayers may submit a Form 1095-C as supporting documentation). Disallow or partially disallow the credit as required.

(11) If the taxpayer is also claiming self-employed health insurance deduction, the deduction cannot include amounts reported on Form 8885.

(12) Adjust the account following procedures in IRM 21.6.3.4.2.9.7, Health Coverage Tax Credit (HCTC) - Adjusting the Credit.

IRM 21.6.3.4.2.14 Clarified note in paragraph 5 to explain the RSED to file for RRC may be extended by a timely filed extension to file.

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(1) Taxpayers who didn't receive the Economic Impact Payments (EIP), or received less than entitled to, as shown in IRM 21.6.3.4.2.13, Economic Impact Payments, may qualify for the Recovery Rebate Credit (RRC). RRC is a refundable credit on the tax year 2020 / 2021 return and is based on the following:

Legislation	Credit amount	Applicable posting tax year
The Coronavirus Aid, Relief and Economic Security (CARES) Act IRC 6428	The sum of \$1,200 (\$2,400 if married filing jointly), plus an additional \$500 for each qualifying child.	2020 Fiscal year filers (202101 - 202111)
The Consolidated Appropriation Act, 2021 IRC 6428A	The sum of \$600 (\$1,200 if married filing jointly), plus an additional \$600 for each qualifying child.	2020 Fiscal year filers (202101 - 202111)
American Rescue Plan Act of 2021 IRC 6428B	The sum of \$1,400 (\$2,800 if married filing jointly), plus an additional \$1,400 for each qualifying dependent.	2021 Fiscal year filers (202201 - 202211)

Note: Credit may be reduced based on income limitations.

(2) For tax year 2020, taxpayers compute the RRC based on eligibility shown on their tax year 2020 return. RRC is reduced by the first and second EIPs. Any remaining credit is claimed on the tax year 2020 return. If the taxpayer was eligible for EIP 1 and/or 2 based on their 2018 or 2019 tax return, but the credit based on their 2020 tax return is less than the EIPs they received, no repayment is required. For tax year 2021, RRC is based on eligibility shown on their tax year 2021 return and is reduced, but not below zero, by the third EIP. If the taxpayer was eligible for EIP 3 based on their 2019 / 2020 tax return, but the credit based on their 2021 tax return is less than the EIP they received, no repayment is required.

Example: A taxpayer received EIP 1 of \$1,700 based on their 2019 return filed as HOH with one qualifying child (QC). EIP 2 was issued for \$1,200. They filed their 2020 return as HOH with two QC. The taxpayer is entitled to \$1,100 for RRC. (\$500 + \$600 for the second QC.)

Example: A taxpayer received EIP 1 of \$3,400 based on their 2019 return filed as MFJ with two QC. EIP 2 was issued for \$2,400. They filed their 2020 return as MFJ with two QC but different from the two QC claimed on their 2019 return. The taxpayer is entitled to \$0 for RRC because the taxpayer received the maximum credit for two eligible individuals and two QC.

Example: A taxpayer received EIP 1 of \$2,900 based on their 2019 return filed as MFJ with one QC. EIP 2 was issued for \$1,800. They filed their 2020 return as HOH with one QC so the taxpayer should have received a total of \$2,900 (EIP 1 \$1,200 + \$500 and EIP 2 \$600 + \$600). The taxpayer's share of the EIP already received is

\$2,350 (\$4,700/2). The taxpayer is entitled to Recovery Rebate Credit of \$550 on the 2020 return (\$2,900-\$2,350).

Example: A taxpayer received EIP 3 of \$4,200 in April of 2021 based on their 2019 return filed as MFJ with one QC. In June of 2021 they filed their 2020 return as MFJ with two QC. They were sent a “plus up” payment of \$1,400 for the additional child once their 2020 return posted. In March of 2022 they filed their 2021 tax return as MFJ with three QC. They are entitled to \$1,400 RRC for the third QC.

