

IRM PROCEDURAL UPDATE

DATE: 10/08/2025

NUMBER: ts-21-1025-3639

SUBJECT: Withholding Credit Processing Clarification; Update to CTC Amount for 2025; Termination of CVC AS of September 30, 2025

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

CHANGE(s):

IRM 21.6.3.4.1.6 Update note in paragraph 5 to say routing/reassigning for clarity.

(1) To qualify for the credit, the taxpayer must have paid or accrued income tax in a foreign country or U.S. possession.

(2) The taxpayer may claim the credit against U.S. income tax or deduct the foreign tax as an itemized deduction.

(3) If the taxpayer files an amended return in which the amount of the foreign tax credit is reduced (such as due to a refund of foreign taxes paid or accrued), which results in an increase in the amount of U.S. tax liability, manually compute and assess interest per IRM 20.2, Interest. Contact the taxpayer to determine the refund date, if necessary.

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

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

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

[REDACTED]

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

(5) If the total Foreign Tax Credit claimed is above the threshold amounts shown in

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

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

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

2970 Market Street

1 D08.113

Philadelphia, PA 19104

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

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

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

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

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

IRM 21.6.3.4.1.22 Updated Child Tax Credit amount for tax year 2025 based on One Big Beautiful Bill Act (OB3) legislation.

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

Tax year 2025:

- Credit is \$2,200 per child, up to \$1,700 is refundable.
- All other criteria is the same as tax years 2022 - 2024.

Tax years 2022 - 2024:

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

Tax year 2021

- Credit is \$3,000 for children ages 6 to 17 and \$3,600 for children ages 5 and under by December 31, 2021.
- The entire credit is refundable if the taxpayer (or the spouse if the taxpayer files a joint return) lived in the United States for more than half of the year or is a bona fide resident of Puerto Rico for the year.
- No income is required.
- The qualifying child **must have an SSN issued on or before the due date of the return** (including extensions).
- The taxpayer and spouse, if filing jointly, must have a valid SSN or ITIN issued by the due date of the return (including extensions).
- The total of the CTC is phased out by \$50 for each \$1,000 (or fraction thereof) the AGI exceeds \$150,000 in the case of a joint return/qualifying widow(er), \$112,500 if HOH, \$75,000 for all other filing statuses.
- When the 2021 increased CTC amount is reduced below what would have otherwise been applicable based on prior legislation, then the rules for tax years 2018-2020 and 2022-2024 apply.

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

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

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

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

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

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

For tax years 2018 - 2020:

- Credit is \$2,000 per child, up to \$1,400 is refundable.
- The qualifying child **must have an SSN issued on or before the due date of the return** (including extensions).
- The taxpayer and spouse, if filing jointly, must have a valid TIN issued on or before the due date of the return (including extensions).
- The total of CTC and ODC is phased out by \$50 for each \$1,000 (or fraction thereof) the AGI exceeds \$400,000 in the case of a joint return, \$200,000 for all other filing statuses.
- Schedule 8812 is required for taxpayers claiming the ACTC.

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

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

Reference - IRC 24

IRM 21.6.3.4.1.27 Update the title of IRM 21.7.4.4.8.3.20, Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation.

(1) For information concerning the Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment and Military Spouse Participation, see IRM 21.7.4.4.8.3.20, Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation, IRM 21.7.4.4.8.3.20.1, Form 8881, Credit for Small Employer Pension Plan Startup Costs, IRM 21.7.4.4.8.3.20.2, Form 8881, Small Employer Auto-Enrollment Credit, and IRM 21.7.4.4.8.3.20.3, Form 8881, Military Spouse Participation Credit.

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

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

IRM 21.6.3.4.1.36 Updated termination date of the Clean Vehicle Credit to September 30, 2025 based on OB3 legislation.

