



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.19.14

NOVEMBER 21, 2025

EFFECTIVE DATE

(01-02-2026)

PURPOSE

- (1) This transmits revised IRM 4.19.14, Liability Determination, Refundable Credits Strategy.

MATERIAL CHANGES

- (1) IRM 4.19.14.1.4, Program Controls - Updated title per the requirement in IRM 1.11.2.2.4.
- (2) IRM 4.19.14.1.5, Terms and Acronyms - Updated title from "Acronyms" per the requirement in IRM 1.11.2.2.4; Added acronyms OBBB and RRPLC.
- (3) IRM 4.19.14.2.1, The Patient Protection and Affordable Care Act (ACA) - Updated language to include changes made by the One Big Beautiful Act of 2025 (OBBB).
- (4) IRM 4.19.14.2.4.4, Qualified Business Income Deduction (QBID) - Updated language to include changes made by the OBBB.
- (5) IRM 4.19.14.2.5, Families First Coronavirus Response Act (FFCRA) - Added clarifying language for amendments to the FFCRA.
- (6) IRM 4.19.14.2.6, Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) - Added reference for requirements and procedures.
- (7) IRM 4.19.14.2.7.1, Recovery Rebate Credit (RRC) - Added links to IRM guidance for Economic Impact Payments and RRC requirements and procedures.
- (8) IRM 4.19.14.2.7.5, Self-Employed Sick and Family Leave Equivalent Credits (SFLC/SE) and Household Employer Credits for Sick and Family Leave Wages (SFLC/HE) - Added clarifying language to describe average daily self-employment income.
- (9) IRM 4.19.14.2.9, One Big Beautiful Bill Act (OBBB) - Added a new subsection highlighting OBBB changes.
- (10) IRM 4.19.14.4, Program Description - Added new Project Code (PC) 1259, PC 1361, and PC 0486.
- (11) IRM 4.19.14.5, RPS Casework Procedures - Update notice language and applicable project codes throughout.
- (12) IRM 4.19.14.6, Evaluating EITC Taxpayer Responses - Revised and reorganized language in subsection for readability.
- (13) IRM 4.19.14.6.3, EITC - Schedule C Responses - Updated initial contact letter in para (4); Updated Form 1099-K guidance for changes due to the OBBB; Added guidance for Schedule C responses in para (17) and (20) tables.
- (14) IRM 4.19.14.6.5, EITC - Dependents - Deleted "Personal Exemptions" from the title; Added language for the OBBB in relation to personal exemptions; Clarified dependent defined information in para (5).
- (15) IRM 4.19.14.7, Recertification - Updated language to include changes due to OBBB; Included the refundable CTC; Added information for the AOTC ban determination; and reorganized for clarity.

- (16) IRM 4.19.14.7.1, 2/10 Year Ban Guidelines for Correspondence Examination Technicians (CET) - Added clarifying language to describe “reckless, intentional, and disregard”; Updated instructions for applying the 10-year ban and TC 320; Revised and reorganized language throughout
- (17) IRM 4.19.14.7.1.2, Telephone Guidelines for Exam Employees - Removed the years of relevance from the instructions for telephone employees.
- (18) IRM 4.19.14.7.1.6, Project Code 1516 - Additional CTC Recertification (Non-ITIN) - Added new subsection to describe the systemic 2-year ban assertion for ACTC.
- (19) IRM 4.19.14.8.1, Schedule C Filters - Corrected Gross Receipts in para (1).
- (20) IRM 4.19.14.8.2, Third Party Affidavit for Residency - Updated language to reflect the applicable processing years. IPU 25U0455 issued 04-18-2025.
- (21) IRM 4.19.14.8.3, Premium Tax Credit (PTC) - Updated explanation for PTC error code 190 in paragraph (2). IPU 25U0455 issued 04-18-2025.
- (22) IRM 4.19.14.8.4, Non-EITC Filters - Edited and added filter descriptions.
- (23) IRM 4.19.14.9.1, QRP Referral Process - Updated EFDS to new name, which is Return Review Program Legacy Component (RRPLC); Added Fuel Tax Credit (FTC) as a potential issue.
- (24) IRM 4.19.14.9.1.1, Prisoner Returns - Added language for processing prisoner returns; Clarified IDRS research to confirm dates; Added notation and document requirements.
- (25) IRM 4.19.14.9.1.2, General Agreement on Tariff and Trades (GATT) - Added eligibility requirements and acceptable documentation for full year prisoners and non-inmate spouse.
- (26) IRM 4.19.14.9.2, Source Code and Project Codes - Updated potential issues for various project codes.
- (27) IRM 4.19.14.9.3, QRP Examination Process - Removed reference to the spreadsheet; Added FTC as a potential issue and removed HCTC; Added EIN information.
- (28) IRM 4.19.14.9.3.1, Household Help Income - Clarified years of case selections; Added instruction for workpaper notation.
- (29) IRM 4.19.14.9.4, QRP Replies and Closing Process - Updated instructions in para (6) table for CC IRPTR and workpapers.
- (30) IRM 4.19.14.9.5, QRP Negative Deficiency Procedures - Clarified instructions for sending the appropriate letters based on purge dates; Added instructions for the appropriate letter and Form 4549 based on the issuance of a Notice of Deficiency.
- (31) IRM 4.19.14.9.7, RRPLC Referrals/Open Exam - Updated title from EFDS Referrals/Open Exam to reflect new name; Removed reference to the WMS spreadsheet.
- (32) IRM 4.19.14.10.2, EITC Math Error Processing - Updated AM adjustment entries in para (2).
- (33) IRM 4.19.14.11, DDBCK/CAT A (Form 1040-X) EITC Claims- Updated tax years to current and two prior years for amended returns.
- (34) IRM 4.19.14.12.1, Overview - CTC, ACTC, Refundable CTC and ODC - Added language for changes made by the OBBB.
- (35) IRM 4.19.14.12.2, Requirements for CTC/ACTC and Refundable CTC - Updated the title from “Requirements for CTC/ACTC (2018-2025 Returns) and Refundable CTC (2021 Returns)”, removing

- the years references due to the OBBB extension of the CTC/ACTC; Added language explaining the changes made by the OBBB; Removed workpaper instruction for math error protest and erroneous refund cases.
- (36) IRM 4.19.14.12.2.1, Qualifying Child Age 17-23 or Disabled May be Eligible to be Claimed for ODC - Updated title from “Qualifying Child Age 17-23 or Disabled May be Eligible to be Claimed for ODC (2018-2025 Returns)” due to the OBBB extension of ODC.
 - (37) IRM 4.19.14.12.2.2, Qualifying Child Without Required SSN May be Eligible to be Claimed for ODC - Updated title from “Qualifying Child Without Required SSN May be Eligible to be Claimed for ODC (2018-2025 Returns)” due to the OBBB extension of ODC; Removed the reference to refundable CTC in para (1).
 - (38) IRM 4.19.14.12.3, Requirements for ODC - Updated title from “Requirements for ODC (2018-2025 Returns)” due to the OBBB extension of ODC; updated gross income for the qualifying relative to reflect the inflation index.
 - (39) IRM 4.19.14.15, Qualified Adoption Expenses - Added language for the refundability of the Adoption Credit for tax years beginning after December 31, 2024 per the OBBB.
 - (40) IRM 4.19.14.17, Self-Employed Sick and Family Leave Equivalent Credits (SFLC/SE) - Added clarifying language for the SFLC/SE authorized by the Families First Coronavirus Response Act.
 - (41) IRM 4.19.14.17.5, Sick and Family Leave Credits Selected through Frivolous Return Program (FRP) - Replaced Tracking Code 4140 with Tracking Code 4139. IPU 25U0100 issued 01-27-2025.
 - (42) IRM 4.19.14.19.1, Fuel Tax Credit Claimed on Form 4136 Selected by Dependent Database (DDB) Rules - Added Tracking Code 4247 in para (1),
 - (43) IRM 4.19.14.20, Premium Tax Credit Procedures - IRC 36B (formerly EITC and Premium Tax Credit Procedures) - Updated title; Deleted language from IRM 4.19.15.41 to align with program responsibilities. IPU 25U0100 issued 01-27-2025.
 - (44) IRM 4.19.14.20.1, EITC and Premium Tax Credit Procedures - New subsection moved from IRM 4.19.14.20. IPU 25U0100 issued 01-27-2025.
 - (45) IRM 4.19.14.20.1, EITC and Premium Tax Credit Procedures - Reorganized and rewritten for clarity; Added additional links for requirements and procedures to work cases.
 - (46) IRM 4.19.14.20.2, Premium Tax Credit Eligibility - New subsection moved from IRM 4.19.15.41.1, Premium Tax Credit Eligibility. IPU 25U0100 issued 01-27-2025.
 - (47) IRM 4.19.14.20.3, Common Terms - New subsection moved from IRM 4.19.15.41.2. IPU 25U0100 issued 01-27-2025.
 - (48) IRM 4.19.14.20.3, Common Terms - Updated examples of federal poverty levels (FPL) from 2013 to 2023 in para (3); Updated to current years for FPLs and the premium tax credit in para (4); Added a link to IRM 21 for additional information in para (5). IPU 25U0455 issued 04-18-2025.
 - (49) IRM 4.19.14.20.3, Common Terms - Updated exception years for the 400 percent FPL to include 2021 through 2025; Added OBBB change to personal exemption; Added a link for obtaining current FPLs.
 - (50) IRM 4.19.14.20.4, PTC Project Codes - New subsection moved from IRM 4.19.15.41.3. IPU 25U0100 issued 01-27-2025.

- (51) IRM 4.19.14.20.5, Case Selection - New subsection moved from IRM 4.19.15.41.4. IPU 25U0100 issued 01-27-2025.
- (52) IRM 4.19.14.20.6, Research and Initial Report Writing - New subsection moved from IRM 4.19.15.41.5. IPU 25U0100 issued 01-27-2025.
- (53) IRM 4.19.14.20.7, Creating the PTC Issue(s) - New subsection moved from IRM 4.19.15.41.6. IPU 25U0100 issued 01-27-2025.
- (54) IRM 4.19.14.20.7, Creating the PTC Issue(s) - Reorganized for clarity; Added additional instruction for issue determination in para (3) table. Updated para (4) table title; Added specific error codes and tax law change information to para (9), along with additional information for specific years and computation requirements; Provided clarifying language throughout. IPU 25U0455 issued 04-18-2025.
- (55) IRM 4.19.14.20.8, Evaluating Responses - New subsection moved from IRM 4.19.15.41.7. IPU 25U0100 issued 01-27-2025.
- (56) IRM 4.19.14.20.9, Closing Procedures - New subsection moved from IRM 4.19.15.41.8. IPU25U0100 issued 01-27-2025.
- (57) IRM 4.19.14.21.1, DUPTIN Related Taxpayers - Added paragraph to describe the special rule for children or divorced or separated parents with regard to Form 8332; Updated table title in para (6).
- (58) IRM 4.19.14.21.3, Processing of Duplicate TIN when E-filing - Added language for an additional condition. IPU 25U3420 issued 06-23-2025.
- (59) IRM 4.19.14.22, Claim of Right - IRC 1341 - Repayment of Income Previously Reported Credit - Added link to IRM 21.6.6.2.10 for additional information. IPU 25U3420 issued 06-23-2025.
- (60) Editorial changes made throughout the IRM for clarity. Reviewed and updated for plain language, grammar, titles, website addresses, and IRM references.

EFFECT ON OTHER DOCUMENTS

IRM 4.19.14, dated December 10, 2024 (effective January 1, 2025) is superseded. The following IRM Procedural Updates (IPUs), issued from January 27, 2025 through June 23, 2025, have been incorporated into this IRM: IPU 25U0100, IPU 25U0455, IPU 25U3420.

AUDIENCE

This IRM is intended for use by Taxpayer Services (TS) and Small Business/Self-Employed (SB/SE) Campus Examination employees.

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Taxpayer Services Division

4.19.14

Refundable Credits Strategy

Table of Contents

4.19.14.1 Program Scope and Objectives

4.19.14.1.1 Background

4.19.14.1.2 Authority

4.19.14.1.3 Roles and Responsibilities

4.19.14.1.4 Program Controls

4.19.14.1.5 Terms and Acronyms

4.19.14.1.6 Related Resources

4.19.14.1.7 Taxpayer Bill of Rights (TBOR)

4.19.14.2 Tax Law Changes

4.19.14.2.1 The Patient Protection and Affordable Care Act (ACA)

4.19.14.2.2 Protecting Americans from Tax Hikes Act 2015 (PATH)

4.19.14.2.3 Disaster Tax Relief and Airport and Airway Extension Act 2017

4.19.14.2.4 Tax Cuts and Jobs Act of 2017 (TCJA)

4.19.14.2.4.1 Personal Exemption

4.19.14.2.4.2 Child Tax Credit

4.19.14.2.4.3 Credit for Other Dependents

4.19.14.2.4.4 Qualified Business Income Deduction (QBI)

4.19.14.2.5 Families First Coronavirus Response Act (FFCRA)

4.19.14.2.6 Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act)

4.19.14.2.7 The American Rescue Plan Act of 2021 (ARPA)

4.19.14.2.7.1 Recovery Rebate Credit (RRC)

4.19.14.2.7.2 Child Tax Credit (CTC)

4.19.14.2.7.3 Earned Income Credit (EIC)

4.19.14.2.7.4 Child and Dependent Care Credit (CDCC)

4.19.14.2.7.5 Self-Employed Sick and Family Leave Equivalent Credits (SFLC/SE) and Household Employer Credits for Sick and Family Leave Wages (SFLC/HE)

4.19.14.2.7.6 Premium Tax Credit (PTC)

4.19.14.2.8 Inflation Reduction Act of 2022

4.19.14.2.9 One Big Beautiful Bill Act of 2025 (OBBA)

4.19.14.3 EITC Soft Notices

4.19.14.4 Program Description

4.19.14.5 RPS Casework Procedures

4.19.14.5.1 Revenue Protection Strategy (RPS) Examination Process

4.19.14.6 Evaluating EITC Taxpayer Responses

4.19.14.6.1 EITC Qualifying Child (QC)

-
- 4.19.14.6.2 EITC - No Qualifying Child
 - 4.19.14.6.3 EITC - Schedule C Responses
 - 4.19.14.6.3.1 Qualified Business Income Deduction (QBID) - Statutory Adjustment
 - 4.19.14.6.3.2 Schedule C Expenses with Refundable Credits
 - 4.19.14.6.4 EITC - Filing Status
 - 4.19.14.6.5 EITC - Dependents
 - 4.19.14.6.6 Closing Actions
 - 4.19.14.6.7 Prior Year Earned Income (PYEI)
 - 4.19.14.6.8 Problem Correction Reports
 - 4.19.14.7 Recertification
 - 4.19.14.7.1 2/10 Year Ban Guidelines for Correspondence Examination Technicians (CET)
 - 4.19.14.7.1.1 Project Codes 0697 and 0698 - EITC Claimed Under the 2/10 Year Ban
 - 4.19.14.7.1.2 Telephone Guidelines for Exam Employees
 - 4.19.14.7.1.3 Petitions to Tax Court
 - 4.19.14.7.1.4 Audit Reconsideration 2/10 Year Ban
 - 4.19.14.7.1.5 Project Codes 0027 and 0028 – EITC Recertification with a Proposed 2 Year EITC Ban
 - 4.19.14.7.1.6 Project Code 1516 – Additional Child Tax Credit Recertification (Non-ITIN)
 - 4.19.14.8 Dependent Database
 - 4.19.14.8.1 Schedule C Filters
 - 4.19.14.8.1.1 Schedule C Loss Filters
 - 4.19.14.8.1.2 Schedule C Expenses Filters
 - 4.19.14.8.2 Third Party Affidavit for Residency
 - 4.19.14.8.3 Premium Tax Credit (PTC)
 - 4.19.14.8.4 Non-EITC Filters
 - 4.19.14.8.5 Pick-ups
 - 4.19.14.9 Questionable Refund Program (QRP)
 - 4.19.14.9.1 QRP Referral Process
 - 4.19.14.9.1.1 Prisoner Returns
 - 4.19.14.9.1.2 General Agreement on Tariff and Trades (GATT)
 - 4.19.14.9.2 QRP Source Code and Project Codes
 - 4.19.14.9.3 QRP Examination Process
 - 4.19.14.9.3.1 Household Help Income
 - 4.19.14.9.4 QRP Replies and Closing Process
 - 4.19.14.9.4.1 QRP Case Information from EFDS - Workload Management System (WMS)
 - 4.19.14.9.5 QRP Negative Deficiency Procedures
 - 4.19.14.9.6 - Z Freeze Cases
 - 4.19.14.9.7 RRPLC Referrals/Open Exam
 - 4.19.14.10 Math/Clerical Error Program
 - 4.19.14.10.1 Math Error Referrals to Examination

- 4.19.14.10.2 EITC Math Error Processing
- 4.19.14.10.3 Non-EITC (Discretionary) Math Error Processing
- 4.19.14.10.4 RRC Math Errors
- 4.19.14.11 DDBCK/CAT A (Form 1040-X) EITC Claims
 - 4.19.14.11.1 Claims Processing in Examination Operations
- 4.19.14.12 Child Tax Credits
 - 4.19.14.12.1 Overview – CTC, ACTC, Refundable CTC and ODC
 - 4.19.14.12.2 Requirements for CTC/ACTC and Refundable CTC)
 - 4.19.14.12.2.1 Qualifying Child Age 17-23 or Disabled May be Eligible to be Claimed for ODC
 - 4.19.14.12.2.2 Qualifying Child Without Required SSN May be Eligible to be Claimed for ODC
 - 4.19.14.12.3 Requirements for ODC
 - 4.19.14.12.4 U.S. Resident Alien
 - 4.19.14.12.5 What is an ITIN?
 - 4.19.14.12.6 ITIN and ATIN Issuance Date
 - 4.19.14.12.7 ITIN and EITC
 - 4.19.14.12.8 Date of Attainment
 - 4.19.14.12.9 Requirements for CTC/ACTC for Tax Years Prior to 2018
 - 4.19.14.12.9.1 CTC/ACTC for 2017 and Prior-Year Returns and Claims for Refund Filed After December 18, 2015
 - 4.19.14.12.9.2 CTC/ACTC for Returns and Claims for Refund Filed Prior to December 19, 2015
- 4.19.14.13 Child and Dependent Care Credit (CDCC)
 - 4.19.14.13.1 Statutory Requirement - Married Filing Separate
- 4.19.14.14 Education Tax Credits
 - 4.19.14.14.1 American Opportunity Tax Credit and Lifetime Learning Credit
 - 4.19.14.14.2 Above the Line Deduction for Qualified Higher Education Expenses
- 4.19.14.15 Qualified Adoption Expenses
- 4.19.14.16 Recovery Rebate Credit (RRC)
 - 4.19.14.16.1 RRC Reporting Requirements
 - 4.19.14.16.2 RRC Exam Procedures
- 4.19.14.17 Self-Employed Sick and Family Leave Equivalent Credits (SFLC/SE)
 - 4.19.14.17.1 Self-Employed Sick and Family Leave Equivalent Credits (SFLC/SE) Reporting Requirements
 - 4.19.14.17.2 Tax Year 2020 SFLC Exam Procedures
 - 4.19.14.17.3 Tax Year 2021 SFLC Exam Procedures
- 4.19.14.18 Unallowable (UA) Code Program
 - 4.19.14.18.1 Unallowable Code Assignment and AIMS Opening
 - 4.19.14.18.2 Identifying Unallowable Inventory for Classification
 - 4.19.14.18.3 Reviewing and Classifying Unallowable Inventory

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- 4.19.14.18.4 Initial Taxpayer Contact
 - 4.19.14.18.5 Processing Reply/No Reply Unallowable Cases
 - 4.19.14.18.6 Transcripts
 - 4.19.14.18.6.1 Resolving the -Q freeze
 - 4.19.14.18.7 Unallowable Program and Clean Vehicle Credit
 - 4.19.14.18.8 Unallowable Program and First Time Homebuyer Credit (FTHBC)
 - 4.19.14.18.9 Unallowable Program and Health Coverage Tax Credit
 - 4.19.14.18.10 Unallowable Program and the District of Columbia First-Time Homebuyer Credit Carryforward
 - 4.19.14.19 Fuel Tax Credit Claimed on Form 4136
 - 4.19.14.19.1 Fuel Tax Credit Claimed on Form 4136 Selected by Dependent Database (DDB) Rules
 - 4.19.14.20 Premium Tax Credit Procedures - IRC 36B
 - 4.19.14.20.1 EITC and Premium Tax Credit Procedures
 - 4.19.14.20.2 Premium Tax Credit Eligibility
 - 4.19.14.20.3 Common Terms
 - 4.19.14.20.4 PTC Project Codes
 - 4.19.14.20.5 Case Selection
 - 4.19.14.20.6 Research and Initial Report Writing
 - 4.19.14.20.7 Creating the PTC Issue(s)
 - 4.19.14.20.8 Evaluating Responses
 - 4.19.14.20.9 Closing Procedures
 - 4.19.14.21 Pre and Post Refund DDB Selections Duplicate TIN (DUPTIN) Program
 - 4.19.14.21.1 DUPTIN Related Taxpayers
 - 4.19.14.21.1.1 Evaluating Related Taxpayer Replies
 - 4.19.14.21.2 Evaluating Replies for DUPTIN
 - 4.19.14.21.3 Processing of Duplicate TIN when E-filing
 - 4.19.14.22 Claim of Right - IRC 1341, Repayment of Income Previously Reported, Credit

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Exhibits

- 4.19.14-1 Examples of Acceptable Documentation for EITC Claims (not all-inclusive)

4.19.14.1
(01-01-2022)
Program Scope and Objectives

- (1) **Purpose:** This IRM provides guidance on the specific Refundable Credit programs in Campus Examination Operations.
- (2) **Audience:** This IRM is used by tax examiners conducting audits on Refundable Credits who work in Campus Examination for Taxpayer Services (TS) Refundable Credits Examination Operation (RCEO) and Small Business/Self-Employed (SB/SE) Campus Operations.
- (3) **Policy Owner:** The Director of Refundable Credits Program Management (RCPM) owns the policy information contained in this IRM.
- (4) **Program Owner:** The Director of RCPM is the executive responsible for the content.
- (5) **Primary Stakeholders:** Taxpayer Services (TS), Small Business Self-Employed (SB/SE).
- (6) **Contact Information:** To recommend changes or make suggestions for this IRM, send an e-mail to the IRM author or use the Servicewide Electronic Research Program (SERP) Feedback Application.

4.19.14.1.1
(01-03-2023)
Background

- (1) In 1997, Campus Examination Operations actively began working the Revenue Protection Strategy.
- (2) IRM 4.19.14, Liability Determination, Refundable Credits Strategy, contains information on examination procedures relative to refundable credits, including the Earned Income Tax Credit (EITC) and Non-EITC programs.
- (3) This IRM is used by Taxpayer Services (TS) and Small Business Self-Employed (SB/SE) Campus Examination to review and process taxpayers' correspondence received in response to examination notices. Other IRM sections will be referenced throughout this IRM to provide specific guidance for individual topics. Examination employees are responsible for researching and utilizing information contained in all reference materials. Legal citations, form and letter references, and IRM references are reviewed and updated as necessary.

4.19.14.1.2
(01-01-2024)
Authority

- (1) IRC 32: Earned Income Tax Credit
- (2) IRC 24: Child Tax Credit/Additional Child Tax Credit/ Credit for Other Dependents
- (3) IRC 25A: American Opportunity and Lifetime Learning Credits
- (4) IRC 23: Adoption Expenses
- (5) IRC 36B: Premium Tax Credit
- (6) IRC 21: Child and Dependent Care Credit
- (7) IRC 34: Certain Uses of Gasoline and Special Fuels
- (8) Various sections of the Protecting Americans from Tax Hikes Act of 2015 (PATH), Public Law 114-113. See IRM 4.19.14.2.2, Protecting Americans from Tax Hikes Act 2015 (PATH).

- (9) Policy Statement 1-236: Fairness and Integrity in Enforcement Selection. See IRM 1.2.1.2.36.
- (10) Disaster Tax Relief and Airport and Airway Extension Act 2017. See IRM 4.19.14.2.3, Disaster Tax Relief and Airport and Airway Extension Act 2017.
- (11) Tax Cuts and Jobs Act of 2017 (TCJA). See IRM 4.19.14.2.4, Tax Cuts and Jobs Act of 2017 (TCJA), for more information.
- (12) Families First Coronavirus Response Act (FFCRA). Authorized paid sick and family leave credits for eligible self-employed individuals. See IRM 4.19.14.2.5, Families First Coronavirus Response Act (FFCRA), for more information.
- (13) Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES ACT). This Act created IRC 6428, establishing the Recovery Rebate Credit for individuals for tax year 2020. See IRM 4.19.14.2.6, Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act), for more information.
- (14) The American Rescue Plan Act of 2021 (ARPA). See IRM 4.19.14.2.7, The American Rescue Plan Act of 2021 (ARPA), for more information.
- (15) Inflation Reduction Act of 2022. See IRM 4.19.14.2.8, Inflation Reduction Act of 2022.

4.19.14.1.3
(12-07-2017)

Roles and Responsibilities

- (1) Director, Taxpayer Services (TS), Return Integrity & Compliance Services (RICS).
- (2) Director, Small Business/Self-Employed (SB/SE) Campus Examination Operations.
- (3) Director, RICS, Refundable Credits Program Management.
- (4) Manager, Exam Policy and Coordination.
- (5) Headquarter Analysts in both TS and SB/SE provide campus guidance on workload selection and delivery-related issues.