Example: A taxpayer received EIP 3 of \$2,800 in May 2021 based on their 2020 return filed as HOH with one QC. The taxpayer filed their 2021 return in March 2022 as Single with no QC. The taxpayer is entitled to \$0 Recovery Rebate Credit but does not owe back the \$1,400 EIP they received for the child claimed on their 2020 return.

(3) The refund is issued from the tax year 2020 / 2021 module. See IRM 21.6.3.4.2.14.1, Recovery Rebate Credit - Adjusting the Credit, for the transaction codes used to identify the payment.

(4) Eligibility for RRC is the same as EIP (unless specified). Refer to IRM 21.6.3.4.2.13, Economic Impact Payments, for eligibility criteria for each EIP. If using the table for RRC eligibility, make sure to use the correct year when necessary (e.g., eligibility for RRC for a missing EIP 3 payment is based on 2021 AGI). If eligibility for RRC is not met, the taxpayer was issued and received (i.e., was not returned to the account) the full amount of EIP they were entitled to, or the full amount of RRC they were entitled to on either an original or amended return, refer to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.

Note: Eligibility for RRC is subject to normal statute procedures. See IRM 25.6.1.10, Claims, Abatements and Refunds.

Exception: Taxpayers must have a valid SSN assigned before the return due date, disaster return due date, or the extended due date, if an extension was filed. If a joint return is filed and only one spouse has a valid SSN, a partial credit is allowed.

(5) For taxpayers who do not have a filing requirement or would not normally need to file but may be eligible for the RRC, they **must** file a 2020 / 2021 tax return. Individuals who are e-filing only to claim the RRC should use the following for prior year AGI verification:

- If the Non-Filers tool was used to file a 2019 return to register for an EIP, “\$1” was entered as the prior year AGI verification.
- If they did not use the Non-Filers tool and did not file a return for 2019, or 2020 as applicable, then “\$0” was entered as the prior year AGI verification.

Note: If an EIP is returned and the taxpayer is now eligible for RRC but has not filed a return, advise the taxpayer they must file a tax return to claim the RRC. Advise the taxpayer normal Refund Statute Expiration Date (RSED) procedures apply. The RSED for an original return is generally three years from the Return Due Date (RDD), including extensions if you requested

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the extension by the due date. See IRM 25.6.1.10.3.3, Claims for Credit or Refund – General Time Period for Submitting a Claim, for further explanations.

The filing deadline to claim RRC if the taxpayer has not filed a return was May 17, 2024, for tax year 2020 and April 15, 2025 for tax year 2021.

(6) While the law allows RRC to offset, the IRS's policy is that RRC does not offset to an IRS debt, but does offset to non-tax debts. Some RRC offset in early March 2021 prior to the policy change. There is no recourse for those that did offset, unless injured spouse applies.

(7) Overpayment Interest - Unlike EIP refunds, where no interest was allowed, interest is paid on RRC refunds and/or offsets, when permitted under normal interest rules. See IRM 20.2.4, Overpayment Interest, for information.

IRM 21.6.3.6 Added note in paragraph 5 and clarified note in paragraph 9 regarding the RSED for RRC.

(1) When payments for advance credits (EIPs, AdvCTC) are returned, canceled or expired (TC 720, TC 740, TC 841) after the posting of the tax return (TC 150), the credit is systemically reversed (TC 767) and a REBATEREV (REBV) transcript generates.

- If there is an open control for another case type you are trained in, work both cases to ensure proper resolution for the taxpayer (MEFA, XRET, TPRQ, etc).

Note: Multiple open REBV cases, must be worked by the same employee.