(1) The Inflation Reduction Act (IRA) of 2022 made several changes to the Qualified Plug-In Electric Drive Motor Vehicle Credit (Including Qualified Two-Wheeled Plug-in Electric Vehicles and New Clean Vehicles), adding fuel cell vehicles (FCV) (IRC 30D) and a new credit for previously-owned clean vehicles (IRC 25E). The credits are generally available for vehicles placed in service beginning January 1, 2023, through September 30, 2025. For vehicles placed in service prior to 2023, see IRM 21.6.3.4.1.36.4, Qualified Plug-in Electric Drive Motor Vehicle Credit (Including Qualified Two-Wheeled Plug-in Electric Vehicles and New Clean Vehicles) (Tax Year 2022 and Prior).

Note: The One Big Beautiful Bill Act (OB3) terminated the Clean Vehicle Credit as of September 30, 2025.

(2) Taxpayers attach Form 8936, Clean Vehicle Credits, to their return to claim either of the credits. They **must** attach a Form 8936, Schedule A, Clean Vehicle Credit Amount, including the vehicle identification number (VIN) for each vehicle they are claiming the credit.

(3) **New Clean Vehicle Credit (IRC 30D)** – Taxpayers can receive up to a \$7,500 non-refundable credit (per qualifying vehicle) for the purchase of new clean vehicles providing the taxpayer and vehicle meet certain requirements. See IRM 21.6.3.4.1.36.1 (1-3), Form 8936, Clean Vehicle Credits - Qualifications.

(4) **Previously-Owned Clean Vehicles Credit (IRC 25E)** - Taxpayers can receive up to a \$4,000 non-refundable credit for the purchase of an eligible previously-owned clean vehicle providing the taxpayer and vehicle meet certain requirements. The credit amount is the lesser of \$4,000 or 30% of the sales price of the previously-owned clean vehicle. See IRM 21.6.3.4.1.36.1 (4 and 5), Form 8936, Clean Vehicle Credits - Qualifications.

(5) For more information on the Clean Vehicle Credit, see Frequently Asked Questions About the New, Previously-Owned and Qualified Commercial Clean Vehicles Credit, or Instructions for Form 8936, Clean Vehicle Credits (and Schedule A (Form 8936), Clean Vehicle Credit Amount).

IRM 21.6.3.4.1.36.3 Added note with termination date of CVC based on OB3 legislation and removed requirement to refer to CAT-A for 3 or more vehicles.

(1) To claim a Clean Vehicle Credit (CVC), the taxpayer attaches Form 8936, Clean Vehicle Credits, to their amended return. They **must** attach a Form 8936, Schedule A, Clean Vehicle Credit Amount, including the vehicle identification number (VIN) for each vehicle for which they are claiming the credit. If Form 8936, Schedule A is missing or incomplete, follow procedures in IRM 21.5.1.5.6, Incomplete CII Claims.

Note: For 2024 and later, individuals who transferred the credit to the dealer at the time of sale **must** file Form 8936, Clean Vehicle Credits, **and** Form 8936, Schedule A, Clean Vehicle Credit Amount. If either form is missing or incomplete, follow procedures in IRM 21.5.1.5.6, Incomplete CII Claims.

Note: The One Big Beautiful Bill Act (OB3) terminated the Clean Vehicle Credit as of September 30, 2025. Do not process any requests for CVC for any vehicle acquired after September 30, 2025.

(2) A separate Form 8936, Schedule A must be filed for each VIN used to claim CVC.

Use the VIN/TIN Lookup tool on AMS to validate the VIN prior to determining the action to take on the account. The VIN/TIN Lookup tool is populated with data from the Time of Sale (ToS) report, which is uploaded to the Clean Energy Database (CEdB) by dealers or sellers. You can search by VIN or TIN.

From AMS, select **Tools -> CLEAN ENERGY-> VIN/TIN Lookup**

Input the full VIN of 17 characters (letters and numbers) or the taxpayer's TIN to search for the VIN.

The tool will respond as indicated below.