4.19.14.1.4
(11-21-2025)

Program Controls

- (1) The Refundable Credit Examination audit inventory is primarily selected systematically using risk-based scoring criteria. Taxpayer Services' (TS) Refundable Credit Program Management (RCPM) headquarters staff has primary responsibility for developing and maintaining these criteria. They also have primary responsibility for developing the TS Examination work plan, which outlines the volumes and timeframes of audits initiated based on the available scored returns and resources. The work plan is meant to be used as a guide only and may be adjusted as warranted based on resource limitations and legislative changes. TS' Refundable Credits Examination Operations (RCEO) and SB/SE Campus Operations employees conduct audits.

4.19.14.1.5
(11-21-2025)

Terms and Acronyms

- (1) Acronyms used in Exam are listed below:

Acronym	Definition
ACA	Affordable Care Act
ACE	Automated Correspondence Examination

Acronym	Definition
ACTC	Additional Child Tax Credit
AGI	Adjusted Gross Income
AOTC	American Opportunity Tax Credit
APTC	Advanced payments of the Premium Tax Credit
AQC	Automated Questionable Credit
ARC	Aging Reason Code
ARPA	American Rescue Plan Act
ARRA	American Recovery and Reinvestment Act
ASED	Assessment Statute Expiration Date
AIMS	Audit Information Management System (IDRS)
AM	Accounts Management
CARES	Coronavirus Aid, Relief, and Economic Security Act of 2020
CC	Closing Code
CDCC	Child and Dependent Care Credit
CEAS	Correspondence Examination Automation Support
CI	Criminal Investigation
CII	Correspondence Imaging Inventory
CP	Computer Paragraph (notice)
CTC	Child Tax Credit
DAE	Discretionary Automated Examination
DDB	Dependent Database
DEBR	Discretionary Exam Business Rules
DUPTIN	Duplicate TIN
EC	Error Code
EFDS	Electronic Fraud Detection System
EITC	Earned Income Tax Credit
EIP	Economic Impact Payment
FCR	Federal Case Registry
FFCRA	Families First Coronavirus Response Act
FPL	Federal Poverty Level
FTC	Fuel Tax Credit
FY	Filing Year

Acronym	Definition
IAT	Integrated Automation Technologies
ICL	Initial Contact Letter
IMF	Individual Master File
IRA	Inflation Reduction Act
MAGI	Modified Adjusted Gross Income
OBBB	One Big Beautiful Bill Act of 2025
ODC	Credit for Other Dependents
PTC	Premium Tax Credit
QRP	Questionable Refund Program
QBI	Qualified Business Income
QBID	Qualified Business Income Deduction
REIT	Real Estate Investment Trust
RGS	Report Generation Software
RICS	Return Integrity & Compliance Services
RIVO	Return Integrity Verification Operation
RRC	Recovery Rebate Credit
RRPLC	Return Review Program Legacy Component
SFLC	Sick and Family Leave Credit
SLCSP	Second Lowest Cost Silver Plan
SNOD	Statutory Notice of Deficiency
SRP	Shared Responsibility Payment
SSN	Social Security Number
TCJA	Tax Cuts and Jobs Act of 2017
TIN	Taxpayer Identifying Number
TS	Taxpayer Services
TY	Tax Year

(2) A listing of acronyms can also be found on the *Acronyms Database*.

4.19.14.1.6
(01-01-2024)

Related Resources

(1) IRM sections containing helpful information on refundable credits programs:

- IRM 4.19.10, Campus Examination Fraud
- IRM 4.19.11, Examination Classification of Work
- IRM 4.19.12, Classification Support
- IRM 4.19.13, General Case Development and Resolution
- IRM 4.19.14, Refundable Credits Strategy
- IRM 4.19.15, Discretionary Programs

- IRM 4.19.16, Claims
- IRM 4.19.15.45, Non-Filer Program
- IRM 4.19.19, Campus Examination Telephone Contacts
- IRM 4.19.20, Automated Correspondence Examination (ACE) Processing Overview
- IRM 4.19.21, Clerical
- IRM 21.6, Individual Tax Returns
- IRM 25.23.10, Compliance Identity Theft Case Processing

4.19.14.1.7
(01-03-2023)
Taxpayer Bill of Rights (TBOR)

- (1) The Taxpayer Bill of Rights (TBOR) lists rights already existing in the tax code, explaining them in plain language and grouping them into ten fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. For additional information about TBOR, see IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights, Pub 5170, Taxpayer Bill of Rights (Brochure), and on the *Taxpayer Advocate* website.

4.19.14.2
(12-07-2018)
Tax Law Changes

- (1) This subsection is an overview on tax law changes related to refundable and non-refundable credits. It is not all inclusive.

4.19.14.2.1
(11-21-2025)
The Patient Protection and Affordable Care Act (ACA)

- (1) The Patient Protection and Affordable Care Act of 2010 (known by the short title Affordable Care Act (ACA) increased the adoption expense credit for adoption assistance programs and made the credit fully refundable in the year it was claimed. For TY 2012 through TY 2024, the Adoption Credit became a nonrefundable credit. The One Big Beautiful Bill Act of 2025 (OBBA) made the Adoption Credit partially refundable, effective TY 2025. See IRM 4.19.15.5 , Adoption Credit and Qualified Adoption Expenses (QAE), for additional information on Adoption Credit procedures.
- (2) The Patient Protection and Affordable Care Act (ACA) provides low to moderate income Americans with the ability to obtain the Premium Tax Credit (PTC) to pay for health insurance purchased on federal or state health care marketplaces. The IRS helps administer this program by providing tax and family size information to the marketplaces to estimate the amount of allowable PTC, and by requiring taxpayers to calculate and claim the correct amount of PTC on their annual tax return.
- (3) The Advance Premium Tax Credit (APTC) is an amount paid to an insurer on behalf of the taxpayer to assist in paying part or all of the premiums for health insurance coverage obtained through the Marketplace. Eligibility for APTC is determined by the Marketplace and is based on the taxpayer's estimate of their yearly earnings at the time of enrollment. Taxpayers can receive the PTC in two ways:
- The PTC can be received as a refundable credit claimed on the tax return.
 - The PTC can be paid as an advance to the insurer to lower the taxpayer's monthly out-of-pocket costs, based on data available to the Marketplace.
- (4) Regardless of the method chosen to receive the credit, individuals must file a tax return to reconcile the credit. Any individuals who receive the benefit of advance payments of PTC to their insurer must also correctly report this

amount on their return. The allowable PTC will be recalculated based on information reported on the tax return and Form 8962, Premium Tax Credit (PTC). If the actual allowable PTC is more than APTC, the difference is refunded to the taxpayer. Some taxpayers may have to repay some or all of the advance payment of PTC. The American Rescue Plan Act of 2021 (ARPA) suspends the requirement to repay excess APTC for tax year 2020. See IRM 4.19.14.20, Premium Tax Credit - IRC 36B, for additional information on PTC procedures.

4.19.14.2.2
(01-03-2023)

**Protecting Americans
from Tax Hikes Act 2015
(PATH)**

- (1) This subsection covers the various tax law changes impacting refundable credits:

PATH Section	Title and Explanation
101	Enhanced Child Tax Credit is made permanent. <ul style="list-style-type: none"> The reduced earned income threshold for Additional Child Tax Credit is made permanent at \$3,000.
102	Enhanced American Opportunity Tax Credit is made permanent. <ul style="list-style-type: none"> The American Opportunity Tax Credit, which is a modification to the Hope Credit, is made permanent.
103	Enhanced Earned Income Tax Credit is made permanent. <ul style="list-style-type: none"> The higher credit rate when there are 3 or more qualifying children is made permanent. The higher phase-out thresholds for married couples filing joint returns is made permanent.
201	Modification of filing dates of returns and statements relating to employee wage information and non-employee compensation to improve compliance. <ul style="list-style-type: none"> Certain information returns must be filed by January 31 and are no longer eligible for the extended filing date for electronically filed returns under IRC 6071(b). No credit or refund for an overpayment for a taxable year shall be made to a taxpayer before the 15th day of the second month following the close of the taxable year (generally February 15th), if the taxpayer claimed the EITC or ACTC on the tax return.

PATH Section	Title and Explanation
204	Prevention of retroactive claims of Earned Income Credit after issuance of social security number. <ul style="list-style-type: none"> Limits an individual from retroactively claiming the EITC by amending a return (or filing a late original return) without a valid SSN. A valid SSN must be issued to the primary, secondary and qualifying dependents on or before the due date of the return, including extension.
205	Prevention of retroactive claims of Child Tax Credit. <ul style="list-style-type: none"> Limits an individual from retroactively claiming the CTC by amending a return (or filing a late original return) without a valid SSN. A valid TIN (SSN, ITIN, ATIN) must be issued to the primary, secondary and qualifying dependents on or before the due date of the return, including extension.
206	Prevention of retroactive claims of American Opportunity Tax Credit. <ul style="list-style-type: none"> Limits an individual from retroactively claiming the AOTC by amending a return (or filing a late original return) without a valid SSN. A valid TIN (SSN, ITIN, ATIN) must be issued to the primary, secondary and qualifying dependents on or before the due date of the return, including extension.
207	Procedures to reduce improper claims. <ul style="list-style-type: none"> Expands the EITC paid-preparer due diligence requirements, and the associated \$500 penalty for failure to comply, to the CTC/ACTC and AOTC. Requires the IRS to study the effectiveness of the tax preparer due diligence requirements for EITC, CTC/ACTC and AOTC and whether requirements should apply to other methods of tax filing, such as filing online or by paper.

PATH Section	Title and Explanation
208	<p>Restrictions on taxpayers who improperly claimed credits in prior year</p> <ul style="list-style-type: none"> Expands disallowance rules already existing for EITC to CTC/ACTC and AOTC. This includes a 2-year ban for reckless or intentional disregard of the rules, and a 10-year ban for a claim due to fraud. Also, recertification requirements apply to these credits. Grants math error authority for EITC claimed during ban periods. Grants math error authority if taxpayer claims CTC/ACTC and AOTC during recertification and ban periods.
209	<p>Treatment of credits for purposes of certain penalties</p> <ul style="list-style-type: none"> Amends the definition of underpayment used to determine the 20 percent accuracy-related and 75 percent fraud penalties by incorporating in the definition the rule that in determining the tax imposed and the amount of tax shown on the return, the excess of the refundable credits over the tax is taken into account as a negative amount of tax. If a taxpayer files an income tax return erroneously claiming refundable credits in excess of tax, there is an underpayment on which a penalty may be imposed, reversing the Tax Court decision in <i>Rand v. Commissioner</i>. Repeals the earned income credit to the 20 percent erroneous claims penalty and changes the standard for penalty relief from reasonable basis to reasonable cause.

4.19.14.2.3
(12-07-2018)
**Disaster Tax Relief and
Airport and Airway
Extension Act 2017**

- (1) Qualified individuals whose earned income in 2017 is less than the earned income in 2016 may elect to use their 2016 earned income when figuring EITC. The taxpayer must have lived in the designated disaster area when the disaster occurred. See IRM 21.6.3.4.2.7.4(6), Earned Income Tax Credit (EITC) - Earned Income.

4.19.14.2.4
(12-07-2018)
**Tax Cuts and Jobs Act
of 2017 (TCJA)**

- (1) This subsection contains provisions of the tax reform legislation related to correspondence examination. It applies to the tax years beginning after December 31, 2017, and before January 1, 2026.

4.19.14.2.4.1
(12-11-2019)
Personal Exemption

- (1) A taxpayer was generally allowed:

- one exemption for themselves (unless the taxpayer could be claimed as a dependent by another taxpayer)
- one exemption for their spouse if they filed a joint return
- one personal exemption for each of their dependents

Note: For tax years 2018 through 2025, personal exemptions have been suspended. Taxpayers cannot claim a personal exemption for themselves, their spouse, or their dependents.

4.19.14.2.4.2
(01-03-2023)
Child Tax Credit

- (1) For tax years 2018 through 2020 and 2022 through 2025:
- The credit is \$2,000 per qualifying child, and \$1,500 (beginning with tax year 2022) is refundable as Additional Child Tax Credit (ACTC). For tax years 2018 through 2020, the refundable ACTC amount was \$1,400. See IRM 4.19.14.2.7.2, Child Tax Credit (CTC), for tax year 2021 ARPA modifications.
 - Each qualifying child must have a valid for employment Social Security number that was issued before the due date of the tax return including extensions.
 - The child must also be a United States citizen or resident alien.
 - The child must be under age 17 at the end of the calendar year.

4.19.14.2.4.3
(12-16-2020)
Credit for Other Dependents

- (1) For tax years 2018 through 2025, the TCJA provided the Credit for Other Dependents (ODC) to taxpayers who have dependents who do not qualify the taxpayer for the CTC or the Additional Child Tax Credit (ACTC) either due to age or other limitations.
- The credit is \$500 and is non-refundable.
 - The person must be a dependent of the taxpayer.
 - The credit is available when the dependent has an Individual Taxpayer Identification Number (ITIN), Social Security Number (SSN), or Adopted Taxpayer Identification Number (ATIN) issued by the due date of the tax return including extensions.

4.19.14.2.4.4
(11-21-2025)
Qualified Business Income Deduction (QBID)

- (1) The Tax Cuts and Job Act (TCJA), enacted on December 22, 2017, created IRC 199A, Qualified Business Income Deduction (QBID). The QBID applies to tax years beginning after December 31, 2017, and was made permanent by the One Big Beautiful Act (Pub. L. 119-21). IRC 199A allows individuals and certain estates and trusts to deduct up to 20 percent of Qualified Business Income (QBI) from a qualified trade or business operated as a sole proprietorship or through a partnership, S corporation, trust, or estate. QBI includes income from a qualified domestic trade or business. Amounts received as wages, capital gain, interest, and dividend income that are not considered QBI are excluded from the calculation.
- (2) The QBID is a deduction of up to 20 percent of an eligible taxpayer's net income from qualified trades and businesses plus 20 percent of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income.
- (3) See IRM 21.6.7.4.18, Qualified Business Income Deduction (QBID), or IRM 21.7.7.6.3.8, Section 199(A) - Qualified Business Income Deduction (QBID), for additional information on the QBID.

4.19.14.2.5
(11-21-2025)
**Families First
Coronavirus Response
Act (FFCRA)**

- (1) The Families First Coronavirus Response Act (FFCRA), enacted March 18, 2020, and amended by the COVID-Related Tax Relief Act of 2020, enacted December 27, 2020, authorized paid sick and family leave. Sections 7002 and 7004 of the FFCRA are the Self-Employed Sick and Family Leave Credit (SFLC/SE) provisions. These sections allow refundable sick and family leave equivalent credits for an eligible self-employed individual based on the individual's average daily self-employment income (an amount equal to the net earnings from self-employment for the taxable year or prior taxable year divided by 260, up to the statutorily defined limit) and the number of days during the taxable year that an individual is unable to perform services as a self-employed individual due to certain reasons related to COVID-19, up to the statutorily defined limit. The applicable dates for FFCRA, as amended, are April 1, 2020, through March 31, 2021. The credits provided by the FFCRA are separate and distinct from those provided by the American Rescue Plan Act (ARPA). Among other differences, ARPA made changes with respect to paid leave definitions, credit amounts, and credit limits.
- (2) An eligible self-employed individual is defined as an individual who regularly carries on any trade or business within the meaning of section 1402 of the Internal Revenue Code, and would be eligible to receive qualified sick leave wages or qualified family leave wages under the Emergency Paid Sick Leave Act (EPSLA) or Emergency Family and Medical Leave Expansion Act (Expanded FMLA) if the individual were an employee of an Eligible Employer (other than themselves/the self-employed individual) that is subject to the requirements of the EPSLA or Expanded FMLA. Eligible self-employed individuals are allowed an income tax credit to offset their federal self-employment tax for any taxable year equal to their "qualified sick leave equivalent amount" or "qualified family leave equivalent amount."
- (3) An individual regularly carries on a trade or business for the purpose of being an eligible self-employed individual for the qualified sick leave equivalent credit and/or the qualified family leave equivalent credit if they carry on a trade or business within the meaning of Internal Revenue Code (IRC) 1402, or is a partner in a partnership carrying on a trade or business within the meaning of IRC 1402. IRC 1402(c) defines trade or business and includes exceptions to this standard for purposes of IRC 1402.
- (4) A self-employed individual may receive both qualified sick and family leave equivalents and qualified sick and family leave wages. If a self-employed individual is entitled to a refundable credit for the qualified sick or family leave equivalent amounts and also receives the qualified sick or family leave wages as an employee, the equivalent amounts are reduced (but not below zero) to the extent that the sum of the equivalents and wages do not exceed a certain amount described in the FFCRA. The employer, not the employee who is also a self-employed individual, receives a credit for those qualified leave wages.

Note: The COVID-Related Tax Relief Act, enacted December 27, 2020, extended the time period for which SFLC/SE leave could be taken through March 31, 2021. Section 287 of the COVID-Related Tax Relief Act allows self-employed individuals to elect to use prior year net earnings from self-employment to determine their average daily self-employment income by indicating this election when filing their 2020 or 2021 Form 1040.

Note: The American Rescue Plan Act of 2021 sections 9642 and 9643 authorized sick and family leave equivalent credits similar to those provided in the FFCRA for leave taken beginning April 1, 2021, through September 30, 2021.

4.19.14.2.6
(11-21-2025)

**Coronavirus Aid, Relief,
and Economic Security
Act of 2020 (CARES Act)**

- (1) The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted March 27, 2020. The CARES Act created IRC 6428, entitled 2020 Recovery Rebates for Individuals. The Recovery Rebate Credit (RRC) is a refundable credit allowed against tax for tax year 2020. The RRC can be advanced to taxpayers during 2020. The advance payment of the RRC is referred to as an Economic Impact Payment (EIP).
- (2) The IRS began issuing the first Economic Impact Payments on April 10, 2020. Qualifying individuals are eligible for a payment amount of up to \$1,200 (\$2,400 for Married filing joint). There is an additional payment of up to \$500 for each qualifying child. The EIP is subject to Adjusted Gross Income (AGI) limitations.
- (3) Individuals' eligibility for the EIP was based on a posted tax year 2019 return (including through the Non-Filers Tool) or 2018 return, if 2019 was not filed. For taxpayers who had not filed a 2019 or 2018 return, eligibility was based on:
 - Form SSA -1099 or Form RRB -1099 data on file for tax year 2019
 - Data received for individuals receiving Supplemental Security Income (SSI) and benefits from the Department of Veteran's Affairs (VA)
- (4) IRC 6428 requires written notification to taxpayers not later than 15 days after payment issuance. Notice 1444, Economic Impact Payment 2020, was created to inform taxpayers about the CARES Act and the amount of payment they received or should have received.
- (5) The IRS began issuing the second Economic Impact Payments in December 2020. Qualifying individuals are eligible for a payment of up to \$600 (\$1,200 for Married filing joint). There is an additional payment of up to \$600 for each qualifying child. The second EIP is also subject to AGI limitations.
- (6) Individuals' eligibility for the second EIP was based on a posted tax year 2019 return (including returns filed through the Non-Filers tool on irs.gov by November 21, 2020). For taxpayers who had not filed a 2019 return, eligibility was based on:
 - Form SSA -1099 or Form RRB - 1099 data on file for tax year 2019
 - Data received for individuals receiving Supplemental Security Income (SSI) and benefits from the Department of Veteran's Affairs (VA)
- (7) Notice 1444-B, Your Second Economic Impact Payment, informs taxpayers about the amount of the second EIP they were issued.
- (8) The first and second Economic Impact Payments are posted to the taxpayer's 2020 module.
- (9) Taxpayers can claim the Recovery Rebate Credit on their tax year 2020 return. If taxpayers received less Economic Impact Payments than they were entitled, the remaining credit will be allowed on the tax year 2020 return.

- (10) For more specific EIP and RRC information regarding eligibility, tax module indications, and refund inquiries, refer to IRM 21.6.3.4.2.13, Economic Impact Payments (EIP), and IRM 21.6.3.4.2.14, Recovery Rebate Credit (RRC). Refer to IRM 4.19.14.16, Recovery Rebate Credit (RRC), for eligibility requirements and Exam procedures.

4.19.14.2.7
(06-16-2022)

**The American Rescue
Plan Act of 2021 (ARPA)**

- (1) The American Rescue Plan Act (ARPA) was enacted on March 11, 2021.
- (2) This subsection contains provisions of COVID-19 recovery legislation related to correspondence examination. It applies to tax year 2021 which begins after December 31, 2020, and before January 1, 2022.
- (3) Title IX, Subtitle G specifically outlines changes to refundable credits.
- (4) Unemployment Compensation Exclusion (UCE) - The ARPA allows the taxpayer to exclude \$10,200 (if MFJ - \$10,200 per spouse is allowed) of unemployment compensation from income for tax year 2020. For taxpayers who filed their TY 2020 returns, and included Unemployment Compensation, accounts were corrected systemically through internal recovery efforts.

Note: Cases with a -L freeze were not systemically corrected. Cases with a -L freeze were referred to TS Campus Examination to adjust the UCE as part of the examination.

4.19.14.2.7.1
(11-21-2025)

**Recovery Rebate Credit
(RRC)**

- (1) Section 9601 of the ARPA authorized a 2021 Recovery Rebate Credit allowed against tax for tax year 2021. The 2021 RRC was advanced to taxpayers during 2021. Advanced payments of the RRC are referred to as the third Economic Impact Payment or EIP3. Refer to IRM 4.19.14.16, Recovery Rebate Credit (RRC), for eligibility requirements and Exam procedures.
- (2) For more specific EIP and RRC information regarding eligibility, tax module indications, and refund inquiries, refer to IRM 21.6.3.4.2.13, Economic Impact Payments (EIP), and IRM 21.6.3.4.2.14, Recovery Rebate Credit (RRC). Refer to IRM 4.19.14.16, Recovery Rebate Credit (RRC), for eligibility requirements and Exam procedures.

4.19.14.2.7.2
(01-01-2022)

Child Tax Credit (CTC)

- (1) For tax year 2021 only, Section 9611 of the ARPA modified provisions of the CTC:
- The CTC is fully refundable if the taxpayer (or spouse if Married Filing Jointly (MFJ)) had a main home in the United States for more than six months of the year, or the taxpayer was a bona fide resident of Puerto Rico for the year.

Note: For information relating to the refundable CTC available to bona fide residents of Puerto Rico, see IRM 4.19.14.12.1(3)(a).

- The credit was \$3,000 per qualifying child age 6 through age 17 at the end of 2021 and \$3,600 per qualifying child age 5 and under at the end of 2021.
- Modified Adjusted Gross Income (MAGI) limits:
 - a. The 2021 credit amount that exceeds \$2,000 per child is reduced by \$50 for each \$1,000 (or fraction thereof) (5%) if the modified adjusted gross

income (MAGI) exceeds \$150,000 if MFJ/Qualifying Widower (QW) \$112,500 if Head of Household (HOH); \$75,000 if Single/Married Filing Separate (MFS).

Example: A MFJ filer, three children ages 1, 3, and 7, with a MAGI of \$250,000.

- ☐ The tentative CTC is $\$3,600 + \$3,600 + \$3,000 = \$10,200$
- ☐ Increased credit is $\$1,600 + \$1,600 + \$1,000 = \$4,200$
- ☐ $\$250,000 - \$150,000$ first income threshold = $\$100,000$
- ☐ $\$100,000 \times 5$ percent phaseout (\$50 for each \$1,000) = $\$5,000$
- ☐ $\$4,200$ (increased amount) is reduced to $\$0$ by $\$5,000$ adjustment
- ☐ Allowed CTC is $\$6,000$ (\$2,000 per child)

- b. Once the 2021 credit amount is reduced under the first phaseout, the remaining credit amount phases out at the TCJA levels (\$400,000 if MFJ and \$200,000 for all other filers).

Example: A MFJ filer, three children ages 1, 3, and 7, with a MAGI of \$450,000.

- ☐ The tentative CTC is $\$3,600 + \$3,600 + \$3,000 = \$10,200$

First reduction:

- ☐ Increased credit is $\$1,600 + \$1,600 + \$1,000 = \$4,200$
- ☐ $\$450,000 - \$150,000$ first income threshold = $\$300,000$
- ☐ $\$300,000 \times 5$ percent phaseout (\$50 for each \$1,000) = $\$15,000$
- ☐ $\$4,200$ (increased amount) is reduced to $\$0$ by $\$15,000$ adjustment
- ☐ Allowed CTC is $\$6,000$ (\$2,000 per child)

Second reduction:

- ☐ $\$450,000 - \$400,000$ second income threshold = $\$50,000$
- ☐ $\$50,000 \times 5$ percent phaseout (\$50 for each \$1,000) = $\$2,500$
- ☐ $\$6,000 - \$2,500 = \$3,500$

- Advance CTC payments:
 - a. Periodic advance CTC payments may be made to taxpayers and are equal to 50% of the estimated 2021 CTC using information from the taxpayer's 2020 return (or 2019 if 2020 was not filed).
 - b. Advance payments are not subject to reduction or offset.
 - c. Schedule 8812, Credits for Qualifying Children and Other Dependents, is required to reconcile the advance CTC payments and to claim the CTC.
 - d. If advance CTC payments were more than the CTC allowed on the taxpayer's return, they will generally have to pay back the excess advance CTC in Part III of Schedule 8812.
 - e. However, Part III provides repayment protection (a safe harbor) to taxpayers whose advance CTC payments took into account more qualifying children than they claimed on their income tax return. If their MAGI is below \$60,000 if MFJ/QW; \$50,000 if HOH; \$40,000 if S/MFS, these taxpayers will be protected from repaying \$2,000 multiplied by the difference in the number of children.