- Address any open issues on the tax module unrelated to the transcript issue prior to resolving your case (e.g., refund inquiry for another AdvCTC payment, TPP, RIVO, etc.). If necessary, suspend your case until other actions are completed or take actions to allow the credit and refer case if necessary. Work cases with Exam involvement following normal procedures regardless of AIMS status.
- For deceased taxpayers, adjust account to allow credit or credits if eligible, and follow normal procedures for issuing the refund. If a computer generated refund can be issued, see IRM 21.6.6.2.21.2(3), Processing Decedent Account Refunds, no further action is necessary. If there is no second name line or surviving spouse to issue the refund to, send a Letter 18C requesting Form 1310 and required information per IRM 3.11.3.10.3, Documentary Evidence on a Decedent Return. Request a response within 30 days and suspend case for 120 days. If you receive a response with complete documentation, follow procedures in IRM 21.2.4.3.20(11-13), Processing TRNS46 Cases. If no reply is received after 120 days, follow procedures in IRM 21.2.4.3.20(15), Processing TRNS46 Cases.

(2) **(EIP 1 or EIP 2 ONLY)** A REBV transcript generated when EIP 1 or EIP 2 was credited back to the 2020 module after the TC 150 posted. A TC 570 may have posted and created a **-R** freeze. Selection criteria included:

- A TC 766 with Credit Reference Number (CRN) 338 or CRN 257 posts to the module after the credit was reversed, OR
- A TC 740/841 posts to the module, AND
- An EIP is on the module, AND
- The module contains a TC 846 with a "999" Julian date, AND
- The transaction date of the TC 740/841 matches the transaction date of the TC 846 with the "999" Julian date

If the module contains a credit balance, the only freeze condition preventing the refund is a **-R** freeze, and there are no TPP/IDT indicators on the account, input a TC 571 to release the refund. If the credit balance is being held by **-AR** freezes, close your control base to the amended return. The processing of the amended resolves the freeze condition.

If EIP has been returned or canceled, has not systemically been reversed (TC 767), and you determine the EIP should be reversed, follow procedures in IRM 21.6.3.4.2.13.3, Economic Impact Payments - Manual Adjustments.

(3) **(EIP 3 and AdvCTC payments)** Review the module to determine which credit (EIP 3 or AdvCTC payment) is the reason for the transcript:

- If EIP 3 has been returned or canceled, and after complete account research, you determine the taxpayer is due RRC, follow procedures in paragraph 5.
- If an AdvCTC payment has been returned or canceled, follow procedures in paragraph 6.
- If after complete account research, you determine the taxpayer is due CTC/RCTC, follow procedures in paragraph 7.

(4) Prior to making any adjustments to the account, conduct complete account research. If there is a freeze code on the account, refer to IRM 21.5.6.4, Freeze Code Procedures, and resolve accordingly before addressing the EIP or AdvCTC payment.

(5) If the taxpayer filed a 2020 or 2021 return, has not filed an amended 2020 or 2021 return, and has not received the full amount of RRC they are entitled to, follow procedures in IRM 21.6.3.4.2.14.1, Recovery Rebate Credit (RRC) - Adjusting the Credit.

Note: If the payment posts to the account after the RSED is expired, and the taxpayer claimed RRC on either an original or amended return, the credit should be allowed. If the taxpayer never claimed RRC and the payment posted after the RSED expired, do not allow RRC. Leave a case note and close the case.

(6) If an AdvCTC payment has been returned or canceled and has **not** been systemically reversed, follow procedures in IRM 21.6.2.4.8.2 (2-4), AdvCTC - Manual Adjustments - General Information, to reverse an AdvCTC payment.

(7) If the taxpayer filed a 2021 return, has not filed an amended 2021 return, and has not received the full amount of Child Tax Credit they are entitled to for 2021, complete the Schedule 8812 worksheet on AMS to verify the amount they are eligible for and adjust the CTC/RCTC on the module following established procedures. Refer to IRM 21.6.3.4.1.24, Child Tax Credit (CTC), for eligibility and IRM 21.6.3.4.1.24.2.1, Reconciling Advance Child Tax Credit (AdvCTC) Payments, for information on adjusting reconciliation data if necessary. An amended return is not required to adjust the CTC/RCTC if you can determine the taxpayer is entitled to the credit.