- If the user searches by VIN and it is not valid, the tool will return a message that says "No Match found in Clean Energy Database".
- If the user searches by TIN and there is no match, the tool will return an error message stating there are no matches.
- If the user searches by TIN and there are one or more VIN matches, click on the VIN to open additional information shown below.
- For tax year 2023, if the user searches by VIN and it is valid, the tool will open but no additional information is included.
- For tax year 2024 and later, if the user searches by VIN and it is valid, the tool will open with additional information shown below.

For tax year 2024 and later, after clicking on a valid TIN, the tool will open a page with the following:

- the valid VIN and TIN of the buyer
- date placed in service
- the IRC for which the vehicle is eligible (30D - new clean vehicle, 25E - previously owned clean vehicle)
- the amount, if any, that was advanced (transferred to the dealer at time of sale)
- whether or not the credit has been claimed

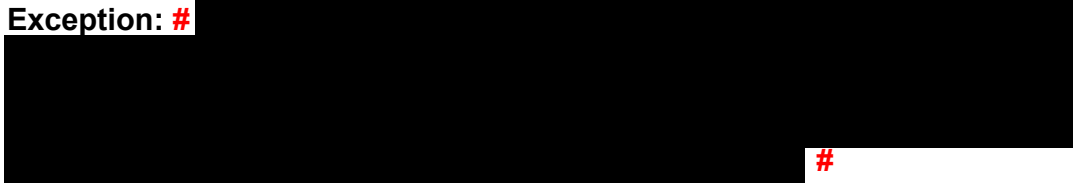
If adjusting an account to allow a previously unclaimed credit, use the drop-down menu to change the status from Not Claimed to Claimed.

Note: Updating the claim status is irreversible, once it has been updated, there is no way to remove or reverse that update. To prevent incorrect or erroneous updates,

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users have to first select the “Update” button on the record which triggers message #2 and requires a selection of “Okay” to proceed. Users then have to select the drop down changing “Not Claimed” to “Claimed” and select “Save” which triggers message #3, and a selection of “Okay” to proceed. Once those steps have been completed the record is updated.

Exception: #



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

Row Number	If	And	Then
1	VIN(s) are valid and were not claimed on original return	The vehicle and taxpayer meet all qualifications for the credit. See IRM 21.6.3.4.1.36.1, Form 8936, Clean Vehicle Credits - Qualifications.	Allow credit
2	VIN(s) were claimed on original return but not allowed	The vehicle and taxpayer now meet all qualifications for the credit. See IRM 21.6.3.4.1.36.1, Form 8936, Clean Vehicle Credits - Qualifications.	Allow credit
3	VIN(s) are missing on Form 8936 Schedule A	Taxpayer claims CVC.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.4.1, Setting the Initial Math Error Action.
4	VIN(s) are not valid	Taxpayer claims CVC.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.4.1, Setting the Initial Math Error Action.
5	VIN(s) are valid and match original return VIN(s)	CVC allowed for same VIN(s) on original return.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.4.1, Setting the Initial Math Error Action.
6	VIN(s) are valid and	Prior year and current year modified adjusted	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial

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	were not claimed on original return	gross income (MAGI) are greater than the maximum allowable. See IRM 21.6.3.4.1.36.1, Form 8936, Clean Vehicle Credits - Qualifications.	Disallowance Procedures. Include the following open paragraph in the letter, "We cannot allow your claim for the (new/previously-owned) clean vehicle credit because your Modified Adjusted Gross Income (MAGI) exceeds the maximum amount allowable based on your filing status."
7	VIN (s) are valid and were not claimed on original return	Placed in Service Date not during the tax year	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in the letter, "We cannot allow your claim for the clean vehicle credit because the vehicle's placed in service date is not during the tax year."
8	VIN (s) are valid and were not claimed on original return	The CVC claim exceeds \$7,500 (New vehicle) or \$4,000 or 30% of the purchase price (Previously-owned vehicle) per vehicle	Issue a partial disallowance for the amount of credit in excess of what the taxpayer is entitled to. Follow IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in Letter 106C, "We can only allow "XX" of your claim for the (new/previously-owned) clean vehicle credit because your claim exceeds the maximum allowable credit."
9	VIN (s) are valid and were not claimed on original return	Vehicle for Business Use (Part II) is claimed and there is no business income or loss (e.g., Schedule C or Schedule F) attached to the return.	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in the letter, "We cannot allow your claim for the Credit for Business/Investment Use Part of the New Clean Vehicles on Form 8936, Clean Vehicle Credits, because your return does not include any business income."