- f. The repayment protection amount is reduced if the taxpayer's MAGI exceeds \$60,000 if MFJ; \$50,000 if HOH; \$40,000 if S/MFS. The safe harbor amount is reduced to \$0 as the taxpayer's MAGI rises to double the threshold amount.

4.19.14.2.7.3
(01-01-2022)
**Earned Income Credit
(EITC)**

- (1) Sections 9621-9626 of the ARPA modified provisions for Earned Income Tax Credit. It should be noted, the provisions in Sections 9621 and 9626 are for tax year 2021 only. Sections 9622-9625 continue to apply to tax years after 2021. The provisions include:
- (2) Section 9621 (2021 only): Increased the amount of the EITC for individuals with no qualifying children.
 - Reduced the minimum age from 25 to 19, with special eligibility rules for qualifying homeless youth and qualified former foster youth (age 18) and specified students (age 24).
 - Eliminated the maximum age (previously age 65).
 - Increased credit and phaseout percentages.
- (3) Section 9622: Eliminated the restriction on eligibility for the credit of taxpayers with children who would be qualifying children except that they do not meet the SSN requirement.
- (4) Section 9623: Credit allowed in case of certain separated spouses.
 - A married taxpayer who doesn't file a joint return (may file MFS or HOH, if they qualify) is eligible for EITC if they lived with a qualifying child for more than one-half of the tax year and either (1) did not live in the same household as their spouse for the last six months of the year or (2) were legally separated according to state law under written separation agreement or decree of separate maintenance and did not live in the same household as their spouse at the end of the year.
- (5) Section 9624: Modified disqualified investment income test.
 - Investment income threshold increased from \$2,200 to \$10,000 (to be adjusted for inflation in future years).
- (6) Section 9625: Application of the EITC in possessions of the United States.
 - Created new IRC 7530 with rules for EITC in U.S. territories.
- (7) Section 9626 (2021 only): Temporary special rule for determining earned income for the purposes of EITC.
 - For tax year 2021, allows any taxpayer whose 2021 earned income is less than their 2019 earned income (including taxpayers who had no earned income for 2021), to elect to use their 2019 earned income in determining the amount of their EITC.
 - The election to use the 2019 earned income can be made at the time of filing an original or amended return.
 - The taxpayer can make the election to use their 2019 earned income during an audit of their tax return.

Note: For tax year 2020, Section 211 of the Consolidated Appropriations Act of 2021, enacted on December 27, 2020, allows any taxpayer whose 2020 earned income is less than their 2019

earned income (including those who had no earned income for 2020), to elect to use their 2019 earned income in determining the EITC and/or Additional Child Tax Credit (ACTC).

4.19.14.2.7.4

(01-01-2022)

Child and Dependent Care Credit (CDCC)

- (1) Section 9631 of the ARPA, Child and Dependent Care Credit (CDCC), has the following modifications for tax year 2021 only:
 - The CDCC is fully refundable for tax year 2021 only. To qualify, the taxpayer's principal place of abode for more than one-half of the taxable year must be in the U.S. For MFJ taxpayers, at least one spouse must have a principal place of abode in the U.S. for more than one-half of the taxable year.
 - Eligible expenses for child and dependent care increased to \$8,000 for one qualifying individual and \$16,000 for two or more qualifying individuals.
 - The maximum credit increased to 50 percent of eligible expenses, such that the maximum credits are \$4,000 for one qualifying individual and \$8,000 for two qualifying individuals.
 - Two-part phaseout of the credit:
 - i. Percentage of eligible expenses begins phasing out at \$125,000 AGI until it is reduced to 20 percent.
 - ii. Percentage of eligible expenses begins phasing out again at \$400,000 AGI until it is reduced to zero.
 - AGI greater than \$438,000 is not eligible for the credit.
- (2) Section 9632 increased the exclusion for employer-provided dependent care assistance to \$10,500 for all filing statuses other than MFS and \$5,250 in case of an MFS return for tax year 2021 only.

4.19.14.2.7.5

(11-21-2025)

Self-Employed Sick and Family Leave Equivalent Credits (SFLC/SE) and Household Employer Credits for Sick and Family Leave Wages (SFLC/HE)

- (1) The American Rescue Plan Act of 2021, enacted March 11, 2021, authorized paid sick and family leave, including the SFLC/SE and the SFLC/HE, for the period April 1, 2021, through September 30, 2021. The provisions of the SFLC/SE are in sections 9642 and 9643 of ARPA (uncodified). These sections allow refundable sick and family leave equivalent credits based on the individual's average daily self-employment income (an amount equal to the net earnings from self-employment for the taxable year or prior taxable year divided by 260, up to the statutorily defined limit), and the number of days during the taxable year that an individual is unable to perform services as a self-employed individual due to certain reasons related to COVID-19, up to the statutorily defined limit. Self-employed individuals may elect to use prior year net earnings from self-employment to determine their average daily self-employment income by indicating this election when filing their 2021 Form 1040. The credits provided by ARPA are separate and distinct from those provided by the FFCRA. Among other differences, ARPA made changes with respect to paid leave definitions, credit amounts, and credit limits.
- (2) ARPA codified the provisions for the SFLC/HE in sections 3131 and 3132 of the Internal Revenue Code. These sections allow refundable credits based on qualified sick and family leave wages paid by household employers.

4.19.14.2.7.6
(01-03-2023)

**Premium Tax Credit
(PTC)**

- (1) There are three provisions of the American Rescue Plan Act of 2021 that temporarily modify Premium Tax Credit (PTC) eligibility.
 - Section 9661: For tax years 2021 and 2022, eliminates the requirement that household income not exceed 400 percent of the federal poverty line for the taxpayer's family size in order for the taxpayer to be eligible for the PTC. The tables for determining the taxpayer's contribution to their health care coverage are also modified, increasing the amount of the credit.
 - Section 9662: For tax year 2020 only, eliminated the requirement to repay excess Advanced Premium Tax Credit (APTC).
 - Section 9663: For tax year 2021 only, allowed the maximum credit available to any taxpayer who received or was approved to receive unemployment compensation during the tax year, regardless of their household income.

4.19.14.2.8
(01-01-2024)

**Inflation Reduction Act
of 2022**

- (1) The Inflation Reduction Act of 2022 extended the Premium Tax Credit modifications made by Section 9661 through 2025. See IRM 4.19.14.2.7.6, Premium Tax Credit (PTC).

4.19.14.2.9
(11-21-2025)

**One Big Beautiful Bill
Act of 2025 (OBBB)**

- (1) The One Big Beautiful Bill Act of 2025 (OBBB) permanently extends certain changes originally enacted by the TCJA and enacts new tax laws effective beginning after December 31, 2024. The following are changes for tax years beginning after December 31, 2024, through 2026.
- (2) Permanently eliminated the deduction for personal exemptions. Section 70103 of the OBBB amended IRC 151 and is effective for tax years beginning after 2017.

Note: The OBBB allows for a temporary senior deduction for taxable years beginning before January 1, 2029, if the taxpayer is age 65 before the end of the taxable year.

- (3) Permanently increased the Child Tax Credit (CTC) amount and enhanced Social Security number requirements.
 - The credit is permanently increased to \$2,200 per qualifying child and indexed annually for inflation. The refundable portion of the credit and higher phaseout amounts (\$400,000 for joint filers, \$200,000 for all others) were made permanent.
 - In addition to the qualifying child, the taxpayer must have a valid for work Social Security number (or, in the case of a joint return, a valid for work Social Security number for at least one spouse), that was issued before the due date of the return, including extensions.
 - In addition to the child, the taxpayer must be a United States citizen or resident alien.

Note: The Credit for Other Dependents (ODC) was made permanent based on the extension of the CTC

- (4) Qualified Business Income Deduction (QBID)
 - Made the QBID permanent.
 - Modified the phase-in and SSTB income exception ranges from \$50,000 to \$75,000, and \$100,000 to \$150,000 in the case of joint return.

- Excludes from QBI any amount to which a deduction is allowable under section 224(a) as a qualified tip, effective for taxable years beginning after December 31, 2024.
- Provides a new \$400 minimum deduction (adjusted for inflation annually) for active qualified business income for taxpayers with at least \$1,000 of QBI (adjusted for inflation annually) which materially participate, within the meaning of section 469(h), in a qualified trade or business.

Note: Provision is effective for taxable years beginning after December 31, 2025.

(5) Enhanced the Adoption Credit

- A portion of the adoption credit is refundable up to \$5,000. The refundable portion of the credit cannot be carried forward.
- For tax year 2025, the adoption credit increased to \$17,280 per child with special needs. The maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$17,280. The non-refundable portion of the credit, less the refundable portion, can be carried forward for up to five years.
- Beginning with tax year 2025, Indian tribal governments have the same ability as state governments to determine whether a child has special needs for the purpose of the adoption credit.
- For tax year 2025, the credit begins to phase-out with a modified adjusted gross income (MAGI) above \$259,190 and is eliminated with MAGI above \$299,190.

Note: Beginning with tax year 2026, the credit will automatically be indexed for inflation.

4.19.14.3
(12-07-2018)
EITC Soft Notices

- (1) See IRM 21.5.10.4.2, Exam Soft Notices CP 87A, CP87B, CP 87C, and CP 87D.

4.19.14.4
(11-21-2025)
Program Description

- (1) The following tables list program descriptions:

Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0000	03	Letter 6520	Unallowable: Items for potential audit identified during return processing. Exam Issues: See IRM 4.19.14.18 , Unallowable (UA) Code Program.
0000	02	Letter 6520	Audit Code: Items for potential audit identified during return processing. Exam Issues: See IRM 4.19.14.18 , Unallowable (UA) Code Program.

Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
000	20	Letter 6520	Unallowable/Audit Code: Items for potential audit identified during return processing. Exam Issues: Issues expanded beyond UA issue. See IRM 4.19.14.18 , Unallowable (UA) Code Program.
0026	30	566-D	EITC, Schedule C Amended Return: Systemic selection by DDBCK for an amended return with a Schedule C filter break and DDB rule break. EITC full scope and Schedule C Net Profit.
0027	06	CP 75/CP 75A	EITC Recertification with Proposed 2-Year Ban: Taxpayer has a Recertification Indicator and broke DDB rule(s). Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction) The 2-year ban is proposed systemically on the Exam report.
0028	06	CP 75/CP 75A	EITC Recertification Schedule C with Proposed 2-Year Ban: Taxpayer has a Recertification Indicator, and broke DDB rule(s) and Schedule C filter(s). The 2-year ban is proposed systemically on exam report. Exam Issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction)
0029	06	CP 75/CP 75A	DDB Pre-Refund Pick-up: Case selected because prior year PC 0621 case open for examination. Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction)
0044	06	566-S	Non-EITC Erroneous Refund: Erroneous refund issue does not contain EITC. Exam Issues: Issues other than EITC. See IRM 4.19.15.17, Erroneous Refunds.
0045	06	566-S	EITC Erroneous Refund: Erroneous Refund issue must include EITC. Exam Issues: Must contain EITC and any other identified issue(s). See IRM 4.19.15.17, Erroneous Refunds.

Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0054	30	566-D	1040-X - Current year: The taxpayer claimed EITC on both the original and the amended return. Exam issues may originate from either return. Exam Issues: Full scope: EITC and dependents; If applicable, filing status, AOTC, and Schedule C; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction)
0058	06	566-S	Related Pick-up for EITC DUPTIN: Related cross reference for EITC DUPTIN PC 0652. Exam Issues: Full scope: EITC and dependents; If applicable, filing status, AOTC and Schedule C; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction)
0061	06	CP 75/CP 75A	Subsequent Year Pick-up for EITC DDB: Pre-refund DDB selected because prior year return is still open in PC 0261 and other project codes without a corresponding pick-up code. Exam Issues: Full scope: EITC and dependents; If applicable, filing status, AOTC and Schedule C; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction)
0099	08	CP 75/CP 75A	EITC/FTHBC: Taxpayer broke the EITC and FTHBC rules. Exam Issues: FTHBC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction)
0125	06	566-B	Non-EITC Math Error: Unsubstantiated math error protest for which the original adjustment did not include EITC. Exam Issues: Issues other than EITC. See IRM 4.19.14.10.3, Non-EITC (Discretionary) Math Error Processing.
0132	70	566 series	Exam Issues: Full scope: EITC and dependents; If applicable, filing status, AOTC and Schedule C; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0173	06	CP 75/CP 75A	QRP EITC:
0173	11	CP 75/CP 75A	QRP EITC:
0173	70	CP 75/CP 75A	QRP EITC:
0226	06	566-S	EITC-Schedule C Net Loss: Taxpayer broke DDB rule(s) and Schedule C filter(s), or Taxpayer broke Schedule C filters(s) only. Exam Issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0257	06	CP 75/CP 75A	EITC Recertification and Schedule C: Taxpayer has a Recertification Indicator and broke DDB rule(s) and Schedule C filter(s). Exam Issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0261	06	CP 75/CP 75A	EITC-DDB Pre-Refund :Broke DDB rule(s) Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0263	06	566-E	QRP Non-EITC:
0263	08	566-E	QRP Non-EITC:
0263	11	566-E	QRP Non-EITC:
0263	70	566-E	QRP Non-EITC:
0289	06	CP 75/CP 75A	EITC with Schedule C Allowed Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0291	06	CP 75/CP 75A	<p>Native American with EITC: Form 13588, Native Americans and the Earned Income Credit, is included in mail outs as alternative documentation that can be used in lieu of Form 886-H-EIC.</p> <p>Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
0292	06	CP 75/CP 75A	<p>EITC and Net Profit Schedule C – Native American: Form 13588 is included to provide a list of alternative documentation that can be submitted in lieu of the items on Form 886-H-EIC.</p> <p>Exam Issues: Schedule C Net Profit Full scope: EITC and dependents If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
0367	30	566-D	EITC Amended Return System Selection: Systemic DDBCK selection for an amended return with DDB rule break(s).
0370	30	566-D	EITC Amended Return with No FCR Data: Amended EITC Return meeting CAT-A with no FCR data; Classification needed. See IRM 4.19.14.8 (1) for more information on FCR.
0386	30	566-D	EITC Amended Return – Schedule C with No FCR Data: Amended EITC Return with Schedule C meeting CAT-A with no FCR data; Classification needed. See IRM 4.19.14.8 (1) for more information on FCR.
0390	06	566-E	QRP EITC:

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0390	08	566-E	QRP EITC:
0390	11	566-E	QRP EITC:
0390	70	566-E	QRP EITC:
0486	06	566-S	Refundable Adoption Credit: Broke a DDB rule. Exam Issues: If other DDB rules are broken, additional issues may be added, including: Head of Household, filing status, AOTC, EITC, or ACTC.
0505	03, 06, 20	Letter 525	Health Coverage Tax Credit (HCTC): Processed claims that broke HCTC DDB rule. Exam Issues: If other DDB rules are broken, additional issues may be added, including: Head of Household filing status, AOTC, ACTC, EITC, FTC, or SFLC. See IRM 4.19.15.29, Health Coverage Tax Credit - IRC 35.

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0505	30	566-D	Health Coverage Tax Credit (HCTC): Unprocessed Claims. Exam Issues: Additional issues may be added, including: Head of Household filing status, AOTC, ACTC, EITC, FTC, or SFLC. See IRM 4.19.15.29, Health Coverage Tax Credit - IRC 35.
0577	06	566-D	MFS - EITC: Taxpayers need to verify they meet the requirement for EITC with filing status MFS Exam Issues: Filing Status Full scope: EITC and dependents; If applicable, AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0584	06	CP 75/CP 75A	QRP EITC:
0584	11	CP 75/CP 75A	QRP EITC:
0584	70	CP 75/CP 75A	QRP EITC:
0586	06	CP 75/CP 75A	EITC Issue Post Refund: EITC single issue; only worked as post refund.

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0587	06	CP 75/CP 75A	EITC DUPTIN Pick-ups: Pre-refund DDB cases selected because prior year is still open as PC 0652 examination. Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0600	06	566-S	EITC Unsubstantiated Math Error: Taxpayers claimed EITC on original filed return and received math error notice. Taxpayer replied within 60 days filing a Form 8862. Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0601	06	566-S	EITC - Informant: Third party reports taxpayer on Form 3949 - A for fraudulent tax activities to gain EITC.
0603	11	566 series	QRP EITC:
0607	30	566-D	EITC - Form 1040-X Prior Year: Taxpayers who file an amended return for a prior year to gain EITC.
0608	08	566-S	EITC and Schedule C: Taxpayer broke EITC and Schedule C filters. Exam Issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).

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[illegible]

Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0611	70	566-E	QRP EITC:
0612	70	566 series	Full Scope and Net Profit Schedule C. The examination can include all EITC children. Exam Issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0621	06	CP 75/CP 75A	EITC DDB - Post Refund: DDB post refund cases selected based on rule breaks. Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0623	06	CP 75/CP 75A	EITC-Schedule C Net Profit: Taxpayer broke DDB rule(s) and Schedule C filter(s). Exam issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0625	30	566-D	EITC - Form 1040-X - Recertification: Taxpayers who claim EITC and received a math error and subsequently filed a Form 8862 after 60 days.
0642	70	566 series	

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0652	06	CP 75/CP 75A	EITC - Duplicate - TIN: 2 to 4 taxpayers claiming the same SSN for EITC or as a dependent. Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0691	06	566-S	EITC Fraud: EITC cases accepted into the Fraud Program for audit to determine if the civil fraud penalty (CFP) and the 10-year ban apply.
0694	06	CP 75/CP 75A	EITC- Recertification: Taxpayer claims EITC, has a Recertification indicator and filed a Form 8862 with return. Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0697	06	CP 75C	EITC 2-Year Ban: Taxpayers who claimed EITC while under a 2-year ban. Exam Issue: EITC only.
0698	06	CP 75C	EITC 10-Year Ban: Taxpayers who claimed EITC while under a 10-year ban. Exam Issue: EITC only.
0903	06	CP 75/CP 75A	EITC Recertification Pick-Up Pre-Refund: Taxpayer has prior year open PC 0694 Exam case and filed another return claiming EITC. Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0906	06	CP 75/CP 75A	DDB Schedule C Pick-up: Taxpayer has prior year PC 0623 open Exam case and filed another return claiming EITC and Schedule C Net Profit. Exam Issues: Full scope: EITC, dependents, and Schedule C; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).

Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
0907	06	CP 75/CP 75A	EITC Recertification and Schedule C Pick-Up: Taxpayer has recertification indicator, a prior year PC 0257 open Exam case and filed another return claiming EITC and Schedule C Net Profit. Exam Issues: Full scope: EITC, dependents, and Schedule C; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0908	06	CP 75/CP 75A	EITC Schedule C Only Pick-Up: Taxpayer has prior year open Exam case with EITC as a statutory change only. Exam Issue: Schedule C Net Profit.
0909	06	CP 75/CP 75A	EITC Full Scope No Schedule C Pick-Up: Taxpayer has prior year PC 0289 open Exam case and filed another return claiming EITC. Exam Issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
0981	06	566 series	EITC, Schedule C and Adoption Credit: Taxpayer broke DDB rules, Schedule C and Adoption Credit filters.
1009	06	566-E	QRP EITC:
1009	11	566-S	QRP EITC:

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1009	70	566-E	QRP EITC:
1024	08	566 series	Full Scope EITC and LTRC: Taxpayer broke both EITC and LTRC rules/filters. Exam Issues: LTRC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1024	30	566-D	EITC Claims and First Time Homebuyer's Credit: Form 1040 manually selected for audit for EITC and any other classified issues.
1026	06	566 series	Manually Classified EITC Cases: Form 1040 manually selected for audit for EITC and any other classified issues.
1031	06	566-S	Third Party Affidavit – Post Refund: This program gives the taxpayer the option to use Form 14086, Qualifying Children Residency Statement Third Party Affidavit, in addition to or in lieu of other supporting documentation to verify residency of a qualifying child for EITC. Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1032	06	566-S	Third Party Affidavit Pre-Refund: This program gives the taxpayer the option to use a Form 14086, Qualifying Children Residency Statement Third Party Affidavit, in addition to or in lieu of other supporting documentation to verify residency of a qualifying child for EITC. Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1067	06	566 series	EITC and Adoption Credit: Taxpayer broke EITC rules and Adoption Credit rules/filters. Exam Issues: Adoption Credit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, CDCC, and Student Loan Interest deduction).
1082	06,11,70	566 family	QRP EITC Referral:
1107	06,11,70	566-E	QRP Non-EITC Referral:
1162	06	566-E	Non-EITC QRP: Exam Issues: Can be multiple issues; More than one wage, Withholdings that are false or inflated, May have HSH income, and/or Schedule C Full scope: EITC and dependents; If applicable, filing status and AOTC; ACTC, FTC, SFLC, HCTC.
1162	70	566-E	Non-EITC QRP: Exam Issues: Can be multiple issues; More than one wage, Withholdings that are false or inflated, May have HSH income, and/or Schedule C Full scope: EITC and dependents; If applicable, filing status and AOTC; ACTC, FTC, SFLC, HCTC.

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1166	06,11,70	566-E	QRP Non-EITC Referral:
1172	06	566-E	<p>EITC – Unsubstantiated Math Error with Schedule C Filter Breaks: Taxpayers claimed EITC on original filed return and received math error notice. Taxpayer replied within 60 days filing Form 8862. Taxpayer broke Schedule C filters.</p> <p>Exam Issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1179	06	566-S	<p>Additional Child Tax Credit (ACTC): Broke ACTC DDB rule</p> <p>Exam Issues: If other DDB rules are broken, additional issues may be added, including: Head of Household filing status, AOTC, EITC, FTC, HCTC, or SFLC.</p>
1179	30	566-D	<p>Additional Child Tax Credit (ACTC): Amended return with ACTC claim</p> <p>Exam Issues: Additional issues may be added, including: Head of Household filing status, AOTC, EITC, FTC, HCTC, or SFLC.</p>
1195	06	566-S	<p>American Opportunity Tax Credit (AOTC): Broke AOTC DDB rule.</p> <p>Exam Issues: If other DDB rules are broken, additional issues may be added, including: Head of Household filing status, ACTC, EITC, FTC, HCTC, or SFLC.</p>
1195	30	566-D	<p>American Opportunity Tax Credit (AOTC): Amended return with AOTC claim</p> <p>Exam Issues: Additional issues may be added, including: Head of Household filing status, ACTC, EITC, FTC, HCTC, or SFLC.</p>

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1259	70	566-B	Fuel Tax Credit: Frivolous Return Program (FRP) Referrals Exam Issues See IRM 4.19.14.19, Fuel Tax Credit Claimed on Form 4136. Note: In 2025, PC 1259 replaced PC 1505 SC 70.
1336	06	566-S	Sick and Family Leave Credit (SFLC): Taxpayer broke Exam Issues: SFLC Other issues may be added if other filters are broken.
1336		566-B	Exam Issues:

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Note: If the taxpayer contacts us (e.g., by telephone or in writing) with a question about PTC, and based on research the case is not in a PTC project code, take the following actions:

- Apologize for any confusion and explain to the taxpayer that they only need to provide documentation to verify the EITC audit issues (e.g., Filing Status, Dependents, and EITC).
- Examiner should follow normal Exam procedures, which includes documenting the workpapers/CEAS.

Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1300	06	CP 06	Premium Tax Credit (PTC): Broke PTC DDB rule; pre-refund Exam Issues: PTC only
1301	06	CP 75/CP 75A	Premium Tax Credit and EITC -DDB Pre-Refund Full Scope: Broke DDB rule(s). Exam Issues: PTC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).

Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1302	06	CP 75	Premium Tax Credit and EITC-Schedule C Net Profit: Taxpayer broke DDB rule(s) and Schedule C filter(s). (Pre-refund) Exam Issues: PTC and Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1303	06	L 566-S	QRP EITC:
1303	11	L 566-S	QRP EITC:
1303	70	CP 75/CP 75A	QRP EITC:

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1307	06	CP 75/CP 75A	Premium Tax Credit and Native American with EITC: .Form 13588, Native Americans and the Earned Income Credit, is included in mail outs as alternative documentation that can be used in lieu of Form 886-H-EIC. Exam Issues: PTC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1308	06	CP 75/CP 75A	Premium Tax Credit and EITC, Net Profit Schedule C – Native American: Form 13588 is included to provide a list of alternative documentation that can be submitted in lieu of the items on the 886 for Native American. Exam Issues: PTC and Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1309	06	CP 75A	Premium Tax Credit and EITC - Duplicate TIN: 2 or more taxpayers claiming the same SSN for EITC. Exam Issues: PTC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1310	06	CP 06A	Premium Tax Credit (PTC): Broke PTC DDB rule; post-refund Exam Issues: PTC only
1311	06	566-E	QRP EITC:

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1311	08	566-E	QRP EITC:
1311	11	566-E	QRP EITC:
1311	70	566-E	QRP EITC:
1312	06	CP 75/CP 75A	Premium Tax Credit and EITC, DDB - Post Refund: DDB selected cases based on rule breaks selected as a post refund. Exam Issues: PTC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1313	06	CP 75/CP 75A	<p>Premium Tax Credit EITC Recertification with Proposed 2-Year Ban: Taxpayer has a recertification indicator and broke DDB rule(s).</p> <p>Exam Issues: PTC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction). The 2-year ban is proposed systemically on Exam report.</p>
1314	06	CP 75/CP 75A	<p>Premium Tax Credit EITC Recertification Schedule C with Proposed 2-Year Ban: Taxpayer has a recertification indicator, and broke DDB rule(s) and Schedule C filter(s). The 2-year ban is proposed systemically on exam report.</p> <p>Exam Issues: PTC and Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1315	06	CP 75C	<p>Premium Tax Credit and EITC 2-Year Ban: Taxpayers who claimed EITC while under a 2-year ban.</p> <p>Exam Issues: PTC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1316	06	CP75/CP 75A	<p>Premium Tax Credit and EITC 10-Year Ban: Taxpayers who claimed EITC while under a 10-year ban.</p> <p>Exam Issues: PTC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1317	06	CP 75/CP 75A	<p>Premium Tax Credit DDB Pre-Refund Pick-Up: Case selected because prior year case open for examination.</p> <p>Exam Issues: PTC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>

Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1318	06	CP 75/CP 75A	Premium Tax Credit and Schedule C and/or EITC Recertification Pick-Up: Taxpayer has prior year open exam case and filed another return claiming EITC and Schedule C Net Profit. Exam Issues: PTC and Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1319	06	CP 75A	Premium Tax Credit and EITC full scope with Schedule C Allowed Exam Issues: PTC Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1320	06	CP 75A	Premium Tax Credit and EITC-Schedule C Net Profit: Taxpayer broke DDB rule(s) and Schedule C filter(s). (Post Refund) Exam Issues: PTC and Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1322	06	566-E	QRP Non-EITC:

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[illegible]

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1351	06	566-S	<p>EITC Schedule C Post-Refund: Taxpayer broke DDB rule(s) and Schedule C filter(s).</p> <p>Exam issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1352	06	566-S	<p>EITC with Non-Examined Schedule C (Post-Refund): EITC full scope, Schedule C allowed. Post Refund Audit.</p> <p>Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1353	30	566-S	<p>Native American with Full Scope EITC (Post-Refund): Form 13588, Native Americans and the Earned Income Credit, is included in mail outs as alternative documentation that can be used in lieu of Form 886-H-EIC.</p> <p>Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1354	30	566-S	<p>EITC Full Scope and Net Profit Schedule C – Native American (Post-Refund): Form 13588 is included to provide a list of alternative documentation that can be submitted in lieu of the items on the Form 886-H-EIC.</p> <p>Exam Issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1356	30	566-S	<p>Native American with Full scope EITC: Form 13588 is included in mail outs as alternative documentation that can be used in lieu of Form 886-H-EIC. The additional procedures described for working a Recertification should be applied when working this type of audit.</p> <p>Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>

Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1357	30	566-S	<p>Native American with Full Scope EITC: Form 13588 is included in mail outs as alternative documentation that can be used in lieu of Form 886-H-EIC. The additional procedures described for working a Pickup should be applied when working this type of audit.</p> <p>Exam Issues: Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1358	30	566-S	<p>EITC Full Scope and Net Profit Schedule C – Native American: . Form 13588 is included to provide a list of alternative documentation that can be submitted in lieu of the items on the Form 886-H-EIC. The additional procedures described for working a Recertification should be applied when working this type of audit.</p> <p>Exam Issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1359	30	566-S	<p>EITC Full Scope and Net Profit Schedule C – Native American: Form 13588 is included to provide a list of alternative documentation that can be submitted in lieu of the items on the Form 886-H-EIC. The additional procedures described for working a Pickup should be applied when working this type of audit.</p> <p>Exam Issues: Schedule C Net Profit Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>
1360	30	566-S	<p>EITC Full Scope and Schedule C Loss Post-Refund</p> <p>Exam Issues: Schedule C Net Loss Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).</p>

Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1361	30	566-S	EIC Household Help (HSH) RICS RPS Referral - Post Refund Exam Issues: HSH income Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction.)
1362	30	566-S	EITC Full Scope and Head of Household Post-Refund: Taxpayers broke DDB rule(s) and filing status Exam Issues: Filing Status Full scope: EITC and dependents; If applicable, filing status and AOTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1363	30	566-S	Schedule C Expenses with Refundable Credits: Taxpayers broke Schedule C expense filters and other rules. Exam Issues: Schedule C expenses Can be full scope: EITC and dependents; If applicable, filing status, AOTC, FTC; and related statutory adjustments (e.g., CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction).
1505	06	566-S	Fuel Tax Credit (FTC): Broke FTC DDB rule. Exam Issues: If other DDB rules are broken, additional issues may be added, including: Head of Household filing status, AOTC, ACTC, EITC, HCTC, or SFLC.
1505		566-B	Exam Issues:
1505	30	566-D	Fuel Tax Credit (FTC): Amended return with FTC claim. Exam Issues: Additional issues may be added, including: Head of Household filing status, AOTC, ACTC, EITC, HCTC, or SFLC.

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Project Code	Source Code	Initial Contact Letter	Program Name, Description, and Exam Issues
1515	06	566-S	AOTC Recertification: Taxpayer has a Recertification indicator and broke AOTC DDB rule. Exam Issues: If other DDB rules are broken additional issues may be added, including: Head of Household filing status, ACTC, EITC, FTC, HCTC, or SFLC.
1516	06	566-S	ACTC Recertification: Taxpayer has a Recertification Indicator and broke ACTC DDB rule. Exam Issues: If other DDB rules are broken additional issues may be added, including: Head of Household filing status, AOTC, EITC, FTC, HCTC, or SFLC.
1530	06	566-S	Claim of Right (IRC 1341) Credit: Exam Issues: Additional issues may be added, including: Head of Household filing status, ACTC, EITC, FTC, HCTC, SFLC or Schedule C.
1530	11	566-S	Claim of Right (IRC 1341) Credit: Exam Issues: Additional issues may be added, including: Head of Household filing status, ACTC, EITC, FTC, HCTC, SFLC or Schedule C.
1530	30	566-D	Claim of Right (IRC 1341) Credit: Exam Issues: Additional issues may be added, including: Head of Household filing status, ACTC, EITC, FTC, HCTC, SFLC or Schedule C.

- (2) To work these cases, tax examiners should have knowledge of the seven auditing standards. See IRM 4.19.13.3, Seven Auditing Standards.
- (3) The following issues may be examined or related statutory issues.
- Earned Income Tax Credit
 - Dependent(s)
 - Filing Status
 - Schedule C Gross Receipts
 - Child Tax Credit
 - Child and Dependent Care Credit
 - Education Credit
 - American Opportunity Credit
 - Adoption Credit
 - False or Inflated Income
 - Premium Tax Credit
 - Fuel Tax Credit
- (4) Follow the faxed signature instructions in IRM 4.19.13.11.4, Fax Signatures, when working cases in all the project codes listed above.

- (5) Unless otherwise noted under program procedures, EITC examinations are full scope audits and include the EITC and dependent(s) as exam issues. If applicable, the filing status, AOTC, and the Schedule C are also exam issues. All related statutory adjustments apply, based on the dependent or income adjustment. These may include the CTC/ACTC, Adoption Credit, CDCC, and the Student Loan Interest Deduction.
- (6) Examiners should use the Project Code to determine the initial exam issue(s). Examiners are required to identify and pursue any other large, unusual, or questionable (LUQ) issue(s) on the return, provided that the issues are within the scope of a campus examination. Follow guidance in IRM 4.19.13.3.1 , Standard 1 - Adequate Consideration of Significant Issues, for the decision to pursue LUQ issues.
- (7) Please see IRM 4.19.11.4.3.1, Determining if Examination Should be Conducted in Correspondence Exam or Field Exam, IRM 4.19.11.4.3.2, Issues Appropriate for TS versus SB/SE, and IRM 4.19.13.3, Seven Auditing Standards, for more information
- (8) Action 61 will apply to all cases. For Action 61 procedures, see IRM 4.19.13.12, Monitoring Overaged Replies. AIMS will continue to update to status 54, 55 ,57 as the case ages but it will not trigger CP 3500 and CP 3501 for mail out. TS HQ and SB/SE Performance Planning and Analysis (PPA)/ Campus Examination and Document Matching Workload Planning & Analysis (PPA/CEDWPA) will determine the number of additional days that will be used in the CP 3500 Interim letter advising the taxpayer when to expect a response from Exam. If the correspondence is not reviewed by the determined number of days stated on the CP 3500, a CP 3501 interim letter will be sent advising the taxpayer to allow an additional 60 days to review the correspondence.

4.19.14.5
(11-21-2025)
**RPS Casework
Procedures**

- (1) The examination begins with case selection from DDB, EFDS, research extracts, classification and prior audit activity.
- (2) Pre-Refund examination refunds will generally be frozen with the following transaction codes (TC):
 - TC 810 (DDB/Unsubstantiated Pickups and Recertifications). The frozen refund consists of the EITC, ACTC, and PTC amount.
 - TC 570 on QRP referral and Math Error. The full refund is frozen.
- (3) When a decision is made to allow:
 - a. One of the two questioned qualifying children or
 - b. One or two of the three questioned qualifying children,

Input a TC 971 with action code (AC) 135 and the SSN of the allowed child or children. Inputting a TC 971 with AC 135 will allow Examination to track the allowed child or children for research purposes and scope consideration in a future case selection.
- (4) Overview of the CP 75 Notice Series Process - the following letters are used for EITC examinations:
 - CP 75 letter is used for pre-refund cases to inform the taxpayer that we are delaying the EITC, and/or the ACTC part of their refund. If the PTC is claimed, then we may hold all or a part of the refund.

- CP 75A letter is used for post-refund or cases with a balance due or zero balance so there is no refund to hold.
- CP 75D is used for pre-refund QRP cases in PC 0173 and 0584, pre-refund QRP cases with PTC in PC 1303 and 1304, and EITC and FTHBC cases in PC 0099 and 0585. This letter informs the taxpayer that we've delayed sending their full refund.
- The CP 75, CP 75A and CP 75D are initial contact letters and contains specific paragraphs that explain the issues being examined. These paragraphs populate based on the Project Code. See paragraph 5 below. The notices include the related attachments that explain the documentation needed to support the issues under examination.
- The CP 75C is not an initial contact letter. The CP 75C is issued for 2/10 year ban (PC 0697/0698) cases and . is used to inform the taxpayer their ban is still in effect when a claim for EITC is made during the ban period. The next letter is the Letter 3219, Notice of Deficiency. The 2/10 year ban cases with PTC (PC 1315/1316) will be issued the CP75 as the initial contact letter. These ban cases are centralized in Austin for TS and Brookhaven for SB/SE.
- Once the CP 75, CP 75A or CP 75D is generated by Master File, dated and mailed, the case is updated to status 10, which will trigger cycle time to start.
- The taxpayer will know from the explanations and related attachments what the specific examination issue(s) are and has the option to provide the documents requested or agree they are not entitled.
- As the case ages through ACE, the batch process, the CP 75, CP 75A, CP 75D notices will be followed by Letter 525, General 30 Day Letter, which includes an examination report, Form 4549, Income Tax Examination Changes, outlining the proposed changes. This will provide another opportunity for the taxpayer to send in the documentation needed or agree to the changes. If the taxpayer disagrees, they may also request an Appeals conference. The taxpayer is asked to respond to the Letter 525 within 30 days.
- The case will continue to age through ACE for the issuance of the Letter 3219, if there is no resolution to the Letter 525. This will provide another opportunity for the taxpayer to send in the documentation needed or agree to the changes. If the taxpayer disagrees, the taxpayer may also petition the Tax Court. The taxpayer is asked to respond to the Letter 3219 within 90 days (150 days if the taxpayer address is outside the United States). If no resolution is met, and the taxpayer does not petition Tax Court after 105 days (165 days if the taxpayer address is outside the United States), the case is closed as a default.

(5) The CP 75, CP 75A and CP 75D will include the paragraphs below based on the applicable Project Code and examination issues.

Issue A-1: 0029, 0061, 0173, 0261, 0289, 0390, 0584, 0587, 0621, 0623, 0652, 0906, 0909, 1301, 1302, 1303, 1304, 1309, 1311, 1312, 1317, 1318, 1319, 1320

Earned Income Tax Credit (QC Test):

- Review the enclosed Form 886-H-EIC, Documents You Need to Send to Claim the Earned Income Credit On the Basis of a Qualifying Child or Children for Tax Year.

- Submit the documentation requested to show your child met the relationship, age and residency tests to qualify you for the Earned Income Credit.

Issue A-2: 0291, 0292, 1307, 1308**Earned Income Tax Credit (Native American):**

- Review the enclosed Form 886-H-EIC, Documents You Need to Send to Claim the Earned Income Credit On the Basis of a Qualifying Child or Children for Tax Year and Form 13588, Native Americans and the Earned Income Credit.
- Submit the documentation requested on either of these forms to show your child met the relationship, age and residency tests to qualify you for the Earned Income Credit.

Issue A-3: 0257, 0694,0903, 0907, 1305, 1306**Earned Income Credit (Recert):**

- You must show that you qualify for EIC since we denied or reduced your EIC during an examination for a previous tax year.
- Review the enclosed Form 886-H-EIC, Documents You Need to Send to Claim the Earned Income Credit On the Basis of a Qualifying Child or Children for Tax Year.
- Submit the documentation requested to show your child met the relationship, age and residency tests to qualify you for the Earned Income Credit.

Issue A-5: 0027, 0028, 1313, 1314**Earned Income Credit (Recert/2-Yr Ban):**

- You must show that you qualify for EIC since we denied or reduced your EIC during an examination for a previous tax year.
- Review the enclosed Form 886-H-EIC, Documents You Need to Prove You Can Claim the Earned Income Credit On the Basis of a Qualifying Child or Children for Tax Year.
- Submit the documentation requested to show your child met the relationship, age and residency tests to qualify you for the Earned Income Credit.
- If you do not prove that you were eligible to claim the Earned Income Credit, we may ban you from claiming the Earned Income Credit for two years.

Issue A-6: 1315, 1316

Earned Income Credit (2/10 year ban / PTC):

- You were banned from claiming the Earned Income Credit because you intentionally disregarded the rules or made a fraudulent claim.
- Because your ban is still in effect, we are not allowing you the Earned Income Credit.
- No further action is needed concerning the Earned Income Credit.

Issue B: 0027, 0028, 0029, 0061, 0173, 0257, 0261, 0289, 0291, 0292, 0390, 0584, 0587, 0621, 0623, 0652, 0694, 0903, 0906, 0907, 0909, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1311, 1312, 1313, 1314, 1317, 1318, 1319, 1320

Dependents:

- Review the enclosed Form 886-H-DEP, Supporting Documents for Dependents.
- Submit the documentation requested to show you have eligible dependents.

Issue C: 0027, 0028, 0029, 0061, 0173, 0257, 0261, 0289, 0291, 0292, 0390, 0584, 0587, 0621, 0623, 0652, 0694, 0903, 0906, 0907, 0909, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1311, 1312, 1313, 1314, 1317, 1318, 1319, 1320

Filing Status:

- Review the enclosed **Form 14824**, Supporting Documents to Prove Filing Status.
- Submit the documentation requested to verify your filing status.

Issue D-1: 0028, 0173, 0257, 0292, 0585, 0623, 0906, 0907, 1302, 1304, 1306, 1308, 1314, 1318, 1320

Schedule C Income:

- Review the enclosed Form 11652, Questionnaire - Form 1040 Schedule C (Profit or Loss from Business).
- Submit the completed Form 11652 with documentation requested to show you had earned income.

Issue E: 0584, 1303

Wages and Withholding:

- Review the enclosed Form 886-L, Supporting Documents.

- Submit the documentation requested to show the amount of wages and withholding you listed on your tax return is correct.

Issue F: 0027, 0028, 0029, 0061, 0173, 0257, 0261, 0289, 0291, 0292, 0390, 0584, 0587, 0621, 0623, 0652, 0694, 0903, 0906, 0907, 0909, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1311, 1312, 1313, 1314, 1315, 1316, 1317, 1318, 1319, 1320

American Opportunity Tax Credit:

- Review the enclosed Form 886-H-AOC, Supporting Documents to Prove American Opportunity Credit.
- Submit the documentation requested to show you had eligible education expenses.

Issue H: 0390, 1311

Household Help:

- Submit documentation to show the amount of household wages you claimed on your tax return is correct.
- Send us documentation showing your earnings were for household work.

Issue J: 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1311, 1312, 1313, 1314, 1315, 1316, 1317, 1318, 1319, 1320

Premium Tax Credit:

- Review the enclosed Form 14950, Premium Tax Credit Verification.
- Submit the documentation requested to show you are entitled to claim the Premium Tax Credit.

4.19.14.5.1
(12-07-2018)
**Revenue Protection
Strategy (RPS)
Examination Process**

- (1) Cases must move to the next status based on established time frames. See IRM 4.19.13.2.4, Standard Suspense Periods for Correspondence Examination, for applicable EITC time frames. The chart below explains the letter and AIMS status update process:

	1st Exam Letter	2nd Letter	3rd Letter (if needed)	4th Letter	5th Letter (if needed)
Letters	CP 75, CP 75A, CP 75D, 566 series	Letter 525	Letter 692	Letter 3219	Letter 555

	1st Exam Letter	2nd Letter	3rd Letter (if needed)	4th Letter	5th Letter (if needed)
Status (ST)	AIMS ST 10	AIMS ST 22	<ul style="list-style-type: none"> AIMS ST 23 if the Form 4549 has been changed AIMS ST 25 if Form 4549 remains the same 	AIMS ST 24	AIMS status does not change from ST 24
Letters	CP 75C	Letter 3219			
Status (ST)	<ul style="list-style-type: none"> Not an ICL No AIMS Status update 	<ul style="list-style-type: none"> AIMS ST 24 			
Letters	Letter 566-D Form 1040-X with no additional tax	Letter 569	Letter 105C		
Status (ST)	AIMS ST 10	AIMS ST 22	AIMS ST 90		
Letters	566-D - Form 1040-X with additional tax	525	3219	105C	
Status (ST)	AIMS ST 10	AIMS ST 22	AIMS ST 24	AIMS ST 90	

4.19.14.6
(11-21-2025)

**Evaluating EITC
Taxpayer Responses**

- (1) Judgment must be used based on the facts and circumstances in each case to make a substantially correct determination. Workpapers must contain determinations, facts, and circumstances specific to the case obtained either by telephone or written correspondence.
- (2) The Taxpayer Bill of Rights (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 additional information about the TBOR, see the *Taxpayer Advocate* website.
- (3) When allowing Earned Income Credit (EIC) based on a qualifying child (QC), the child must meet all three tests: Relationship, Age, and Residency. See IRC 32.

- (4) Research Command Codes (CC) DUPOL, AIMS, TXMOD, IMFOL, DDBOL, DDBKD and INOLE for each taxpayer and QC to identify certain information about the QC (e.g., name, date of birth, citizenship code, birth parent's name, custodial data). See IRM 4.19.13.4, Researching Cases, for a list of other IDRS command codes and research tools.
- (5) The Internal Revenue Code requires a taxpayer (both spouses in the case of a joint return) to have a **valid** Social Security number (SSN) issued by the Social Security Administration (SSA) on or before the due date of the tax return (with extensions) to claim the EITC.
- (6) Any QC listed on Schedule EIC (and claimed for CTC) must also have a valid SSN issued on or before the due date of the return to qualify the taxpayer for the higher amount of EITC.

Reminder: The taxpayer still qualifies for the EITC if the QC meets all requirements but does not have a valid SSN (e.g., unmarried taxpayer is 19 years old and has one QC without a valid SSN; taxpayer is eligible for the EITC calculated without a QC).

- (7) The SSA issues three types of Social Security cards. If the person is not a U.S. Citizen or lawful permanent resident, there may be a work restriction shown on the Social Security card. All cards show a name and SSN.
 - SS cards are issued to U.S. Citizens and people lawfully admitted to the United States on a permanent basis. This is a valid SSN.
 - SS cards are issued to people lawfully admitted to the U.S. on a temporary basis who have DHS authorization to work. The cards will show the restriction, "**VALID FOR WORK ONLY WITH DEPARTMENT OF HOMELAND SECURITY (DHS) AUTHORIZATION**". Once the DHS authorization has expired, the SSN is no longer valid. Without a valid SSN, a taxpayer cannot claim the EITC.
 - SS cards are issued to people who are lawfully admitted to the U.S. without work authorization from DHS but have a valid non-work reason for needing an SSN; or need an SSN to get a benefit or service. An SSN is not valid if obtained to receive a federally funded benefit.
- (8) CC INOLES provides the Taxpayer Identification Number (TIN) assignment date to assist with determining the issuance date of the SSN. Refer to IRM 4.19.13.4(4), Researching Cases, for additional guidance in determining the effective date for the issuance of the SSN.
- (9) CC DDBKD shows the following citizenship indicators:

DDBKD Citizen Indicator	Description
A	U.S. Citizen
B	Legal Alien - Authorized to work
C	Legal Alien - Not authorized to work
D	Other Alien (Other than A, B, or C)
E	Alien Student - Restricted Work Authorized
F	Conditionally Legalized Alien, status not shown

DDBKD Citizen Indicator	Description
Blank	Status not known If the application was submitted prior to 1981, this item will be blank.

- (10) If the Citizenship Indicator **is not an A or B**, continue researching to determine if the taxpayer is entitled to EITC based on a "Valid for Work" SSN
- (11) When analyzing an EITC claim, check the Social Security cards for the primary and secondary taxpayers, as well as qualifying children listed on Schedule EIC, for the words **“Not Valid for Employment”**. If these words appear on any of the applicable Social Security cards, you will need to contact the taxpayer to find out whether the card holder became a citizen or permanent resident by the due date of the return, including extensions. Refer to Exhibit 4.19.14-1 for evidence of Citizenship
- If the cardholder was either a citizen or resident by the due date of the return, including extensions, they are entitled to receive a Social Security card without the legend (same number, but no legend) and are considered to have a valid SSN for the EITC. The cardholder may already have received the new card. If the cardholder is a citizen or permanent resident, ask the taxpayer to furnish a new Social Security card without the legend.

Note: The issuance date printed on the social security card may not be the date that the SSN was assigned to the cardholder. If the taxpayer provides a new SSN card without a legend that has an issuance date after the due date of the return, the taxpayer may still have a valid SSN for the EITC as long as the taxpayer was eligible for the new card (based on a change in immigration status) by the due date of the return.

- If the cardholder's immigration status has not changed, you will need to find out whether the cardholder received the SSN to obtain a federally funded benefit, or for another reason.
- (12) Follow the table below, and refer to IRM 4.19.13.4(4), Researching Cases, for additional guidance in determining the effective date for the issuance of the SSN.

If	And	Then
The cardholder is now a citizen or permanent resident	A new Social Security card without the legend is furnished by the taxpayer and the issuance date printed on the card is on or before the due date, including extensions	The SSN is a valid SSN for the EITC

If	And	Then
The cardholder is now a citizen or permanent resident	The cardholder does not furnish a new Social Security card without the legend or furnishes a card with an issuance date after the return due date, including extensions, but the cardholder shows that they were a citizen or permanent resident by the due date of the return, including extensions	The SSN is a valid SSN for the EITC
The cardholder's immigration status has not changed	The taxpayer states the reason for needing an SSN and it is other than to obtain a federally funded benefit	The SSN is a valid SSN for the EITC
The cardholder's immigration status has not changed	The taxpayer is unable to furnish a reason for needing an SSN other than to obtain a federally funded benefit	The SSN is a valid SSN but not valid for the EITC

- (13) If the taxpayer (and spouse if any) and one QC have valid SSNs for the EITC, but the second QC does not, allow the EITC for a taxpayer with one QC. If the taxpayer has only one QC, and that child does not have a valid SSN, allow the self-only EITC amount.

Note: When a determination is made to allow one or some, but not all the qualifying children, input a TC 971, AC 135 and the SSN of the allowed qualifying child or children.

4.19.14.6.1
(09-02-2022)
EITC Qualifying Child (QC)

- (1) The following table is for use with the EITC Qualifying Children (QC). See Exhibit 4.19.14-1, Examples of Acceptable Documentation for EITC claims (not all-inclusive), for the types of documentation needed to establish the relationship or residence of a QC. In addition, the examiner should consider **all** documentation submitted, even if it is not listed and use their judgment when considering the weight of the evidence to determine eligibility for the credit.