Reminder: CTC/RCTC must be computed based on the qualifying dependents reported on Schedule 8812 filed with the original return.

Caution: If the returned or canceled payment was based on joint eligibility and the taxpayers filed separate returns in 2021, make sure to consider the impact on both spouse's accounts (verify amounts on CC IMFOLE). See IRM 21.6.3.4.1.24.2.1(5), Reconciling Advance Child Tax Credit (AdvCTC) Payments.

Example: A couple filed married filing jointly in 2020 with one qualifying child (QC) age 1. In 2021, they received AdvCTC of \$1,800. They each received Letter 6419 which listed payments totaling \$900 based on one QC. They divorced in 2021. Spouse A filed single and included the repayment of \$900 on their 2021 return. Spouse B filed head of household with one QC, age 2, included \$900 AdvCTC payments on their return and received an additional \$2,700 CTC/RCTC. In January of 2023, the November 2021 AdvCTC payment of \$300 is returned as undeliverable. Analyze and adjust both individual accounts. Adjust Spouse A's reconciliation data and reduce the tax by \$150. Issue Spouse B \$150 CTC/RCTC.

(8) If the IRS made a previous adjustment (after processing) and reissued an AdvCTC payment as CTC/RCTC the taxpayer was not entitled to, follow erroneous refund procedures in IRM 21.4.5.5.2, Category A2 Erroneous Refunds.

(9) If an EIP or AdvCTC payment is returned and there is not a tax return on file for the year in which the payment was issued from, send correspondence to the taxpayer advising we received their (returned, cancelled, expired, etc.) payment and they must file a tax return and claim RRC or CTC/RCTC.

Note: Advise the taxpayer normal Refund Statute Expiration Date (RSED) procedures apply. The RSED for an original return is generally three years from the Return Due Date (RDD), including extensions if the extension was requested by the original return due date. See IRM 25.6.1.10.3.3 , Claims for Credit or Refund – General Time Period for Submitting a Claim, for further explanations.

(10) Use the appropriate blocking series, source code, and priority code. When inputting an IRS initiated adjustment, do not use an amended claims date. Refer to IRM 20.2.4.8.3.3, 45-Day Rule and IRS Initiated Adjustments, to determine if a priority code 3 is necessary. An adjustment to a tax module involving an IRS initiated adjustment, including math errors and non-IRS initiated adjustment require the input of two separate adjustments.

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(11) If research suggests the taxpayer returned or did not cash the payment **and** does not wish to have the payment reissued, but it cannot be confirmed, contact the taxpayer by telephone or appropriate “C” letter, for an explanation of the returned or canceled refund check.

For the following scenarios, do not input an adjustment, document the Correspondence Inventory Imaging (CII) case with a Case Note and close the CII case as No Action.

- The taxpayer responds they do not wish to have the payment reissued.
- No response is received after 40 days.
- The taxpayer returned or did not cash an EIP or AdvCTC payment due to a religious objection or because they did not want the payment (e.g., previous correspondence, check returned or not cashed more than once, approved 4361 on file).

(12) Send the taxpayer an appropriate “C” letter **only** when the adjustment notice will not sufficiently explain the status of the payments or the account.

Example: The taxpayer received a partial EIP 3 payment of \$1,100 in March 2021. They received a “plus-up” payment of \$300 in September of 2021. When they filed their 2021 return, they requested \$1,400 in RRC and were assigned a math error during original processing. The \$1,100 payment was canceled and a REBV transcript generated. You can issue the taxpayer \$1,100 in RRC, however; it can be assumed they did not receive the \$300 payment either. Based on timing, the \$300 payment has not been canceled and cannot be issued as RRC. Correspond with the taxpayer to advise them the \$1,100 is being reissued, when the \$300 was issued and if they did not receive it to request a Refund Trace.

(13) After complete account research, if you determine the taxpayer is no longer eligible for the returned/canceled/expired payment and no other module corrections are needed (i.e., reconciliation data corrected), leave a Case Note and close the CII case as No Action.