(4) To allow the credit:

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

Note: Prior to May 2024, RC 036 was used for CVC adjustments.

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IRM 21.6.3.4.3 Added caution about EPE availability dates and interest based on information shared by the Office of Servicewide Interest.

(1) Section 6417 of H.R. 5376, Inflation Reduction Act (IRA), Sec. 13801, Elective Payment for Energy Property and Electricity Produced from Certain Renewable Resources, etc, allows applicable entities to claim an elective payment election (EPE) for certain credits for taxable years beginning after December 31, 2022.

(2) An EPE provides applicable entities with the ability to treat any unused portion of the non-refundable credit as a payment, which may cause an overpayment and generate a refund. The election to treat the credit as an EPE must be filed on or prior to the latter of the return due date (RDD), extended return due date (XRDD) or disaster due date (DDD) and is generally irrevocable.

Note: Returns that contain EPE are held until the return due date and will contain a C- freeze. The entire refund, not just the portion associated with EPE, is held and systemically released after the return due date.

Note: Original tax returns claiming EPE are screened prior to posting to master file. If the return meets the criteria for review, a TC 971 AC 831 with MISC: EPE posts to the tax module. A TC 570 generates and a -R freeze will hold the refund. See IRM 21.5.6.4.35, -R Freeze, for more information.

Caution: EPE credits are deemed available on the **later** of the normal (not extended) due date of the return, or the date the return was received per IRC 6417(d)(4). EPE credits post with a transaction (23C) date of the later of these dates. However, for purposes of computing interest on an EPE overpayment, use the later of the transaction (23C) date of the credit, or the date the original return was received in processible form (if the processible date is after the due date, including any extension of time for filing) per IRC 6611(g) and IRM 20.2.4.6.3, Unprocessable Returns.

(3) For most credits, applicable entities include tax-exempt organizations, state and local governments, Indian tribal governments, Alaska Native Corporations, the Tennessee Valley Authority, and rural electric cooperatives. However, individual taxpayers may be considered applicable entities for the following credits:

- Credit for Carbon Oxide Sequestration (IRC 45Q)
- Credit for Production of Clean Hydrogen (IRC 45V)
- Advanced Manufacturing Production Credit (IRC 45X)

(4) A taxpayer may make an EPE with respect to the Advanced Manufacturing Investment Credit (IRC 48D) under IRC 48D(d).

(5) See below for processing EPE on amended and superseding returns.

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Row Number	If	And	Then
1	An amended return received after the due date or extended due date with a new or previously reported/allowed facility	Increasing EPE	# [REDACTED] #
2	Any superseding or amended return for a non-related EPE item which impacts the EPE as originally calculated	Any change to EPE	Suspend your CII case and elevate to your local Planning & Analysis staff so they can forward to the HQ Analyst (author of this IRM).
3	Any superseding or amended return with a previously reported/allowed facility	Decreasing or removing EPE	Suspend your CII case and elevate to your local Planning & Analysis staff so they can forward to the HQ Analyst (author of this IRM).
4	A superseding return with a new or previously reported/allowed facility	# [REDACTED] #	# [REDACTED] #
5	Any superseding or amended return with a new or previously reported/allowed facility	# [REDACTED] #	# [REDACTED] #
6	A superseding return with a new or previously reported/allowed facility previously sent to # [REDACTED] #	# [REDACTED] #	Suspend your CII case and elevate to your local Planning & Analysis staff so they can forward to the HQ Analyst (author of this IRM).
7	A superseding return with a new or previously reported/allowed facility previously sent to # [REDACTED] #	# [REDACTED] #	Follow procedures in IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Use the following paragraph or similar verbiage: "The Elective Payment Election