EITC (QC)	Explanation	Acceptable Documentation
<p>Relationship Same as dependent QC</p>	<p>Per IRC 32(c)(3)(A), the term “qualifying child” means a qualifying child of the taxpayer as defined in IRC 152 (c).</p> <p>Note: An individual legally adopted by the taxpayer or an individual who is lawfully placed with the taxpayer for legal adoption is treated as a child of the taxpayer by blood. An eligible foster child is an individual who is placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. The terms “brother” and “sister” includes siblings who only have one parent in common, for example the same mother but different fathers.</p> <p>Caution: The Government of Puerto Rico enacted a new law (Law 191 of 2009 as Amended). Effective October 31, 2010, any Puerto Rican birth certificate issued prior to July 1, 2010, is no longer valid. If a taxpayer submits a birth certificate that was issued by the Puerto Rican government prior to July 1, 2010, the birth certificate should not be accepted. The taxpayer should be informed of the new law and directed to contact the Puerto Rico Vital Statistics Record Office to request a new birth certificate.</p>	<ul style="list-style-type: none"> • Birth certificates -- For Example: If the dependent the taxpayer is claiming is the child of the taxpayer’s sibling, which is their niece or nephew who lived with them, the taxpayer would need to provide: : <ol style="list-style-type: none"> 1. A copy of their birth certificate, 2. A copy of the birth certificate of the taxpayer’s sister or brother who is the parent of the child, and 3. A copy of the birth certificate of the child claimed <p>All three birth certificates would be required to prove the relationship of the taxpayer to the child.</p> • Marriage Certificates that verify your relationship to the child • Letter from an authorized adoption agency • Letter from an authorized placement agency or applicable court document • Social Services records • Parole Office files • Military Records <p>Examples of proof:</p> <ol style="list-style-type: none"> 1. Defense Enrollment Eligibility Reporting System (DEERS), which provides a list of authorized dependents whose relationship, has been verified. 2. Leave and Earnings Statements (LES), which verifies if the taxpayer is paying voluntary allotment for Basic Housing Allotment (BHA) payable to the dependents or custodial parent, or if the taxpayer is having child support payments garnished.

EITC (QC)	Explanation	Acceptable Documentation
<p>Residency More than one-half of the year in the United States</p>	<p>Per IRC 32(c)(3)(C), for purposes of subparagraph (A), the residency requirements of IRC 152(c)(1)(B) , shall be met only if the principal place of abode is in the United States.</p> <p>Relatives and members of household in the United States for more than one-half of the year. See IRC 152(c)(1)(B).</p> <p>Temporary absences count as time lived together; Exceptions apply for children of divorced or separated parents. See IRC 152(e).</p> <p>If a QC who was born or died during the year lived with taxpayer for more than one-half of the portion of the taxable year during which the QC was alive, residency test is treated as met. See Prop. Reg. 1.152-4(d)(1).</p> <p>A child adopted by the taxpayer, a child lawfully placed with the taxpayer for legal adoption, or an eligible foster child placed with the taxpayer, meets the residency test for a QC if the child has the same residence as the taxpayer for more than one-half of the portion of the year following the placement of the child with the taxpayer.</p> <p>Example: An eligible foster child is placed with the taxpayer on August 1, 2021, through the end of tax year 2021. The child meets the residence test if the child resides with the taxpayer for more than 2 and ½ months.</p>	<ul style="list-style-type: none"> • Photocopies of school, medical, childcare provider (provider can't be a relative) or social service records, rental agreement, eviction notice, parole office files, bank statements, check stubs/ earnings statements. <p>Note: While most of report cards do not have all the required information to prove residency, they should be reviewed on a case- by-case basis to determine if they show the child's name, address of record, and a verifiable date with the year in question."</p> <ul style="list-style-type: none"> • A letter on official letter-head from a school, a health care provider, a social service agency, placement agency official, employer, Native American tribal official, landlord or property manager, or a place of worship that shows the name of the child's parent or guardian, the child's address and the dates that they lived with the taxpayer. See paragraph below for template information to assist the taxpayer.

EITC (QC)	Explanation	Acceptable Documentation
<p>Age</p> <p>Same as dependent QC</p> <ul style="list-style-type: none"> QC must be younger unless permanently and totally disabled. <p>Note: Beginning in tax year 2009, the uniform definition of a child for EITC changed prompting the requirement for the QC to be younger than the taxpayer.</p>	<p>Per IRC 32(c)(3)(A), age requirements are the same as defined in IRC 152(c)(3). Refer to IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents.</p>	<p>Same as dependent QC. Refer to IRM 4.19.14.6.5.</p>
Support	Support is not an EITC issue.	
Citizenship	<p>Citizen, national, resident alien of the U.S., resident of Canada or Mexico, or adopted child. The exception for an adopted child is found in IRC 152(b)(3). If the taxpayer is a U.S. citizen or U.S. national who has legally adopted a child who is not a U.S. citizen, U.S. resident alien, or U.S. national, and the child lived with the taxpayer as a member of the taxpayer's household all year, the citizenship test is met. The citizenship test is also met if the child was lawfully placed with the taxpayer for legal adoption and the child lived with the taxpayer for the rest of the year after placement.</p> <p>Note: Refer to Pub 519, U.S. Tax Guide for Aliens.</p>	<p>A U.S. birth certificate, unexpired U.S. passport, driver's license (if citizenship is required by state law), school records, parole office files, Social Security card, green card (permanent resident card) or other DHS documents may be provided.</p> <ul style="list-style-type: none"> A resident alien of the United States who does not have a green card must show either (1) the substantial presence test was met, or (2) they resided in Canada or Mexico. Use IDRS Command Code DDBKD to research QC citizenship status.

EITC (QC)	Explanation	Acceptable Documentation
Social Security Number	<p>The QC must have a valid Social Security number (SSN) unless the child was born and died in the same tax year.</p> <p>Note: You cannot claim the EITC on the basis of a QC if:</p> <ol style="list-style-type: none"> The SSN was not issued on or before the due date of the return, including extensions, or The QC's Social Security card says, "Not valid for employment" and was issued for use in getting a federally funded benefit. 	<p>A copy of the child's birth certificate, death certificate, or hospital records showing a live birth.</p> <p>Refer to IRM 4.19.13.4(4), Researching Cases, for guidance in determining the effective date for the issuance of the SSN.</p>
<p>Married Child Joint Return</p> <ul style="list-style-type: none"> Return filed only as a claim for refund. 	<p>Per IRC 152(c)(1)(E), a QC does not include an individual who is married as of the close of the taxable year, unless the QC (i.e., taxpayer) is only filing a claim for refund and no tax liability would exist for either spouse on separate returns.</p>	

EITC (QC)	Explanation	Acceptable Documentation
Tiebreaker Rules	<p>Per IRC 152(c)(4), for EITC purposes a QC may be claimed by a parent or the taxpayer with the highest adjusted gross income (AGI), if not claimed by the parent.</p> <p>Example: If more than 1 parent claims the QC for EITC:</p> <p>If the parents claiming a QC do not file a joint return, the child shall be treated as the QC of --</p> <ol style="list-style-type: none"> the parent with whom the child resided for the longest period of time during the taxable year, or if the child resides with both parents for the same amount of time during the taxable year, the parent with the highest AGI. <p>Example: If no parent claims the QC for EITC:</p> <p>If the parents of a child are eligible to claim them as a QC, but no parent claims the child, the child is treated as the QC of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of either of the child's parents who can claim the child. If the child's parents file a joint return with each other, this rule can be applied by treating the parents total AGI as divided evenly between them.</p> <p>Note: Generally, married taxpayers must file a joint return to be eligible to claim EITC under IRC 32(d). However, beginning with tax year 2021, special rules apply to separated spouses, so that married individuals who do not file a joint return will not be treated as married if they meet certain rules under IRC 32(d)(2)(B).</p>	<ul style="list-style-type: none"> IDRS research (e.g., CC INOLES, NAMES) to identify other household members, and/or recent name changes by the taxpayer.

EITC (QC)	Explanation	Acceptable Documentation
Requirements and Special Rules A married individual must be claimed as a dependent or not claimed as a dependent under rules of divorced or separated parents.	Taxpayer cannot be QC for EITC of anyone else	<ul style="list-style-type: none"> IDRS research DDBKD

- (2) Complete Master File research of all TIN's listed on DDBOL.
 - a. Complete Master File research of DDBKD. It shows the relationship and also indicates whether the taxpayer was the QC of someone else.
 - b. Complete INOLE research for age verification and TIN/SSN issuance date. See IRM 4.19.13.4, Researching Cases.
 - c. Request proof of separate residence from the person claiming the QC, such as rent receipts, school records, property tax bill, or utility receipts, if research indicates taxpayer is married.
- (3) Templates are available on IRS.gov on the *Letter or audit for EITC* page. Taxpayers can use these templates to request the correct information from a school, healthcare provider or childcare provider to verify the QC's residency to claim the EITC. If used, the templates must be pasted on the organization's letterhead.
 - a. There are several ways taxpayers can share the templates with providers. They can print the templates or share the link to the templates with their child's school, healthcare provider or childcare provider. Remind the taxpayer to inform the provider of the tax year from their notice, which is found in the upper right-hand corner of the notice. This helps ensure the taxpayer receives information for the correct tax year.
 - b. Remind the taxpayer that the school, healthcare provider, or childcare provider should paste the template or replicate the information into their letterhead. They must provide all the information needed for the tax year shown on the taxpayer's notice. The letter must be dated and signed. The taxpayer can upload or mail the completed documents to support their EITC claim.

4.19.14.6.2
(01-01-2024)
EITC - No Qualifying Child

- (1) Beginning with tax year (TY) 2021 and subsequent tax years, a taxpayer may be allowed self only EITC with children who would be EITC qualifying children (QC), except they do not have a valid SSN for the EITC.
- (2) Prior to TY 2021, all EITC QC must also have a valid SSN, for a taxpayer to be eligible for the EITC.
- (3) Taxpayers must meet the following requirements.

If	And	Then
<p>EITC is disallowed because the taxpayer does not have a (QC), allow EITC for self only based on certain criteria (age, income, etc.).</p> <p>Note: The EITC for self may be allowed by the examiner at any time during the audit process, after the taxpayer has responded (e.g., called in or submitted a reply).</p>	<ol style="list-style-type: none"> 1. Taxpayer is at least 25 but under 65 years of age (For TY 2021 only, at least age 19, 18 if a qualified homeless youth or former foster youth, and 24 if a specified student; no maximum age), 2. Taxpayer does not qualify as a dependent of another person, 3. Taxpayer is not a QC of another taxpayer, 4. Taxpayer had a main home in the U. S. for more than one-half the tax year and, 5. Taxpayer SSN was issued on or before the due date of the return including extensions 	<ul style="list-style-type: none"> • Use birth certificate or IDRS research Command Code (CC) INOLE or RTVUE to verify taxpayer's date of birth. • Research CC INOLE for TIN/SSN validation and the issuance date. • Use CC DDBKD to determine if another taxpayer has claimed the taxpayer.

Note: If an individual is the QC of another taxpayer for any part of the taxable year, that individual is not eligible to claim EITC for self.

Note: Taxpayers who were disallowed EITC for a QC under the tie-breaker rule, may still qualify for EITC for taxpayers without a QC.

- (4) If the taxpayer is married filing a joint return, either taxpayer must meet the applicable age requirement at the end of the tax year. It does not matter which spouse meets the age test, as long as one of the spouses does.

Example: For TY 2020, Joe and Jane are married and file a joint return. Joe is 23 years old and Jane is 27. The taxpayers meet the age test because Jane is at least 25 but under age 65.

Example: For TY 2021, Joe and Jane are married and file a joint return. Joe is 20 years old, and is employed full time, while Jane is 21 and attends school full -time. The taxpayers meet the age test because Joe is at least 19, even though Jane is a specified student and under age 24.

- (5) See IRM 21.6.3.4.2.7.1.1, Earned Income Tax Credit (EITC) - Taxpayer with No Qualifying Child or Children.

4.19.14.6.3 (11-21-2025)

EITC - Schedule C Responses

- (1) The *Form 1040 Schedule C*, Profit or Loss from Business (Sole Proprietorship), is used to report business income and expenses.
- (2) The purpose of the correspondence examination is to determine whether the taxpayer has substantiated they are engaged in a business when the facts and circumstances of the case are considered.
- (3) An activity qualifies as a business if the primary purpose for engaging in the activity is for income or profit, and the taxpayer is involved in the activity with

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- (4) When the taxpayer is being examined for the profit or loss reported on Schedule C, Form 11652, Questionnaire and Supporting Documentation Form 1040 Schedule C (Profit or Loss from Business), will be sent as an enclosure with the Letter 566-S, Initial Contact Letter.
- (5) Examiners should use Form 11652 as a guide to manage the outcome of the Schedule C examination when considering the response received to the examination query letter.
- (6) Form 11652 assists the taxpayer with substantiating their Schedule C business. Descriptive information is requested for the business that is not required to be reported on the Schedule C. This information includes:
 - Business activity, location business is conducted, website, and hours of operation
 - Business licenses or permits held
 - Method of advertisement
 - State or Local sales tax returns filings
- (7) The taxpayer is requested to select or fill-in the type of business records that are created, received, and/or maintained for income and expenses on the Form 11652. The record types listed include:
 - *Form 1099-MISC*, Miscellaneous Information, and Form 1099-NEC, Nonemployee Compensation
 - Accounting records and Ledgers
 - Business bank account statements
 - Paid invoices/receipts

Note: Beginning with tax year 2020, taxpayers with Nonemployee Compensation will receive Form 1099-NEC. Prior to tax year 2020, Nonemployee Compensation was reported on Form 1099-MISC.
- (8) Form 1099-K, Payment Card and Third Party Network Transactions, may be issued to some Schedule C taxpayers if they received payments by a payment card. Payment cards include credit, debit, and gift cards. There is no reporting threshold for payment card transactions.
- (9) Taxpayers may also receive Form 1099-K from third party settlement organizations (TPSO), subject to certain reporting thresholds.
 - Common examples of TPSOs include phone apps for driving a car for booked rides, property rentals, and online auctions, as well as certain apps that are used to transfer money if the TPSO takes custody of the funds, such as by using an online “wallet” within the app. If the TPSO is an app that is used to transfer money, the Form 1099-K may report proceeds from a mix of business and non-business activity.
 - A TPSO may issue a Form 1099-K for sales of personal items or other non-business transactions, depending on the nature of a taxpayer’s business. However, a Form 1099-K issued by a TPSO may not reliably substantiate the taxpayer’s Schedule C business like a Form 1099-NEC, Form 1099-MISC, or Form 1099-K reporting payment card transactions would.

- The One Big Beautiful Bill Act of 2025 (OBBA) retroactively reinstated the reporting threshold in effect prior to the passage of the American Rescue Plan Act of 2021 (ARPA) so that TPSOs are not required to file Forms 1099-K unless the gross amount of reportable payment transactions to a payee exceeds \$20,000 and the number of transactions exceeds 200.

Note: Under the ARPA reporting threshold, TPSOs were required to file Form 1099-K for any payee that received more than \$600 in total payments for the sales of goods or services, regardless of the number of transactions. Subsequently, *Notice 2023-10*, *Notice 2023-74* and *Notice 2024-85* were issued to provide transition periods and penalty relief for the implementation and enforcement of the ARPA changes to the reporting threshold for TPSOs. Some taxpayers may still receive a Form 1099-K for these transition periods, which could report gross proceeds from business related transactions or from non-business transactions, such as the sale of personal items.

- Taxpayers are provided instructions about how to report these proceeds on *What to do with Form 1099-K | Internal Revenue Service (irs.gov)*.

- (10) The taxpayer is instructed to send in the records they selected or indicated they maintained on Form 11652. For example, taxpayers may submit Form(s) 1099, receipts from suppliers, invoices to customers, mileage logs, or bank account statements.
- (11) If the taxpayer fails to provide any documentation to substantiate the business or to support information they provided on Form 11652, but indicates business records exist, ask the taxpayer to submit these records for verification. If the taxpayer indicates records have been lost or destroyed, inform the taxpayer that they are allowed to re-create records for the examination, which includes but is not limited to, requesting replacement records from banks, suppliers, or payers.

Note: Examiners may reference the SERP job aid, Form 886-A Responses to Taxpayers - Schedule C. This job aid will assist with providing responses to taxpayers.

- (12) It should be noted that a business license alone would NOT substantiate Self Employment (SE) income. The taxpayer would have to provide additional records noted above to validate the Schedule C.

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- (14) An ordinary expense is one that is common and accepted in the business. A necessary expense is one that is helpful and appropriate for the business.
- (15) Throughout the Schedule C examination, examiners should use judgment based on substantiation received and taxpayer statements, to limit or expand the examination scope. Refer to IRM 4.19.13.3.1, Standard 1 - Adequate Consideration of Significant Issues.
- (16) Refer taxpayers to Pub 334, Tax Guide for Small Business (For Individuals who Use Schedule C), and Pub 583, Starting a Business and Keeping

Records, for additional information. The taxpayer may also reference the *Small Business and Self-Employed Tax Center* on [irs.gov](https://www.irs.gov).

- (17) The following guidelines are used to determine if the taxpayer's activity qualifies as a business:

If	And	Then
Schedule C response is received	<p>Taxpayer submits only one of the following:</p> <ul style="list-style-type: none"> Form 1099-NEC Form 1099-MISC Form 1099-K that reports payment card transactions such as credit, debit, and gift cards Form 1099-K that reports third party settlement network payments for services, such as for driving a car for booked rides <p>If you receive a Form 1099-K that reports third party settlement network payments for goods or that are issued by a money transfer app, consider if the taxpayer submitted any other record of income or expenses as shown below and on the Form 11652, to determine if there is a</p>	<p>Check CC IRPTR for the taxpayer for the Form 1099. Also, verify Entity of Payer (CC BMFOL) and Payer Master File (CC PMFOL).</p> <p>Note: See IRM 2.3.53, Command Code PMFOL, for input screen and additional information on command code PMFOL.</p> <p>If the entity is valid and PMFOL matches the Form 1099, accept the Schedule C.</p> <p>If the entity is not valid and PMFOL does not match, do not accept the Schedule C.</p> <p>Inform the taxpayer that our records did not validate taxpayer information. Inform the taxpayer that acceptable payer information will be a letter on business letterhead verifying the amount paid.</p> <p>If the taxpayer is unable to obtain a letter from the payer, offer other options to verify income. See additional guidance below.</p>

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If	And	Then
Schedule C response is received	<p>Taxpayer submits written records of income, such as,</p> <ul style="list-style-type: none"> • Business/Personal bank account statements with business income and expenses highlighted • Electronic payment records with business income and expenses highlighted • Books and other accounting records • Payer records • Some, a variation or all of the above <p>Caution: A written or computer-generated listing of income may not be sufficient to prove income. Examiners should use judgement, along with the Form 11652 entries, to determine if there are additional records the taxpayer may provide to substantiate the income.</p>	<p>Accept the Schedule C if it appears that the information provided substantiates the business.</p> <p>Examiners should use judgement to determine if the business is substantiated with income that does not closely reflect the income reported on the Schedule C.</p> <p>Caution: Do not adjust gross receipts for Form 1099-K amounts reported on Form 8949 (carried to Schedule D) or on Schedule 1, line 8z, as</p>
Schedule C response is received	<p>Taxpayer sends verification of expenses that would substantiate the business, such as,</p> <ul style="list-style-type: none"> • Car and truck expense receipts or mileage log • Contract labor payments • Business insurance/rental contracts • Supply receipts • Business/Occupational licenses • Payer records • Other expense receipts • Cost of goods sold, etc. • Some, a variation, or all of the above 	<p>Accept the Schedule C if the types of expenses are ordinary and necessary for the business activity reported on the return.</p> <p>Examiners should use judgement to determine if the business is substantiated with expenses that do not closely reflect the expenses reported on the Schedule C.</p>

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(18) Follow the procedures for working responses to Schedule C Classifier identified issue(s).

If	And	Then
Schedule C expenses are identified by the classifier	The taxpayer sends in receipts and cancelled checks to verify expenses	Accept the expenses.

If	And	Then
Schedule C expenses are identified by the classifier	The taxpayer does not send in receipts and cancelled checks	Deny the expenses
Schedule C Income is identified by the classifier	The taxpayer submits a Form 1099	Verify Entity of Payer (CC BMFOL) If valid Accept Schedule C. If Not valid, Do not accept Schedule C.
Schedule C Income is identified by the classifier	The taxpayer submits written records of income books, bank statements	Accept Schedule C.
Schedule C Income is identified by the classifier	The taxpayer submits verification of certain expenses that would prove the existence of a business (e.g., advertising, commissions paid, wages paid, appropriate licenses, permits, insurance, cost of goods sold, etc.)	Accept Schedule C.

- (19) If documentation is received that substantiates the business after the issuance of the Statutory Notice of Deficiency (SNOD) and the case is open, process the case as outlined below:

If	And	Then
The time to petition Tax Court has not expired	Sufficient time left in the statute	<p>Prepare a supplemental report with the corrected income. If the Taxpayer signs, close with the agreed deficiency. If Taxpayer does not sign or respond, allow the SNOD to expire, purge on the 105th day, prepare corrected Form 4549 and reissue the SNOD for the correct deficiency. In the explanation to Taxpayer, there must be a statement: This Notice of Deficiency supersedes the Notice of Deficiency dated MMDDYYYY (date of previously issued SNOD).</p>

(20) If the taxpayer responds with request to remove Schedule C income and Schedule C income is not an issue on the original examination, process the case as outlined below:

[illegible]

Note: When deciding to remove income, the taxpayer's credibility should be part of the decision process. Evaluate the taxpayer's oral and written statements, records submitted and internal research to determine credibility. A 2-year ban and/or Penalty can be asserted based upon the facts and circumstances of the case.

- (21) If the taxpayer responds with a request to remove Schedule C income on a Claim, process the case as outlined below:

If	And	Then
Taxpayer requests to remove Schedule C Income when EITC was disallowed, and the Schedule C was not an issue on the original examination	Taxpayer indicates that Schedule C income was reported in error (no indication of recklessness or fraud), e.g., Preparer included without the Taxpayer knowledge. There is no record of Form 1099, NEC income.	Remove the income from the return.
Taxpayer requests to remove Schedule C Income when EITC was disallowed and the Schedule C was not an issue on the original examination	Taxpayer indicates that Schedule C income was reported in error (indication of recklessness or fraud). There is a record of Form 1099, NEC income.	<p>Inform the taxpayer that they should contact the payer and request a corrected document, Form 1099, removing the erroneously reported income. Inform the taxpayer that some payers make documents available on the payer's website.</p> <p>If the taxpayer is not able to contact the payer, or if the payer refuses to send a corrected document; have the taxpayer send or fax a letter of explanation to the address on their letter and the examiner will evaluate the response.</p> <p>If the taxpayer cannot verify the income should be removed, leave the income on the return and follow procedures for issuing a Statutory Notice of Deficiency (if applicable).</p>

- (22) If documentation is received that substantiates the business on Reconsideration, process the case as outlined below:

If	And	Then
Schedule C and EITC were disallowed on the original audit. There is time left in the statute	Taxpayer verifies Schedule C and qualifying children for EITC	Allow the Reconsideration.

If	And	Then
Schedule C and EITC were disallowed on the original examination. There is time left in the statute	Taxpayer verifies Schedule C but does not verify qualifying children for EITC	Allow the Schedule C. Do not allow the EITC. Input TC 290 for the Self-Employment Tax (SET). Taxpayer must sign for the tax increase. If signature not received, issue SNOD.
Schedule C and EITC were disallowed on the Original Audit. There is time left in the statute	Taxpayer verifies qualifying children for EITC but does not verify Schedule C	If there is no other income other than the Schedule C disallowed income, then no EITC should be input. But if there is other income on the return, allow the EITC based on the allowable income.
Schedule C and EITC was disallowed on the original audit. The statute has expired.	Taxpayer verifies Schedule C and qualifying children for EITC	Allow the Reconsideration. TC 290 cannot be input for the SET increase due to the expiration of the statute. Input TC 764 for the refundable amount of the EITC (difference between the SET and EITC). Move the remaining SET monies to Excess Collections. In the explanation to the taxpayer, include the statement: The tax return was timely filed within the prescribed time frame when the income was earned. Note: Do not increase the SE income reported. The Social Security Administration will not use this information when computing the taxpayer's Social Security payment amount unless the ASER is still open for the assessment of social security tax on the increase in SE income. Refer to IRM 25.6.1.9.11.2, SECA Procedures, for additional information. Form 3999, Statute Expiration Report, must be prepared to report the barred SET amount.

- (23) If the taxpayer responds with a request to remove income on Reconsideration and the Schedule C was not an issue on the original examination, process the case as outlined below:

If	And	Then
Taxpayer responds with request to remove Schedule C Income	Taxpayer indicates that Schedule C income was reported in error (no indication of recklessness or fraud), i.e., Preparer included without the Taxpayer knowledge.	Remove the Schedule C from the return.
Taxpayer requests to remove Schedule C Income when EITC was disallowed on original audit but Schedule C was not questioned.	Taxpayer indicates that Schedule C income was reported in error (indication of recklessness or fraud). There is a record of Form 1099, NEC income.	<p>Inform the taxpayer they should contact the payer and request a corrected document, Form 1099, removing the erroneously reported income.</p> <p>Inform the taxpayer that some payers make documents available on the payer's website. If the taxpayer is not able to contact the payer, or if the payer refuses to send a corrected document; have the taxpayer send or fax a letter of explanation to the address on their letter and the examiner will evaluate the response.</p> <p>If the taxpayer cannot verify the income should be removed, leave the income on the return and follow Audit Reconsideration closing procedures.</p>

4.19.14.6.3.1
(01-27-2021)
**Qualified Business
Income Deduction
(QBID) - Statutory
Adjustment**

- (1) The TS audits having the Qualified Business Income Deduction (QBID) issue will be identified by Tracking Code 0918. Within the TS audits, the QBID issue is a statutory adjustment only. The QBID may be adjusted if either the taxable income or Schedule C net profit is changed. Examinations under project codes 0584, 0623, 1351 and 1352 can result in changes which adjust the QBID. However, the QBID issue is not limited to a particular project code.
- (2) The QBID is the lesser of:
 - a. 20 percent of qualified business income (QBI) plus 20 percent of the qualified real estate investment trusts (REIT) dividends and qualified publicly traded partnership (PTP) income or
 - b. An amount equal to 20 percent of the excess (if any) of taxable income of the taxpayer, for the taxable year, over the net capital gain of the taxpayer for the taxable year.
- (3) QBI includes the items of income, gain, deduction, and loss from qualified domestic trades or businesses conducted through a sole proprietorship (Schedule C) or through a partnership, S corporation, and certain estates and

trusts. Amounts received such as wages, capital gain or loss, interest not allocable to a trade or business, and certain dividends are not QBI and **are excluded** from the calculation. A complete list of exclusions can be found in IRC 199A(c)(3)(B).

- (4) The TS audits with a QBID issue will be identified by the Dependent Database and processed by the Filer bridge.

4.19.14.6.3.2
(01-01-2025)

**Schedule C Expenses
with Refundable Credits**

- (1) Schedule C expenses will be examined under Project Code 1363. See IRM 4.19.15.31, Form 1040, Schedule C - Correspondence Examination, for information.
- (2) PC 1363 cases can include other issues and may be full scope. Examiners should refer to the applicable sections of the IRM 4.19.14 to address additional issues.

4.19.14.6.4
(01-01-2024)

EITC - Filing Status

- (1) Following are guidelines to determine if the taxpayer qualifies for "Single" filing status:

If	Accepted proof of status
The taxpayer was never married.	No prior history of filing "Married Filing Jointly" or "Married Filing Separately".
or	
The taxpayer was unmarried or legally separated from their spouse under a divorce or separate maintenance decree, and the taxpayer does not qualify for another filing status.	Copy of divorce decree or separate maintenance. If decree or agreement is dated any day prior to the last day of the year, the taxpayer is considered single for the entire year.
or	
The taxpayer was widowed before January 1 of the tax year and did not remarry before the end of the year.	Copy of death certificate for spouse.

- (2) Following are guidelines to determine if the taxpayer qualified for "Married Filing Jointly" filing status:

A Taxpayer's filing status is "Married filing Jointly" if	Accepted proof requirement
The taxpayers are legally married on the last day of the year, and both consent to file jointly. Taxpayers must be either living together as spouses or living apart but not legally separated under a decree of divorce or separate maintenance.	Both signatures on the return verify consent of both parties. Note: There are instances where the presence of both signatures does not establish the Married Filing Jointly filing status. If conflicting information is received or found during research, refer to IRM 25.15.19.2.4, Joint Returns - Invalidated and IRM 25.15.19.2.4.2, Determining if Joint Election is Valid . Proof of the marriage may be needed.
or	
Taxpayers are living together in a common law marriage that is recognized in the state where they live or in the state where the common law marriage began. The 9 states that recognize common law marriages are CO, IA, KS, MT, OK, RI, TX, UT and the District of Columbia. In order to have a valid common law marriage, the taxpayer and common law spouse must live together for a significant period of time, hold themselves out as a married couple and intend to be married. See IRM 5.19.11.7.1.2.2, Common Law Marriage.	At least two types of documentation to substantiate a claim of common law marriage must be provided. Examples of proof are: <ul style="list-style-type: none"> • Deeds showing title to property held jointly by both parties to the common law marriage • Bank statements and checks showing joint ownership of the accounts • Insurance policies naming the other party as beneficiary • Birth certificates naming the taxpayer and the common law spouse as parents of their children • Loan documents, mortgages, and promissory notes evidencing joint financial obligations
or	
The taxpayer's spouse died during the year.	Death certificate of spouse

(3) Following are guidelines to determine if the taxpayer qualifies for "Head of Household (HOH)" filing status:

HOH - Unmarried Taxpayer Eligibility Requirement	Eligibility Requirement Explanation	Acceptable Documentation
Relationship	Meets QC or QR minus non-relative household member; IRC 2(b)(1)(A)(i) and (ii) and IRC 2(b)(3)(B)(i). Taxpayer is considered not married if spouse is a non-resident alien; IRC 2(b)(2)(B).	Same as Dependent QC or QR . See IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents.
Residency	More than one-half of the year except for dependent parents; IRC 2(b)(1)(A)and (B)	Same as Dependent QC. See IRM 4.19.14.6.5.
Age	N/A	

HOH - Unmarried Taxpayer Eligibility Requirement	Eligibility Requirement Explanation	Acceptable Documentation
Support	Pay for more than one-half the cost of keeping up a home; IRC 2(b)(1). If for dependent parents, must pay more than one-half the cost of keeping up a home that was the parents main home for the entire year; IRC 2(b)(1)(B)	Rent receipts, utility bills, grocery receipts, property tax bills, mortgage interest statement, upkeep and repair bills, property insurance statement, and other household bills If two people are claiming the same QC, receipts may be needed from both.
Citizenship	A married child who fails the citizenship test cannot be a qualifying person for HOH; IRC 2(b)(1)(A)(i)(II)	Birth certificate, Social Security card, citizenship papers, school records
Married Child Joint Return	A married child who fails the joint return test cannot be a qualifying person for HOH; IRC 2(b)(1)(A)(i)(II)	Verify no other return filed with the dependent's SSN. If a joint return was filed, verify the return was filed only as a claim for refund and no tax liability would exist for either spouse on separate returns.
Tie- Breaker Rule	IRC 2(b)(1)(A)(i)	
Requirements and Special Rules	QC must meet QC age and QC support tests; IRC 2(b)(1)(A)(II) QR must be dependent; IRC 2b(1)(A)(ii) Multiple support QR does not apply; IRC 2(b)(3)(B)(ii)	Same as Dependent QC. See IRM 4.19.14.6.5.

HOH - Considered Unmarried Taxpayer Eligibility Requirement	Eligibility Requirement Explanation	Acceptable Documentation
Relationship	Child, adopted child, stepchild, eligible foster child; IRC 7703(b)(1)	Same as Dependent QC or QR. See IRM 4.19.14.6.5.
Residency	More than one -half of the year; IRC 7703(b)(1)	Same as Dependent QC. See IRM 4.19.14.6.5.
Age	N/A	

HOH - Considered Unmarried Taxpayer Eligibility Requirement	Eligibility Requirement Explanation	Acceptable Documentation
Support	Pay for more than one-half the cost of keeping up a home; IRC 7703(b)(2)	Rent receipts, utility bills, grocery receipts, property tax bills, mortgage interest statement, upkeep and repair bills, property insurance statement, and other household bills
Citizenship	A married child who fails the citizenship test cannot be a qualifying person for HOH; IRC 2(b)(1)(A)(i)(II)	Birth certificate, citizenship papers, Social Security card, School Records
Married Child Joint Return	A married child who fails the joint return test cannot be a qualifying person for HOH; IRC 2(b)(1)(A) (i)(II)	Receipts for food, clothing, rent, medical, dental schooling, recreation, and personal items. If two taxpayers are claiming the same QC, receipts may be needed from both.
Tiebreaker Rules	IRC 2(b)(1)(A)(i)	
Requirements and Special Rules	Child must be dependent QC or QR without regard to exceptions for divorced or separated parents; IRC 7703(b)(1) Other rules residence of spouse for last six months of the year apply.	

Note: The taxpayer and spouse must maintain separate residences and must have lived apart for the last six months of the year. If prior year's research indicates conflicting data, proof of divorce or separate maintenance decree and separate residences may be needed.

Note: Since the passage of the ARPA in 2021, the "considered unmarried" exception for HOH is not the same as the "considered unmarried exception" for EITC under IRC 32(d). If the taxpayer is "considered unmarried" for EITC, the taxpayer may need to establish additional requirements to be considered unmarried for HOH. See paragraph (7) of this section for more information about how a taxpayer is considered unmarried for EITC.

(4) Following are guidelines to determine if the taxpayer qualifies for the "Qualifying Surviving Spouse with Dependent Child" filing status.

Note: The phrase "Qualifying Surviving Spouse" replaced "Qualifying Widow(er)" beginning with tax year 2022.

A taxpayer's filing status is "Qualifying Surviving Spouse with dependent child" if:	And	Accepted proof
The taxpayer is filing within two years of the year that the spouse died	The taxpayer did not marry before the end of the current filing year.	Death certificate
The taxpayer is filing within two years of the year that the spouse died	The taxpayer has a child, stepchild, adopted child, or child lawfully placed with the taxpayer for legal adoption by the taxpayer for whom they can claim as a dependent.	Birth certificate, school records, adoption records
The taxpayer is filing within two years of the year that the spouse died	The taxpayer paid more than one-half the cost of keeping up a home that is the main home for them and their child for the entire year.	Receipts and bills for rent, mortgage interest, property taxes, utility charges, upkeep and repairs, property insurance, food consumed in the residence

- (5) Additional information regarding filing status can be found in Pub 501, Dependents, Standard Deductions, and Filing Information, Pub 519, U.S. Tax Guide for Aliens, and Pub 555, Community Property.
- (6) Prior to tax year 2021, taxpayers whose filing status is married filing separate or deemed to be married filing separate are not entitled to EITC with or without Qualifying Child(ren). See IRM 4.19.13, General Case Development and Resolution, for Audit Reconsideration procedures.
- (7) Beginning with tax year 2021, married taxpayers who do not file a joint return (i.e., MFS or HOH and considered unmarried) may qualify for the EITC if they meet the following criteria:
 - Resided with a QC for more than one-half of the year.
 - For the last six months of the year, they do not have the same residence as the spouse**OR** are legally separated according to their state law under a written separation agreement or decree of separate maintenance, and not a member of the same household by the end of the year.

Note: Qualifying individuals must check the appropriate box on Schedule EIC.

4.19.14.6.5
(11-21-2025)
EITC - Dependents

- (1) The One Big Beautiful Bill Act of 2025 (OB BB) permanently eliminated the deduction for personal exemptions. Section 70103 of the OB BB amended IRC 151 and is effective for tax years beginning after 2017.

Note: The OB BB allows for a temporary senior deduction for taxable years beginning before January 1, 2029, if the taxpayer is age 65 before the end of the taxable year.

- (2) The Tax Cuts and Job Act (TCJA) of 2017 amended IRC 151, Allowance of Deductions for Personal Exemptions, and is effective for tax years 2018 through 2025. Section 11041 of the TCJA suspended the deduction for personal exemptions by reducing the amount of the deduction to zero for tax years 2018 through 2025.

- (3) The requirements for claiming dependents prior to tax year 2009, can be found in Pub 501, Dependents, Standard Deduction, and Filing Information.
- (4) For requirements to claim dependents for tax year 2009 and subsequent, see below. The tax examiner must consider other supporting documentation not in the list below and must exercise judgment and use internal research when verifying documents sent in by the taxpayer.
- (5) IRC 152 defines a dependent as a qualifying child (QC) or a qualifying relative (QR). The eligibility requirements to determine whether a dependent is a QC or a QR are different. If an individual is a QC of any taxpayer, they cannot be treated as a QR of a taxpayer. Whether a dependent is a QC or a QR, is relevant for determining if a taxpayer can claim Head of Household (HOH) filing status, the Child Tax Credits, Child and Dependent Care Credit, and the Earned Income Tax Credit.
- (6) See the table below for the QC dependent eligibility requirements.

Qualifying Child (QC) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Relationship	<p>Son or daughter (including an adopted child) Grandchild or great grandchild, stepson, stepdaughter, step-grandchild or step-great grandchild, Child pending adoption, Brother, sister, stepbrother or stepsister or a descendant of any of them (such as a niece or nephew), Eligible foster child (placed with you by an authorized placement agency); IRC 152(c)(2)</p> <p>Note: An individual legally adopted by the taxpayer or an individual who is lawfully placed with the taxpayer for legal adoption is treated as a child of the taxpayer by blood. An eligible foster child is an individual who is placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. The terms brother and sister also include siblings who have only one parent in common, for example, the same mother, but have different fathers.</p> <p>Caution: The Government of Puerto Rico enacted a new law (Law 191 of 2009 as Amended). Effective October 31, 2010, any Puerto Rican birth certificate issued prior to July 1, 2010, is no longer valid. If a taxpayer submits a birth certificate that was issued by the Puerto Rican government prior to July 1, 2010, the birth certificate should not be accepted. The taxpayer should be informed of the new law and directed to contact the Puerto Rico Vital Statistics Record Office to request a new birth certificate.</p>	<ul style="list-style-type: none"> Birth certificates or other official documents of birth that shows the relationship to the dependent claimed. <p>For Example: If the dependent the taxpayer is claiming is the child of the taxpayer's sibling, which is their niece or nephew who lived with them, the taxpayer would need to provide:</p> <ol style="list-style-type: none"> 1. A copy of taxpayer's birth certificate, 2. A copy of the birth certificate of the taxpayer's sister or brother who is the parent of the child, and 3. A copy of the birth certificate of the child claimed. <p>Note: All three birth certificates would be required to prove the relationship of the taxpayer to the child.</p> <ul style="list-style-type: none"> Marriage certificates that verify your relationship to the child Letter from an authorized adoption agency Letter from the authorized placement agency or applicable court document <p>Military Personnel Acceptable proof of status</p> <ul style="list-style-type: none"> Defense Enrollment Eligibility Reporting System (DEERS), which provides a list of authorized dependents whose relationship has been verified. Leave and Earnings Statement (LES), which verifies if the taxpayer is paying a voluntary allotment for Basic Housing Allotment (BHA) payable to the dependents or custodial parent, or if the taxpayer is having child support payments garnished.

Qualifying Child (QC) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Residency	<p>The QC must live in the household for more than one-half of the year; IRC 152(c)(1)(B)</p> <p>Temporary absences count as time lived together.</p> <p>Exceptions apply for children of divorced or separated parents; IRC 152(e)</p> <p>If a QC who was born or died during the year, lived with the taxpayer for more than one-half of the portion of the taxable year during which the QC was alive, residency test is treated as met. Prop. Reg. 1.152-4(d)(1).</p> <p>A child adopted by the taxpayer, a child lawfully placed with the taxpayer for legal adoption, or an eligible foster child placed with the taxpayer, meets the residency test for a QC if the child has the same residence as the taxpayer for more than one-half of the portion of the year following the placement of the child with the taxpayer.</p> <p>Example: An eligible foster child is placed with the taxpayer on August 1, 2021, through the end of tax year 2021. The child meets the residence test if the child resides with the taxpayer for more than 2 and ½ months.</p>	<ul style="list-style-type: none"> • Photocopies of school, medical, childcare provider (provider can't be a relative) or social service records that shows the name of child's parent or guardian, child's address and the dates they lived with taxpayer. <p>Note: The taxpayer may provide other documentation to show residency. Most report cards do not have all the required information to prove residency, but some report cards do have the requested information and should be accepted.</p> <ul style="list-style-type: none"> • A letter on official letterhead from a school, a health care provider, a social service agency, placement agency official, employer, Native American tribal official, landlord or property manager, or a place of worship that shows the name of child's parent or guardian, child's address and the dates they lived with taxpayer <p>Note: If the lease is not available on official letterhead, the taxpayer may submit a copy of their existing lease for consideration, along with additional supporting documentation.</p> <p>Note: If the taxpayer's address is a post office box, request a photocopy of the stamped/accepted Postal Form 1093, Application for Post Office Box Service, to verify the taxpayer's street address.</p>

Qualifying Child (QC) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
		<p>Note: If internal research validates information listed on the documents provided by the taxpayer to show residency, use professional judgment to allow. Example: A letter from a landlord, not on official letterhead, verifying the dependent's residency, and Accurant verifies the landlord is the owner of the property, may be accepted.</p>
Age	<p>Under age 19 at the end of the tax year and younger than taxpayer (or taxpayer's spouse, if filing jointly)</p> <p>or</p> <p>Under age 24 at the end of the tax year, a student, and younger than taxpayer (or taxpayer's spouse, if filing jointly)</p> <p>Note: See definition of student in IRC 152(f)(2).</p>	<ul style="list-style-type: none"> The taxpayer should send photocopies of official school records showing the child was a full-time student for at least five months of the tax year. The school records should show the dates of attendance. The months of attendance do not have to be consecutive.
Age	<p>Any age if permanently and totally disabled at any time during the tax year; IRC 152(c)(3).</p> <p>Note: See definition of permanently and totally disabled in IRC 22(e)(3).</p>	<ul style="list-style-type: none"> The taxpayer should send a letter from the dependent's doctor, other health care provider, or any social service program or agency verifying the dependent is permanently and totally disabled. <p>For Example: Statements from Social Security Administration (SSA) which indicate a QC is receiving Supplement Security Income (SSI) payments may be accepted as verification a dependent is permanently and totally disabled when:</p> <ol style="list-style-type: none"> 1. The dependent is 18 years or older, 2. The SSI is for the audit year, and 3. The dependent is not filing a tax return for the year under audit. <ul style="list-style-type: none"> Use IDRS Command Code INOLE to verify QC age.

Qualifying Child (QC) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Support	QC cannot provide more than one-half of their own support; IRC 152(c)(1)(D).	The taxpayer may provide receipts for food, clothing, rent, medical, dental, schooling, recreation, and personal items.
Citizenship	<p>Citizen, national, resident alien of the U.S., resident of Canada or Mexico, or adopted child. The exception for an adopted child is found in IRC 152(b)(3). If the taxpayer is a U.S. citizen or U.S. national who has legally adopted a child who is not a U.S. citizen, U.S. resident alien, or U.S. national, and the child lived with the taxpayer as a member of the taxpayer's household all year, the citizenship test is met. The citizenship test is also met if the child was lawfully placed with the taxpayer for legal adoption and the child lived with the taxpayer for the rest of the year after placement.</p> <p>Note: Refer to Pub 519, U.S. Tax Guide for Aliens</p>	<p>A U.S. birth certificate, unexpired U.S. passport, driver's license (if citizenship is required by state law), school records, parole office files, Social Security card, green card (permanent resident card) or other DHS documents may be provided.</p> <ul style="list-style-type: none"> A U.S. resident alien who does not have a green card must either show (1) the substantial presence test was met, or (2) they resided in Canada or Mexico. Use IDRS Command Code DDBKD to research QC citizenship status.
Married Child Joint Return	Per IRC 152(b)(2), a QR shall not include an individual who has made a joint return with the individual's spouse for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.	Verify no other return filed with dependent's SSN. If joint return filed, verify the return was filed only as a claim for refund and no tax liability would exist for either spouse on separate returns.
Tie-Breaker Rule	IRC 152(c)(4) defines the Tie-breaker rules. Refer to IRM 4.19.14.6.1, EITC Qualifying Child (QC) for additional information.	IRC 152(c)(1) provides a uniform definition of a QC for determining whether a taxpayer qualifies for the HOH filing status, CDCC, CTC/ACTC, and EITC, for the dependent claimed. Notice 2006-86 clarifies that, unless the special rule in IRC 152(e) for divorced or separated parents applies, the tie-breaking rule in IRC 152(c)(4) applies to these provisions as a group, rather than on a section-by-section basis.

Qualifying Child (QC) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Requirements and Special Rules	The taxpayer cannot be a dependent of another taxpayer; IRC 152(b)(1).	<p>If the taxpayer is claimed as a dependent on another taxpayer's return, and the taxpayer says they should not be claimed on the other taxpayer's return but is self-supporting; the taxpayer needs to provide documentation showing self-support. Some examples are:</p> <ul style="list-style-type: none"> • Utility bills • Rent or mortgage • Receipts, property tax bills <p>Note: These items can be used as proof of self-support and residence. If housing is an item of support, then its value is the rent paid or the fair rental value of the housing.</p>

(7) Complete Master File research on all TIN's listed on DDBOL

- Complete Master File research using DDBKD to verify relationship. Accept Birth Certificate(s) proving relationship. DDBKD also indicates if the taxpayer was the QC of someone else.
- Complete INOLE research for age verification and TIN issuance date. See IRM 4.19.13.4, Researching Cases.
- Request proof of separate residence from the person claiming the QC, such as rent receipts, school records, property tax bill, or utility receipts, if research indicates taxpayer is married.

(8) See the table below for the QR dependent eligibility requirements.

Qualifying Relative (QR) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Relationship	<p>Per IRC 152(d)(2), relationship is defined as a child (son, daughter, adopted child, stepchild, eligible foster child) or descendants. Sibling of son or daughter or step-sibling or step-parent.</p> <p>Parent or ancestor of sibling In-laws (mother, father, brother, sister, son, daughter).</p> <p>Non-relative household member who was not a spouse at any time during the year if the relationship is not in violation of local law.</p> <p>Note: Any of the relationships listed above that were established by marriage are not ended by death or divorce. A person related to a taxpayer in any of the ways listed above does not have to live with the taxpayer to meet the dependency residency test.</p> <p>Caution: The Government of Puerto Rico enacted a new law (Law 191 of 2009 as Amended). Effective October 31, 2010, any Puerto Rican birth certificate issued prior to July 1, 2010, is no longer valid. If a taxpayer submits a birth certificate that was issued by the Puerto Rican government prior to July 1, 2010, the birth certificate should not be accepted. The taxpayer should be informed of the new law and directed to contact the Puerto Rico Vital Statistics Record Office to request a new birth certificate.</p>	<ul style="list-style-type: none"> • Birth Certificate(s) showing relationship, adoption papers, court documents, school records. • IDRS Research. • If taxpayer claims a person who does not meet the relationship as defined in IRC 152(d)(2) as a QR, the taxpayer should send proof the person has lived in their home for the entire 12 months of the year.

Qualifying Relative (QR) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Residency	<p>Residency requirements applicable only to household members who are not related. Non-relatives must verify residency for the entire year per IRC 152(d)(2)(H). Temporary absences count as time lived together; birth or death during the year count as entire year if QR lived with taxpayer the entire time alive per IRC 152(f)(6)(C)(ii). Exceptions apply for children of divorced or separated parents; IRC 152(e).</p>	<p>To show the taxpayer and non-relative living at the same address or addresses for the entire tax year, the taxpayer should send either:</p> <ul style="list-style-type: none"> • School, medical, daycare, or social service records that show the common address and dates. • A letter on the official letterhead from a school, medical provider, social service agency, or place of worship that shows names, common address, and dates. <p>Do not accept documents signed by someone related to the taxpayer. If the taxpayer submits a document from a relative, inform the taxpayer they need to provide a document from an unrelated party.</p>
Age	N/A	

Qualifying Relative (QR) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Support	<p>Taxpayer must provide over one-half of QR support per IRC 152(d)(1)(C). Multiple support applies.</p> <p>An exception applies for children of divorced or separated parents per IRC 152(e). Kidnapped child exception applies per IRC 152(f)(6)(C).</p> <p>Note: Payments received under Temporary Assistance for Needy Families (TANF) or other public assistance programs used to pay the costs of keeping up the home, can be counted as money provided by the recipient (taxpayer).</p>	<p>Taxpayer should send copies of the following documents as proof they provided more than one-half of their dependent's total support.</p> <ul style="list-style-type: none"> • A statement of account from a child support agency • A statement from any government agency verifying the amount and type of benefits the taxpayer and/or the taxpayer's dependent received for the year • Rental agreements or a statement showing the fair market value of taxpayer's residence (proof of lodging cost) • Utility and repair bills (proof of household expenses) with canceled checks or receipts • Day-care, school, medical records or bills (proof of child's support) with canceled checks or receipts • Clothing bills (proof of child's support) with canceled checks or receipts
Citizenship	Same as Dependent QC. See IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents.	Same as Dependent QC. See IRM 4.19.14.6.5.
Married Child Joint Return	Per IRC 152(b)(2), A QC does not include an individual who is married at the end of the tax year, unless the individual (i.e., taxpayer) is only filing a claim for refund return only and no tax liability would exist for either spouse on separate returns.	Same as Dependent QC. See IRM 4.19.14.6.5.
Tie- Breaker Rule	Does not apply	

Qualifying Relative (QR) Eligibility Requirement	Eligibility Requirement Explanation	Supporting Documentation
Requirements and Special Rules	QR Cannot be qualifying child of another taxpayer; IRC 152(d)(1)(D)	If the QR qualifies as a QC for another taxpayer, i.e., meets the age, relationship and residency tests, the child may not be claimed as a QR by any taxpayer. However, an individual is not a QC of "any other taxpayer" if the individual's parent (or other person with respect to whom the individual is defined as a QC) is not required to file an income tax return and (i) does not file an income tax return, or (ii) files an income tax return to only obtain a refund of withheld taxes.
	For TY 2025, the QR gross income must be less than \$5,200(\$5,050 for TY 2024; \$4,700 for TY 2023), excluding qualified income for permanently disabled QR; IRC 152(d)(1)(B), IRC 152(d)(4) taxpayer cannot be a dependent of another taxpayer; IRC 152(b)(1)	Verify that there is no return filed showing income for the dependent. Review CC IRPTR to verify income and/or type reported for dependent.

- (9) Additional information regarding Personal Exemptions and Dependents can be found in Pub 501 and Pub 17, Your Federal Income Tax (For Individuals).
- (10) When dependents are disallowed, consider all related credits.
- (11) There is a **Special rule for children of divorced or separated** parents. This rule also applies to parents who never married. The **custodial parent** is the parent having custody for the greater part of the calendar year. The **noncustodial parent** is the parent who is not the custodial parent.
- (12) A child may be treated as the QC of the noncustodial parent for purposes of claiming the QC as a dependent, and for the child tax credit, the additional child tax credit, and the credit for other dependents (but not the EITC, dependent care credit, or HOH), if all of the following applies:
 - The child received over one-half of their support for the calendar year from the parents. In the case of the remarriage of a parent, support received from the parent's spouse shall be treated as received from the parent.
 - The child is in the custody of one or both parents for more than one-half of the calendar year.
 - The custodial parent completes and signs the Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, which provides that the custodial parent will not claim the child as a dependent for the taxable year in question, or for a number of years, which includes the taxable year in question. The custodial parent

may, in lieu of the Form 8332, sign a similar statement containing the same information required by the Form 8332.