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		made in Part III on Form 3800, General Business Credit, is ineffective because the return did not include the registration number of the applicable credit property as required and as provided in the form instructions. As a result, the credit will not be treated as a payment of tax on your return. Further, you may need to make adjustments to your carryovers in Part IV, Form 3800.”
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(6) **For tax year 2022 / processing year 2023**, to **allow** an EPE, verify the taxpayer has completed Form 3800, General Business Credits, Part III, notated “IRA22DPE”, and recorded the credit on Form 1040 / Form 1040-SR, Schedule 3, Additional Credits and Payments, Part II, line 13z. Input the adjustment using TC 766 with reason code 061 for the correct amount of the EPE.

(7) For tax year 2023 and subsequent:

A mandatory pre-filing registration process has been established for facilities related to these credits. The taxpayer must obtain a registration number and include it on Part III of Form 3800, General Business Credits and the source form.

To **allow** an EPE, verify the taxpayer has completed Form 3800, General Business Credits, Part III, including registration number, and completed the source form for the credit(s) for which the EPE is claimed with the same registration number (included on the source form), and recorded the credit on Form 1040 / Form 1040-SR, Schedule 3, Additional Credits and Payments, Part II, line 13c.

Input the adjustment using the appropriate reason code (RC), appropriate item reference number (IRN) and appropriate credit reference number (CRN):

Credit	Source Form	IRN (non-refundable portion)	CRN (EPE)	RC
Advanced Manufacturing Investment Credit	Form 3468 (Part IV), Investment Credit	951	455	231
Credit for Carbon Oxide Sequestration	Form 8933, Carbon Oxide Sequestration Credit	956	458	061
Credit for Production of Clean Hydrogen	Form 7210, Clean Hydrogen Production Credit	950	460	061
Advanced Manufacturing Production Credit	Form 7207 (Part II), Advanced Manufacturing Production Credit	947	462	230

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(8) The non-refundable portion of any credit allowed as EPE is identified on CC TXMOD and CC IMFOLT with a **TC 970 AC 004** (posted return information). The literal for the credit allowed or disallowed as EPE is listed below the TC 970 AC 004 transaction.

(9) Under the Balanced Budget and Emergency Deficit Control Act (BBEDCA) of 1985, certain federal government subsidies or direct spending to taxpayers are subject to budgetary sequestration, or reduction. The current sequestration reduction rate is 5.7% (through 2030). Under the BBEDCA, IRA EPE credit refunds (the excess over total tax liability) is subject to sequestration. The IRA EPE statute allows for a 6.0445% “gross-up” or increase calculation on the credit refund that would effectively offset the sequestration reduction (except in math rounding situations). The credit amount prior to sequestration is identified by a TC 971 AC 356 on CC TXMOD and CC IMFOLT. The TC 971 AC 356 Memo Field captures the EPE credit amount (this is the portion of the credit the taxpayer elected to claim as EPE, not necessarily the entire credit). The MISC Field captures the CRN of the Memo Field’s EPE credit amount and the amount of the EPE 6.0445% “gross-up” amount. If the “gross up” amount in the MEMO field is more than the current sequestration rate, the credit is reduced by that amount. It posts as a TC 767 on CC TXMOD and CC IMFOLT. If the “gross up” amount is less than the current sequestration rate, the credit is not reduced.

(10) When adjusting an account for EPE, use the IAT REQ77 Tool to input the TC 971 AC 356 and use IAT xMend to input a TC 767 to reduce the credit by the amount sequestered, if applicable. Use RC 232 for any adjustments to the sequestered amount.

(11) For additional information, see Elective Pay and Transferability and IRM 21.7.4.4.9.5, Inflation Reduction Act (IRA), Superseding and Amended Return Processing; Elective Payment Elections (EPE) or Transfers.