- (13) The following tests must also be met for the noncustodial parent to claim the child as a dependent:

Test	Requirement	Requirement
Citizen, National, or Resident Test	The taxpayer's dependent must be a U.S. citizen, national, or U.S. resident alien, or a resident of Canada or Mexico.	Birth certificate, driver's license, school records, library card, green card, or INS documents

Test	Requirement	Requirement
Support Test	<p>Additionally, if the support of a child is not determined under a multiple support agreement and if all the following are met:</p> <ol style="list-style-type: none"> 1. The parents are divorced or legally separated under a decree of divorce or separate maintenance, or separated under a written separation agreement, or lived apart at all times during the last 6 months of the calendar year. 2. One or both parents provide more than half of the child's total support for the calendar year. 3. One or both parents have custody of the child for more than one-half of the calendar year. 4. The custodial parent releases a claim to an exemption for the child by a written declaration, as prescribed by the regulations, and the noncustodial parent attaches the release to their tax return. 	<p>Divorce or separation agreement. Form 2120, Multiple Support Declaration, if provided by taxpayer. The U.S. Tax Court issued a decision on the use of Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, in <i>King v. Commissioner</i> (121 TC 245), September 26, 2003. Under the ruling, the use of Form 8332 may also apply to the never married parents of minor children, if they have lived apart at all times during the last 6 months of the calendar year. The Form 8332 was revised to delete all references to the requirement that the custodial and non-custodial parents must be or have been married to each other before the special support tests apply. For Examination, if a signed Form 8332 is submitted during the audit, the non-custodial parent is treated as providing more than one-half the support for the year, and is entitled to the exemption if the other 4 dependency tests are met (relationship/member of Household, citizen, national, or resident, gross income; joint return) provided that one or both parents furnish over one-half of the child's total support for the year. This applies whether or not the parents of the child were ever married. This also means that under IRC 152(e)(1), the never married custodial parent living apart from the child's other parent is entitled to a presumption of greater than 50 percent of support on the same basis as the custodial parents who are divorced or legally separated under a written agreement. Refer to IRM 4.19.15.11.2, Processing Taxpayer Replies, for additional guidance when evaluating Form 8332.</p>

- (14) Additionally, a married filing joint status is allowed for the taxpayer and their spouse if they meet the following requirements.

Requirement	Verifying Information
Neither the taxpayer nor the taxpayer's spouse is a dependent of another taxpayer. See the Joint Return Test exception for Dependents in Publication 17, Your Federal Income Tax (For individuals).	If the taxpayer is claimed as a dependent on another taxpayer's return, and the taxpayer says they should not be claimed on the other taxpayer's return but is self-supporting, taxpayer needs to provide documentation showing self-support. Some examples are utility bills, rent or mortgage receipts, property tax bills. These items can be used as proof of self-support and residence.
If married filing joint,	Marriage certificate
If the taxpayer's spouse died during the year and the taxpayer did not remarry by end of year, the taxpayer may use the married filing joint filing status.	Death certificate and, if remarried, marriage certificate showing new marriage after last day of tax year.

Note: A taxpayer may file a separate return and claim self if they are not the dependent of another taxpayer.

4.19.14.6.6
(12-07-2018)
Closing Actions

- (1) See IRM 4.19.13.30 , Campus Exam Closing Actions.

4.19.14.6.7
(07-13-2022)
Prior Year Earned Income (PYEI)

- (1) For tax year (TY) 2020, a taxpayer can elect to use their TY 2019 earned income (PYEI) to calculate the Earned Income Credit or Additional Child Tax Credit if their TY 2019 earned income is more than their TY 2020 earned income. The taxpayer can apply the election to either credit or both credits, even if they did not have earned income for the current year.
- (2) For tax year (TY) 2021, a taxpayer can elect to use their TY 2019 earned income (PYEI) to calculate the Earned Income Credit if their TY 2019 earned income is more than their TY 2021 earned income. The taxpayer can make the election even if they did not have earned income for the current year.

Note: The taxpayer cannot elect to use their TY 2020 earned income to calculate the Earned Income Credit on the TY 2021 return.

- (3) Examiners should verify the taxpayer's reported 2019 earned income on the current year's return, by reviewing the TY 2019 tax return using CC TRDBV, CC RTVUE or the Employee User Portal (EUP), and if necessary, obtain the amended TY 2019 return. Examiners can use CC TXMOD to view changes to the tax return. See IRM 21.6.3.4.2.7.4, Earned Income Tax Credit (EITC) - Earned Income, to assist with the earned income determination.

If	And	Then
The reported 2019 earned income matches the earned income on the TY 2019 tax return	The TY 2019 earned income is more than the current year earned income	Allow the taxpayer's election.
The reported 2019 earned income matches the earned income on the TY 2019 tax return	The TY 2019 earned income is less than the current year earned income	Do not allow the taxpayer's election. Remove the TY 2019 earned income (PYEI) from RGS Return Setup, if applicable. Inform the taxpayer the election is disallowed because the TY 2019 earned income is less than the current year earned income.
The reported 2019 earned income does not match the earned income on the TY 2019 tax return	The TY 2019 earned income is more than the current year earned income	Allow the taxpayer's election for the amount of TY 2019 earned income (PYEI). Update the TY 2019 earned income (PYEI) in RGS Return Setup. Inform the taxpayer the election is allowed for the amount of the TY 2019 earned income.
The reported 2019 earned income does not match the earned income on the TY 2019 return	The TY 2019 earned income is less than the current year earned income	Do not allow the taxpayer's election. Remove the TY 2019 earned income (PYEI) from RGS Return Setup, if applicable. Inform the taxpayer the election is disallowed because the TY 2019 earned income is less than the current year earned income.

4.19.14.6.8
(11-21-2025)

**Problem Correction
Reports**

- (1) The following reports allow the sites to identify pre-refund cases where the refund was held with a TC 810 and may have been processed incorrectly. Examiners will follow these procedures for correct resolution of the cases.
- (2) The reports are to be worked within fourteen days of posting to Control "D" or Tableau to ensure that taxpayer refunds are issued timely. The reports are important because they detect taxpayer refunds held for excessive periods or detect EITC Recertification indicators not released timely.
- (3) The reports should be annotated to reflect the status of the cases, and necessary actions taken as outlined below. The reports follow the monthly AIMS reporting cycle, but do not generate a report in January. The annotated reports should be retained for six months.
- (4) The sites are required to send a summary confirmation via e-mail detailing the results or trends for each report to their respective TS Headquarter (HQ) Analyst.
 - For EITC reports #2, #3 and #5, send results to the EITC Recertification Program Analyst.
- (5) In addition, HQ may randomly ask the sites to provide copies of the annotated reports.
- (6) The following table explains procedures which should be followed for working the EITC Reports numbers 1, 2, 3, 4 and 5.

Report	If Account has:	Then
REPORT # 1 Removed as of Cycle 2010 - 08		
REPORT # 2 TC 810 TC 421 and No TC 811	Credit balance and TC 300 for 0, DC 02	Release refund with TC 811
	Credit balance and DC other than 02	Determine if TC 810 should be released. (Case file may need to be pulled and reopened if closed in error).
REPORT # 3 TC 810, TC 811, TC 420, and No TC 421	Been reviewed and it is determined that the account had a refund released in error (Pull case file if necessary)	Continue the audit.
	Been reviewed and it is determined that the account has been properly resolved (Pull case file if necessary)	Input TC 421.

Report	If Account has:	Then
REPORT # 4 Removed as of tax year 2012		
REPORT # 5 TC 150 and TC 810-3 (posting the same cycle as the TC 150) TC 300 - DC 02	A recertification indicator is present on ENMOD, and a determination can be made to release the recertification indicator	Input TC 971 action code 056, Input TC 811.
	A recertification indicator is present on ENMOD, and a determination has been made that an incorrect disposal code was used . Do not release recertification indicator.	

Note: Annotate the 810 listing with action taken. Retain listing for six (6) months.

4.19.14.7
(11-21-2025)
Recertification

- (1) For years after 1996, taxpayers whose EITC was denied or reduced under deficiency procedures must attach Form 8862, Information to Claim Certain Credits After Disallowance, to the next tax return to claim EITC.
- (2) Additionally, for any years after 2015, taxpayers whose EITC, CTC/ACTC/refundable CTC (RCTC)/ODC or AOTC was denied or reduced under deficiency procedures must attach Form 8862 to the next tax return to claim those credits. Because the ODC and RCTC are part of the CTC, taxpayers whose ODC and RCTC are denied or reduced under deficiency procedures must attach Form 8862 to claim the CTC, ACTC, RCTC or ODC in a future year.

Note: The TCJA authorized the ODC beginning with Tax Year 2018 through 2025. The ARPA authorized the RCTC, which is only available for tax year 2021.

Note: Beginning with TY 2025, the ODC was made permanent with implementation of the OBBB.

- (3) If the EITC, combined CTC/ACTC/ODC/RCTC, or AOTC is disallowed or reduced, a CP 79 will be mailed to the taxpayer informing them that the credits were disallowed and that they will be required to file Form 8862 to recertify the next time they claim the credit. A Recertification Indicator (RI) will remain on the account until the taxpayer recertifies.

Note: If the taxpayer files the subsequent year's return claiming EITC with no qualifying child(ren), the taxpayer is not required to attach Form 8862 to recertify.

The EITC will be allowed, and the RI is not removed. The taxpayer will be required to recertify for the next year that EITC with a qualifying child is claimed.

- (4) Credits claimed by taxpayers who are required to recertify but do not attach Form 8862 to their next return will be denied through Math Error procedures during the processing of the tax return under IRC 6213(g)(2)(K), (P), and (Q).
- (5) The RI 1 will be placed on the National Accounts Profile (NAP) when:
 - EITC is denied and a TC 30X and TC 765 posts to the account
 - AOTC is denied and a TC 30X and a Reason (RC) 178 posts to the account
 - CTC/ACTC/RCTC/ODC is denied and a TC 30X and (RC) 181 posts to the account.

Note: The adjustment to the amount of CTC plus ACTC plus ODC during the audit must be less than the combined amount of CTC plus ACTC plus ODC per return. For example, an increase to CTC of \$1,000 with a decrease to ACTC of \$1,000 will not set the indicator.

- (6) EITC cases that have an RI 1 will be selected under the following Project Codes (PC):
 - PC 0694 - Full scope EITC
 - PC 0257 - Schedule C and full scope EITC
 - PC 0027 - Full scope EITC with 2-year ban proposed
 - PC 0028 - Schedule C and full scope EITC with 2-year ban proposed
 - PC 0903 - Pick-up of Recertification case (Prior PC 0694)
- (7) AOTC and ACTC may have an RI of 1, if the credit was reduced or removed previously. Recertification Indicators can be located with IDRS CC INOLE, ENMOD or CC IMFOLE.
 - a. AOTC recertification will be worked in PC 1515. The tracking codes below indicate the filter used to select the return for examination:

#

- b. ACTC recertification will be worked in PC 1516 and may have tracking code:
 - Tracking Code 6693 = Systemic 2-Year Ban on CTC/ACTC cases.
- (8) RI 2 is set when a 2- year ban is being imposed, and RI 4 is set when a 10- year ban is being imposed. Refer to 4.19.14.7.1. 2/10 Year Ban Guidelines for Correspondence Examination Technicians (CET) for more information.
- (9) RI 3 indicates that the taxpayer has successfully recertified for the indicated credit after the banned period has expired but is still under the ban for the banned years. RI 2 or 4 is converted into a 3 by inputting TC 971 with either

Action Code (AC) 056, 161, or 160 when the tax year is > or = to the EL-TXPD/ELG TXPD field on ENMOD or IMFOLE. Refer to paragraph 15 for more information.

- (10) RI 9 is set when the taxpayer's EITC was adjusted due to a change in the income and not qualifying children. This is input with a TC 971 and AC 156 and is only used for EITC.
- (11) The entity module, CC IMFOLE or ENMOD will reflect the R1, RI 9, RI 2, or RI 4, the tax period the ban was set, and the tax period when the taxpayer can claim the credits. The following table explains the RI and the action required:

If the RI is;	And	Then
Blank or 00		Recertification is not required.
1		Recertification is required.
9		Recertification is required.
2	The tax year is < the -EL-TXPD field and > the -TXPD field	Taxpayer is under a 2-year ban and not eligible for the applicable credit(s).
2	The tax year is > or = to the -EL-TXPD field	Recertification is required.
3	The tax year is < the -EL-TXPD field	The taxpayer recertified after the 2 or 10 - year ban expired. However, the 2 or 10- year is still in place for the banned years.
3	The tax year is > the -EL-TXPD field .	Recertification is not required.
4	The tax year is < the -EL-TXPD field and > the -TXPD field	Taxpayer is under a 10-year ban and not entitled to the credit.
4	The tax year is > or = to the EITC-EL-TXPD field	Recertification is required.

- (12) When working a taxpayer's response on a Recertification case, the prior year audit must be researched and documented in the workpapers per IRM 4.19.13.6, Workpapers for All Cases. Listing only the IDRS Command Codes used to perform the research is not sufficient.
- (13) Research the prior audit information in Correspondence Examination Automation Support (CEAS) to determine if the prior audit adjustments are relevant to the credits under current examination. Relevant information includes all prior phone contacts and written correspondence, as well as the facts and circumstances that are similar or different in making a determination in the current year. See IRM 4.19.13.3.1, Standard 1 - Adequate Consideration of Significant Issues, for more information on consideration of prior/subsequent year returns.

- (14) If the research of the prior year audit shows that the taxpayer was informed of the rules and regulations and they recklessly or intentionally disregarded the rules and regulations for claiming the credits in the current year, then the 2-year ban should be considered based on the facts and circumstances of the prior years' audit and current year audit. The workpapers must clearly outline the reasoning for assertion and non-assertion of the 2-year ban. See IRM 4.19.14.7.1, 2/10 year Ban Guidelines for Correspondence Examination Technicians (CET).
- (15) When a case is being closed as a no change, use the prior years' audit research to document the workpapers to explain why the credit was disallowed in the previous audit and is now allowable in the current audit.
- (16) Master File programming automatically removes the RI 1 or 9 when a case is closed and the taxpayer receives the full EITC, CTC/ACTC/RCTC/ODC, or AOTC claimed under the conditions detailed below:

EITC

- TC 300 for \$0 amount containing Disposal Code (DC) 02 if the module contains, TC 764 or TC 768, or
- TC 421 with a DC 20 if the module contains a TC 764 or TC 768, or
- Current posted TC 764 with an amount equal or exceeds a prior TC 765 with doc. code 47.

Note: All other conditions or DC(s) will still require the manual removal of the RI. This is done by inputting TC 971 AC 056.

CTC/ACTC

- TC 300 for \$0 amount with a DC 02 and the RC 185 is input, or
- TC 421 with a DC 20 and the Tax Module contains a TC 766 Credit Reference Number (CRN) 336 or
- Current posted TC 766 CRN 336 with an amount equal or greater to the amount of a prior posted TC 767 Doc code 47 with CRN 336.

Note: NOTE: All other conditions or DC(s) will still require the manual removal of the RI. This is done by inputting TC 971 AC 161.

AOTC

- TC 300 for \$0 amount of DC 02 and RC 184 is input, or
- TC 421 with a DC 20 and the Tax Module contains a TC 766 CRN 260, or
- Current posted TC 766 CRN 260 with an amount equal or greater to the amount of a prior posted TC 767 Doc code 47 with CRN 260.

Note: All other conditions or DC(s) will still require the manual removal of the RI. This is done by inputting TC 971 AC 160.

- (17) When an RI 1 is removed by input of TC 971 AC 056 (EITC), AC 160 (AOTC), AC 161 (CTC/ACTC/ODC), Master File will mail a CP 74 to the taxpayer. The CP 74 informs the taxpayer they have recertified, and will receive a refund within 6 weeks, provided the taxpayer owes no other taxes or debts.

- (18) Recertification indicators should only be removed for credits that have been substantiated in the current examination, with the exception of a taxpayer claiming the EITC without a qualifying child. For example, if there is a recertification indicator present for AOTC, but AOTC was not claimed in the current examination, the indicator should remain on the module. This is to ensure that the account continues to be selected for audit the next time that the taxpayer claims the AOTC.

4.19.14.7.1
(11-21-2025)
**2/10 Year Ban
Guidelines for
Correspondence
Examination Technicians
(CET)**

- (1) The **2-year ban** must be considered by the CET on every EITC, CTC/ACTC/ODC or AOTC deficiency case.
- (2) The 2-Year ban applies when it is determined that a taxpayer;
- recklessly or intentionally disregarded the EITC, CTC/ACTC RCTC/ODC or AOTC rules and regulations when claiming the credit(s),

Note: The term “disregard” includes any careless, reckless or intentional disregard of rules or regulations. A disregard of rules or regulations is “careless” if the taxpayer does not exercise reasonable diligence to determine the correctness of a return position that is contrary to the rule or regulation. A disregard is “reckless” if the taxpayer makes little or no effort to determine whether a rule or regulation exists, under circumstances which demonstrate a substantial deviation from the standard of conduct that a reasonable person would observe. A disregard is “intentional” if the taxpayer knows of the rule or regulation that is disregarded.

- the credit(s) are denied in a statutory notice of deficiency, and
 - the deficiency is assessed.
- (3) A taxpayer’s failure to respond adequately or failure to respond at all, does not by itself, indicate that the taxpayer recklessly or intentionally disregarded the rules and regulations.
- (4) The examiner must consider a variety of facts when determining whether the 2-year ban should be imposed. Upon receipt of correspondence from the taxpayer, the examiner must do the following to determine whether the 2-year ban should be asserted based on applicable tax law:
- Review the correspondence submitted by the taxpayer and document workpapers as described in IRM 4.19.13.6, Workpapers for All Cases.
 - Perform and document IDRS research for facts that affect the case as described in IRM 4.19.13.4, Researching Cases. Examiners should note that listing the CC(s) reviewed is not sufficient documentation.
 - Research and document all related CEAS records including any prior or subsequent tax years. Cross-reference taxpayers and complete research to determine if there is information relevant to the issues under examination.
- (5) For a ban to be applied for the EITC, CTC/ACTC/ODC or AOTC there must be a deficiency created due to a reduction in the above credits.

Example 1: In the example below, the net adjustment to CTC/ACTC/ODC is a disallowance of \$1,200. The penalty and ban can be asserted.

Credit	Per Return	Per Audit	Adjustment
CTC	\$1,800	-0-	(\$1,800)
ACTC	\$4,200	\$2,800	(\$1,400)
ODC	\$500	\$2,500	\$2,000
Combined Total	\$6,500	\$5,300	(\$1,200)

Example 2: In the example below, the net adjustment to CTC/ACTC/ODC is zero. The penalty and ban do not apply.

Credit	Per Return	Per Audit	Adjustment
CTC	-0-	\$600	\$600
ACTC	\$5,400	\$2,800	(\$2,600)
ODC	-0-	\$2,000	\$2,000
Combined Total	\$5,400	\$5,400	-0-

- (6) If the 2-year ban will not be asserted for the applicable credits, the CET must provide the reason for the decision to not assert the ban for each credit on Form 4700, Examination Workpapers.
- (7) If the 2-year ban will be asserted for the applicable credits, the CET must provide the reason for the decision to assert the ban for each credit on Form 4700. The CET must also provide the reason for assertion of the 2-year ban on Form 886-A, Explanation of Items.

Note: Reminder: Do not use standard statements such as, “The 2-year ban is applicable because taxpayer showed intentional disregard of the rules and regulations for EIC/CTC/ACTC/refundable CTC/ODC or AOTC”. Proper workpaper documentation should clearly outline the audit steps taken and fully explain the decision to assert or not assert the 2-year ban. A proper Form 886-A will also clearly outline the facts gathered from the taxpayer’s documentation, contact with the taxpayer, research, and prior year CEAS workpapers; and fully explain the decision to assert the 2-year ban.

- (8) Prior to communicating the ban to the taxpayer or taking steps in Report Generation System (RGS) to assert the ban, the CET must request supervisory approval to assert the ban. See IRM 4.19.13.7.1.1, Supervisory Approval of Bans.
- (9) The supervisor must review the entire case file and ensure the following:
 - The workpapers are documented according to IRM 4.19.13.6, Workpapers for All Cases, including the decision and reason to assert the 2-year ban, and
 - The Form 886-A includes the decision and the reason to assert the 2-year ban, and
 - The decision to assert the 2-year ban is warranted.

To approve the two-year ban, supervisors will enter a CEAS Non-Action Note per IRM 4.19.13.7.1.1, Supervisory Approval of Bans

- (10) Once approval is received from the supervisor, the CET will do the following:
- Take the appropriate steps in RGS to assert the 2-year ban
 - Complete Form 5344 by inputting:
 - a. For EITC, Transaction Code (TC) 300, 765, 240 (CRN 680) and either the Priority Code 6 or 7.
- Note:** Use Priority Code 6 to apply the ban. Use Priority Code 7 to apply the ban and bypass an amended return freeze on the account.
- b. For CTC/ACTC/RCTC/ODC, TC 300, RC 182.
 - c. For AOTC, TC 300, RC 179.
 - d. Validate and save Form 5344 to complete the assertion of the 2-year ban.
- (11) The systemic 2-year CTC/ACTC/RCTC ban cases are identified with Tracking Code 6693. When Tracking Code 6693 is present, Automated Correspondence Exam (ACE) will insert RGS paragraph 7312 on the CTC issue and systemically applies Items 51, 52, or 53 on Form 5344 to set RC 182 and the CTC/ACTC/RCTC 2-year ban at closing.
- If the taxpayer does not reply, the 2-year ban will systemically post to Master File along with the CTC/ACTC/RCTC disallowance.
 - If the taxpayer does reply and review of the correspondence results in the determination that the 2-year CTC/ACTC/RCTC ban will continue to be asserted, the CET must do the following:
 - a. Follow the guidance provided in paragraphs 4 and 5 on documenting Form 4700 workpapers and Form 886-A; and obtaining supervisory approval to assert the ban.
 - b. Enter RC 182 on Form 5344, and validate.
 - If the taxpayer does reply and review of the correspondence results in the determination that the 2-year CTC/ACTC/RCTC ban is not warranted, or the case can be closed no change, the CET must do the following:
 - a. Follow the guidance provided in paragraph 3 on documenting Form 4700 workpapers.
 - b. Manually remove RGS paragraph 7312 from the CTC issue.
 - c. Verify that RC 182 is removed from Form 5344.
 - d. Re-validate Form 5344.
- (12) When the case closes and the ban is being imposed, Master File will mail CP 79A to the taxpayer explaining that the 2-year ban was applied and what they need to do after two years.
- (13) Recertification Indicators to identify the 2/10 year bans are found on IDRS Command Code ENMOD and IMFOLE.

Note: When an ACTC RI is present, it includes CTC, RCTC and ODC.

Example: The taxpayer's 2019 return was audited, ACTC was disallowed under deficiency procedures and a 2-year ban on claiming the ACTC was set. The taxpayer is banned from claiming CTC, RCTC, ACTC, and ODC in the ban years.

ENMOD will display:

1. EITC/ACTC/AOTC- RECERT-IND -“2” (2-year ban) or “4” (10-year ban)
2. EITC/ACTC/AOTC- TXPD - tax year the ban was set
3. EITC/ACTC/AOTC- EL-TXPD - the tax year the ban expires, and the taxpayer is subject to Recertification

IMFOLE will display:

1. EITC/ACTC/AOTC -“2” (2-year ban) or “4” (10-year ban)
2. EITC/ACTC/AOTC - RECRT TXPD - tax year the ban was set
3. EITC/ACTC/AOTC - ELG TXPD - the tax year the ban expires, and the taxpayer is subject to Recertification

- (14) The following table provides a starting point to help determine if the 2-year ban is appropriate. All decisions must be based on the facts and circumstances of the case. This table is not all-inclusive.

If	And	Then
This is the first year EITC, CTC/ACTC/RCTC/ ODC, or AOTC was audited	The TP has responded, you must speak with the taxpayer before you recommend assertion of the ban. Based on the information received and your conversation with the taxpayer, the taxpayer shows they had prior knowledge of the rules and regulations for claiming one or more of the credits, but chose to take it anyway	Assert the ban on each of the credits to which it applies and include the specific details that showed the taxpayer had prior knowledge of the rules and regulations.
This is not the first year the taxpayer was audited for EITC, CTC/ACTC/RCTC/ODC, or AOTC and the taxpayer was disallowed EITC, CTC/ACTC/RCTC/ODC, or AOTC in a prior audit	The prior year’s Statutory notice was not undeliverable. - and - Inadequate documentation is received from the taxpayer and the case results in the one or more of the credits being disallowed again	Based on prior year research, including workpapers and CEAS notes; the documents received, or any telephone calls, consider applying the two-year ban on each of the credits to which it applies. Document the workpapers with the specific details that led to the decision to recommend the ban.
Insufficient documentation is received for the current audit and the case results in the EITC, CTC/ACTC/RCTC/ODC, or AOTC being disallowed again	The TP indicates they clearly feel they are eligible, and are attempting to prove eligibility and it is clear they do not understand	Consider the taxpayer’s lack of understanding before considering asserting the ban. Inadequate documentation from the taxpayer by itself does not show reckless or intentional disregard of the rules.

- (15) The **10-year ban** applies when it is determined that a taxpayer fraudulently claimed EITC, or for tax years after 2015, fraudulently claimed the EITC, CTC/ACTC/RCTC/ODC or AOTC, the credit(s) are denied in a statutory notice of

deficiency, and the deficiency is assessed. See IRM 4.19.10.3, Fraud Development and Referrals, and IRM 25.1.14.4, Campus Examination Procedures and Fraud Development.

- (16) The 10-year ban should be considered when the technician identifies a return which has indicators of fraud. If the Group Manager/Team Leader concurs, the technician will initiate a Form 13549, Campus Fraud Lead Sheet, for each tax year and refer the case to the Functional Fraud Coordinator (FFC) or Campus Fraud Coordinator (CFC)/Exam Fraud Coordinator (EFC) for further evaluation. Some examples of fraud indicators may include:
 - Apparent altered or fictitious documents
 - Apparent false statements from the taxpayer
- (17) If the FFC or CFC/EFC determines there is no fraud potential, the FFC or CFC/EFC will return the case through the Group Manager/Team Leader, annotating the reason for rejection within 21 days. The Group Manager and technician should consider asserting the 2-year ban, if it applies on the returned case.
- (18) The TS Fraud program is centralized in Austin, and the SB/SE Fraud program is centralized in Brookhaven.
- (19) The 10-year ban is set when the following posts to Master File:
 - a. For EITC TC 300, 765, 320, and either the priority code 6 or 7

Note: Use Priority Code 6 to apply the ban. Use Priority Code 7 to apply the ban and bypass an amended return freeze on the account.
 - b. For CTC/ACTC/RCTC/ODC, TC 300, RC 183
 - c. For AOTC, TC 300, RC 180
- (20) When the case closes and the ban is imposed, Master File will mail a CP 79B to the taxpayer explaining to the taxpayer that the 10-year ban was applied and what they need to do after ten years.

4.19.14.7.1.1
(01-03-2023)

**Project Codes 0697 and
0698 - EITC Claimed
Under the 2/10 Year Ban**

- (1) For tax year 2016 and subsequent tax years, if a taxpayer claims EITC, CTC/ACTC/ODC, or AOTC while under a 2-year ban or 10-year ban for that credit, they will receive a math error notice, and the credit will be disallowed.
- (2) For tax years prior to 2016:
 - Project Code 0697 - If the taxpayer claims EITC while under the 2-year ban, the return will automatically be established on AIMS through the DDB in Project Code 0697. The CP 75C will be the initial contact letter informing the taxpayer their refund was delayed. RGS will systemically generate a Letter 3219, Notice of Deficiency. At this point, EITC eligibility is not the examination issue, and the taxpayer should not be asked to send in documentation. We are simply notifying the taxpayer that the EITC is disallowed because there is a 2-year ban on the current tax period.
 - Project Code 0698 - If the taxpayer claims EITC while under the 10-year ban, the return will automatically be established on AIMS through the DDB in Project Code 0698. The CP 75C will be the initial contact letter informing the taxpayer their refund was delayed. RGS will systemically generate a Letter 3219, Notice of Deficiency. At this point, EITC

eligibility is not the examination issue, and the taxpayer should not be asked to send in documentation. We are simply notifying the taxpayer that the EITC is disallowed because there is a 10-year ban on the current tax period.

- When taxpayers under the 2/10 year ban call or write in responding to having received a Letter 3219, Notice of Deficiency, CET will:
 - a. Inform the taxpayer they are under the 2 or 10-year ban, and they cannot claim EITC until the ban expires.
 - b. Refer them to Publication 596, Earned Income Credit (EIC), Chapter 5, which explains the date on which EIC was denied and the date on which the taxpayer files their tax return affects the years the taxpayer is prohibited from claiming the EIC.

Note: The date the TC 300, TC 765, TC 240 (2-year ban) or TC 320 (10-year ban) posts to Master File is the date the ban was imposed. The ban will apply to any tax return due after this date.

Example: Taxpayer claimed EITC on their 2014 tax return, which was filed in March 2015. In October 2015, the IRS denied the claim and determined that there was reckless or intentional disregard of the EITC rules. The taxpayer cannot claim EITC for tax year 2015 or 2016. If they wish to claim the EITC for the next year, 2017, the taxpayer must complete and file Form 8862, Information To Claim Certain Credits After Disallowance.

Example: The facts are the same as in the above example, except that the IRS did not disallow the 2014 EITC until after the 2015 tax return was filed. The taxpayer would not be able to claim EITC for tax year 2016 and 2017. The taxpayer would be required to recertify in tax year 2018, if claiming EITC with a qualifying child(ren).

Example: The facts are the same as in the first example, except the taxpayer is under a 10-year ban. Because the taxpayer is banned from claiming the EITC for 2015 through 2024 (the 10 years that are banned), they must first request audit reconsideration for 2014 (the exam year the ban was asserted) and provide supporting documentation for tax year 2014, verifying that the ban was incorrectly applied.

Note: For tax years prior to 2016: If the time to petition the Tax Court has not expired, remind the taxpayer of the following: "Your time to petition the United States Tax Court will end on (Insert or tell taxpayer last date to petition.) However, you may continue to work with us to resolve your tax matter, but we cannot extend your time to petition the United States Tax Court beyond (Insert or tell taxpayer last date to petition)". If the time to petition the Tax Court has expired, inform the taxpayer of the following: "Your time to petition the United States Tax Court expired on Insert or tell taxpayer last date to petition.". However, if new information is submitted, we will re-evaluate our determination accordingly.

- (3) If the taxpayer believes the 2-year ban was incorrectly applied, they must first request audit reconsideration for the year the ban was asserted. Advise the

taxpayer that they must provide documentation to show that they are entitled to the credit, or although not entitled to the credit, they did not recklessly or intentionally disregard the EITC rules for the year the ban was imposed and not on the current tax period.

- (4) If the taxpayer believes the 10-year ban was incorrectly applied, they must first request audit reconsideration for the exam year the ban was asserted. Advise the taxpayer that they must provide documentation to show that they are entitled to the credit, or although not entitled to the credit, they did not fraudulently claim the credit for the exam year the ban was imposed and not on the current tax period.

Note: The request for 10-year ban Audit Reconsideration should be forwarded to the Austin Exam Fraud Coordinator to review.

4.19.14.7.1.2
(11-21-2025)
**Telephone Guidelines
for Exam Employees**

- (1) When a taxpayer under the 2 or 10-year ban calls in responding to having received a Letter 3219, Notice of Deficiency, the CET will:
- Inform the taxpayer they are under the 2 or 10-year ban, and they cannot claim EITC until the ban expires. If the taxpayer needs additional explanation and examples to demonstrate when the ban expires, the CET can inform the taxpayer that Pub 596, chapter 5, provides this information for the EITC ban. The Instructions for Schedule 8812, Credit for Qualifying Children and Other Dependents, can be found on IRS.gov at *About Schedule 8812 (Form 1040), Credits for Qualifying Children and Other Dependents*. The instructions provide information for the CTC, ACTC, RCTC, and ODC bans. The Instructions for Form 8863 provides information for the AOTC ban and can be found on IRS.gov at *About Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits)*.
 - Research IDRS command codes per IRM 4.19.14.7.1, 2/10 Year Ban Guidelines for Correspondence Examination Technicians (CET), to determine what year the 2-year ban was asserted and when the ban expires. Inform the taxpayer of the years under the ban and the year when they are eligible to recertify. Explain to the taxpayer that they will need to attach Form 8862 to their return to recertify the first year they file for EITC with qualifying children after the ban expires.
 - If the taxpayer agrees with the ban, inform them that they do not need to submit any documentation for the year under the ban. If the taxpayer feels they should not have been banned, review eligibility for audit reconsideration in IRM 4.13.1.2.1, Criteria for Reconsideration.
 - Inform the taxpayer that if they disagree with the final determination of the IRS prohibiting them from claiming the credit for a period of years and want to appeal the determination, they can refer to the Instructions for Form 8862, which describe how to appeal the disallowance period. The instructions can be found on IRS.gov at *About Form 8862, Information To Claim Certain Credits After Disallowance*.

Note: If the time to petition the Tax Court has not expired, remind the taxpayer of the following: “Your time to petition the United States Tax Court will end on _____. (Insert or tell taxpayer last date to petition.) However, you may continue to work with us to resolve your tax matter, but we cannot extend your time to petition the United States Tax Court beyond _____. (Insert or tell taxpayer last date to petition.)”

If the time to petition the Tax Court has expired, inform the taxpayer of the

following: "Your time to petition the United States Tax Court expired on _____. (Insert or tell taxpayer last date to petition.)."

4.19.14.7.1.3
(01-01-2007)

Petitions to Tax Court

- (1) For tax years prior to 2016, if the taxpayer petitions the Tax Court, in addition to the petitioned year, Counsel requires the case file from the tax year the ban was first applied to properly defend the government's position. This will require the campus to request the closed administrative cases from files.
- (2) The petitioned year case file must include the tax year the ban was applied. In addition to the RGS case file, work papers and all correspondence received for the ban tax period must be included.

4.19.14.7.1.4
(11-02-2017)

**Audit Reconsideration
2/10 Year Ban**

- (1) See IRM 4.13.1.4.12, Audit Reconsiderations EITC 2/10 Year Ban, for more information if a taxpayer requests a reconsideration of a tax year while under a 2 or 10-year ban.

4.19.14.7.1.5
(01-03-2023)

**Project Codes 0027 and
0028 – EITC
Recertification with a
Proposed 2 Year EITC
Ban**

- (1) Recertification cases selected under Project code 0027 and 0028, include a systemic proposal for the assertion of the 2-year ban based on specific selection criteria. The initial contact letter includes a paragraph informing the taxpayer that the 2-year ban may be asserted and include the following:

Project Code 0027 Letters, Attachments, and Issues	Project Code 0028 Letters, Attachments, and Issues
<ul style="list-style-type: none"> • CP 75/CP 75A with fill ins: EITC Recertification 2 year EITC ban • Form 886-H-EIC (for appropriate tax year). • Form 886-H-DEP (for appropriate tax year) • Form 14824 (beginning with tax year 2021) • Form 886-H-HOH (for appropriate tax year) • Form 886-H-AOC • Pub 3498-A • Pub 4134 • Return envelope 	<ul style="list-style-type: none"> • CP 75/CP 75A with fill ins: EITC Recertification 2 year EITC ban Schedule C • Form 886-H-EIC (for appropriate tax year). • Form 886-H-DEP (for appropriate tax year) • Form 14824 (beginning with tax year 2021) • Form 886-H-HOH (for appropriate tax year) • Form 886-H-AOC • Form 11652 • Pub 3498-A • Pub 4134 • Return envelope

Note: Beginning with tax year 2021, Form 14824 superseded Form 886-H-HOH. The Form 886-H-HOH will continue to be used for Tax Years 2018, 2019, and 2020.

- (2) The taxpayers will be requested to provide documentation to prove they are entitled to claim the EITC.
 - If the taxpayer does not reply, the 2-year ban will systemically post to Master File along with the EITC disallowance.
 - If the taxpayer replies, the documentation received must be evaluated and the procedures in IRM 4.19.14.7.1, 2/10 Year Ban Guidelines for

Correspondence Examination Technicians (CET), must be followed which includes:

- Making a determination whether the 2-year ban is applicable
- Documenting the workpapers with a detailed explanation of why the ban was applied or removed.
- Providing a detailed explanation on the Form 886-A of why the ban was applied. The standard RGS explanation is not sufficient when correspondence is received.
- Getting supervisory approval to continue the assertion of the 2-year ban per IRM 4.19.13.7.1.1, Supervisory Approval of Bans

4.19.14.7.1.6

(11-21-2025)

**Project Code 1516 –
Additional Child Tax
Credit Recertification
(Non-ITIN)**

- (1) Recertification cases selected under PC 1516 with Tracking Code 6693, include a systemic proposal for the assertion of the 2-year ban based on specific selection criteria. The ICL includes a paragraph informing the taxpayer that the 2-year ban may be asserted and include the following:

Project Code 1516 Letters, Attachments and Issues	
•	Letter 566-S with fill ins: ACTC Recertification 2 year ACTC ban
•	Form 886-H-DEP (for appropriate tax year)
•	Form 886-H-EIC (for appropriate tax year)
•	Form 14824 (beginning with tax year 2021)
•	Form 886-H-HOH (for appropriate tax year)
•	Form 886-H-AOC
•	Pub 3498-A
•	Pub 4134
•	Return envelope

Note: Beginning with tax year 2021, Form 14824 superseded Form 886-H-HOH . The Form 886-H-HOH will continue to be used for Tax Years 2018, 2019, and 2020.

- (2) The taxpayers will be requested to provide documentation to prove they are entitled to claim the ACTC.
- If the taxpayer does not reply, the 2-year ban will systemically post to Master File along with the ACTC disallowance.
 - If the taxpayer replies, the documentation received must be evaluated and the procedures in IRM 4.19.14.7.1, 2/10 Year Ban Guidelines for Correspondence Examination Technicians (CET), must be followed which includes:
 - a. Making a determination whether the 2-year ban is applicable.
 - b. Getting supervisory approval to continue the assertion of the 2-year ban per IRM 4.19.13.7.1.1, Supervisory Approval of Bans.

- 4.19.14.8
(01-01-2024)
Dependent Database

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[illegible]

- (2) Returns are sent through the DDB as the return is processed. If the return is selected for an EITC rule break, based on the scoring methodology and the business rules, the refund will be held with a TC 810 at the Master File. Most EITC audits will have the CP 75 notice series generated to alert the taxpayer that their refund will be held pending an examination. The case will open on AIMS in Employee Group Code 5014. Some EITC audits are initiated through the Filer Bridge and will have Letter 566-S issued as the ICL.
- (3) EITC selected cases will be sent to the RGS server to the site based on the case assignment.

Note: All pre-refund cases opened through DDB will have the portion of the refund not in question released upon issuance of the initial contact letter using a systemic TC 811 reversal through RGS/CEAS. When a TC 421 is recognized in an account that has had this unique TC 810, a TC 811 will automatically generate, thus releasing the remaining credit.

- (4) DDB will not select EITC cases with any of the following conditions:

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(5) DDB will not select Non-EITC cases with any of the following conditions:

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(6) The tax examiners will be able to access DDB for the Classification Viewer Sheet using Command Codes DDBOL or DLITE.

- Command Codes (CC) DDBOL and DLITE are designed to allow the tax examiners access to the Dependent Database rules fired and other information.
- Tax Examiners will be able to view the rules, any cross-referenced SSN and any other information that is on the DDB.
- These command codes can be used on any EITC or Non-EITC program since all returns will be scored (even if not selected) through the DDB.
- CC DDBOL or DLITE **must** be used to work the DDB cases. The information obtained from this command code will act as the classification sheet.
- Command Code DDBKD allows access to the DDB using the child's

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- (8) If the custodial information on the DDB is incorrect, ask the taxpayer to supply documentation to verify the residency requirement for the Earned Income Tax Credit (EITC). If the taxpayer can provide proof of the residency, allow the EITC if the taxpayer meets all other tests for EITC.
- (9) Information on each taxpayer is stored on DDB with the current year and the two prior years starting with tax year 2000.

4.19.14.8.1
(11-21-2025)
Schedule C Filters

(1) Initial Criteria

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(2) Filters

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4.19.14.8.1.1
(01-01-2024)

[illegible]

(2) Filters

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Or,

(3) Initial Criteria

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(4) Filters

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4.19.14.8.1.2
(01-01-2025)
Schedule C Expenses
Filters

(1) Initial Criteria

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(2) Filters

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4.19.14.8.2
(04-18-2025)

**Third Party Affidavit for
Residency**

- (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.

4.19.14.8.3
(04-18-2025)
**Premium Tax Credit
(PTC)**

- (1) DDB identifies potentially non-compliant taxpayers claiming Premium Tax Credit (PTC) for compliance treatments. The programming determines the appropriate treatment for returns identified, either Automated Questionable Credit (AQC) processing, Exam audit or non-treatment. Returns are identified in pre-refund environment to ensure revenue protection. The programming has ACE/ Batch integration to provide data on the error conditions to aid with report writing capabilities. Additional functionalities include storing data on rule breaks for scored and selected returns, developing and retrieving reports through Business Objects, and populating data in CC DLITE on the PTC error codes.
- (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	
190	Taxpayer does not attach Form 8962 to the return; however, exchange data indicates coverage and APTC received

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PTC Error Code	Explanation
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	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> a. Does not complete all of the entries, or b. The start month is before the stop month
194	<p>Taxpayer indicates an allocation by providing one or more allocation entries on Form 8962, but:</p> <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> • 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 SLCSP are not the same values for all 12 months; or the taxpayer has less than 12 months of coverage

PTC Error Code	Explanation
197	<ul style="list-style-type: none">• 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

PTC Error Code	Explanation
198	<ul style="list-style-type: none">• When Exchange data is available for all months, the 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.

PTC Error Code	Explanation
199	<ul style="list-style-type: none"> 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.

191, 195.

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

(3) These are the PTC Flags.

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PTC Flag	CC DLITE Indicators	Explanation	
PTC FLAG 7	913	<ul style="list-style-type: none"> The return is claiming PTC. 	# # # #
PTC FLAG 8	914	<ul style="list-style-type: none"> The return is claiming PTC. 	# # # #
PTC FLAG 9	902	<ul style="list-style-type: none"> The return is claiming PTC 	# # # #
PTC FLAG 10	903	<ul style="list-style-type: none"> The return is claiming PTC 	# # # #
PTC FLAG 11	904	<ul style="list-style-type: none"> The return is claiming PTC 	#

Note: See the FPL in IRM 4.19.14.20.3 (3) and (4), Common Terms.

- (4) CC DLITE uses the DDB FAST (Filing Analysis Summary Table) which houses a consolidated view of taxpayer data, and all filters fired across DDB compliance Projects. DLITE entered without a tax period provides a summary screen. DLITE entered with a tax period provides an at-a-glance view of many aspects of the taxpayer's tax return and project scoring details. See IRM 2.3.85, Command Code DFAST and DLITE. DDB FAST is loaded nightly; CC DLITE will be current the following morning.
- (5) Using CC DLITE, the tax examiners will be able to access DDB for the Classification Viewer Sheet.
 - DLITE is a command code designed to allow the tax examiners access to the Dependent Database.
 - Tax Examiners will be able to view the PTC Error codes, PTC Exposure Amount, PTC Amount, and Advanced PTC Amounts that represent the data available at the time the taxpayer filed their return.
 - The PTC Exposure Amount is the difference between the recomputed PTC based on CDR data at the time the return is filed compared to the taxpayer's calculation. This amount is used to prioritize case selection. The PTC Exposure Amount is the amount the taxpayer's account will be adjusted if the taxpayer does not respond to the audit letter. If the taxpayer does respond to the audit letter, additional research using CC IRPOLA is required to determine the correct amount of the adjustment.

- DLITE can be used on any Exam program since all returns will be scored (even if not selected) though the DDB.
- CC IRPOLA must be used to work reply cases. IRPOLA reflects the most accurate information for evaluating a taxpayer's reply.
- DLITE must be used to initiate the PTC cases. The information obtained from this command code will act as the classification sheet.
- Refer to IRM 4.19.14.4, Program Description, for the applicable PTC project codes.

Note: Refer to IRM 4.19.14.20.7, Creating the PTC Issue(s), for information about error codes and flags for discretionary cases.

Note: Refer to IRM 4.19.14.9.2, QRP Source Codes and Project Codes, for other related project codes.

Note: Refer to IRM 4.19.14.20.1, EITC and Premium Tax Credit Procedures, for information about examination with PTC and EITC.

Note: Refer to IRM 4.19.14.20 ,Premium Tax Credit - IRC 36B, for initial report writing procedures, and initial issue creation and evaluating taxpayer responses.

4.19.14.8.4
(11-21-2025)
Non-EITC Filters

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- (2) The table below provides a description of each Non-EITC DDB rule that will be displayed on IDRS using Command Code DLITE.

Note: Tracking Code 4231 should be used on all Non-EITC programs when EITC is included as an audit issue.

Rule ID	Rule Description
ADCA	
CTCA	
CTCB	
CTCC	
CTCD	
CTCE	

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Rule ID	Rule Description	
RCTA		# #
RCTB		# # # #
RCTC		# # # #
RCTD		# # #
RCTE		# #
AOCA		# #
AOCB		# #
AOCC		# #
AOCD		# # # #
AOCE		# #
AOCR		# #
CMBA		# # #
FTCA		# # # # #
FTCB		# # # #
FTCC		# #

[illegible]

- (1) The Pick-up Program consists of returns selected for audit because the prior year audit is still open at the time the subsequent return is filed. DDB systematically selects the subsequent return for audit when filed, if the prior audit is still open at the time of filing, and the return fires a DDB rule. Refer to IRM 4.19.14.4, Program Description, for a list of the specific project codes.

- (2) The examination is a full-scope audit and includes the disallowance of all dependents claimed on the return and any other tax credits and benefits claimed that are attributable to the dependent, such as Child Tax Credit, Child and Dependent Care Credit, Education Credit or Head of Household filing status.
- (3) The tax examiner must perform research on the prior year audit. A review of the prior year workpapers/audit information helps the tax examiner to identify which child(ren) was disallowed previously and if they are the same child(ren) claimed on the Pick-up return. Similarly, knowing whether the prior year return was adjusted due to lack of documentation, no response, or undeliverable assists the tax examiner with how to conduct the examination. The review of the prior year workpapers and CEAS notes can affect the determination made in the year under examination.

4.19.14.9
(01-01-2024)
**Questionable Refund
Program (QRP)**

- (1) Return Integrity Verification Operations (RIVO) identifies individuals filing false returns claiming questionable income and/or withholding (false or inflated), and refundable credits. RIVO handles cases with false withholding only via the Withholding Only Work (WOW) (Notice CP05A) Overview process per IRM 25.25.11.2.
- (2) Cases with false income and withholding only, or the ASED is 12 months or less are sent to AM for processing.
- (3) Cases with refundable credits in addition to the false/inflated income and withholding and the ASED is more than 12 months will be referred to Examination.

4.19.14.9.1
(11-21-2025)
QRP Referral Process

- (1) The Return Review Program Legacy Component (RRPLC) formerly the Electronic Fraud Detection System (EFDS) will systemically send weekly files to DDB to filter cases. Selected Exam cases open on AIMS and push to RGS/CEAS.
- (2) For the automated project codes 0173, 0584, and 1304, DDB will also send a file to systemically generate the CP 75D/75A notice as the initial contact letter (ICL).

Note: If PTC Error Code is other than 190, 191 or 195; Excess Advance Premium Tax Credit Issue or Premium Tax Credit Issue will not be automated. For these Project Codes (PC); Error Codes other than 190, 191 or 195 will be routed to B2 for manual creation of the APTC or PTC issue

- (3) All other QRP project codes require the manual preparation/issuance of the ICL. Filer Bridge may be used to generate the ICL for TS cases.
- (4) DDB will send a reject file back to RRPLC weekly. A TC 971 AC 136 will be posted on the account of all L freeze rejects (TC 42X). The TC 971 AC 136 will cause the case to reject out of Batch to consider incorporating additional issues. See IRM 4.19.14.9.7 , RRPLC Referrals/Open Exam, procedures for further instructions.
- (5) Dependents, Filing Status, Health Coverage Tax Credit (HCTC), Fuel Tax Credit (FTC), and American Opportunity Tax Credit (AOTC) may be additional examination issues on QRP cases. See IRM 4.19.14.2 , for tax law changes to refundable credits. See IRM 4.19.15.29, Health Coverage Tax Credit – IRC 35, for more information on HCTC, and IRM 4.19.15.3.1, American Opportunity Tax Credit (AOTC) and Lifetime Learning Credit, for more information on AOTC.

- (6) All statutory adjustments apply when adjusting dependents or income.

4.19.14.9.1.1

(11-21-2025)

Prisoner Returns

Reason Code (ARC) 24.

- (2) The taxpayer should be incarcerated the entire tax year.

Most prisoner cases will be worked in PC 1303.

- (4) The cases will be worked as full scope audits. For the automated project codes 0173, 0584, and 1304, DDB will also send a file to systemically generate the CP 75D/CP 75A notice as the initial contact letter (ICL). Filer Bridge may be used to generate the ICL, Letter 566-S, for Taxpayer Services cases.

Note: If PTC Error Code is other than 190, 191 or 195; Excess Advance Premium Tax Credit Issue or Premium Tax Credit Issue will not be automated. For these PC; Error Codes other than 190, 191 or 195 will be routed to B2 for manual creation of the APTC or PTC issue

- (5) If a reply is received, all cases should be researched using CC FTBOL with definer P to confirm incarceration and release dates.

- If the taxpayer was incarcerated the full year and all income was confirmed, EITC is disallowed per General Agreement on Tariff and Trades (GATT) legislation. Notate on workpapers and follow normal procedures.

- (6) If the taxpayer was not incarcerated the entire year or not incarcerated at any time during the year, notate on workpapers and follow normal procedures. The taxpayer will need to send documentation from the penal institution validating that they taxpayer were not incarcerated for the entire year.

Caution: Prior year incarceration and release dates will not be updated in the current year prison file.

- (8) Review carefully any documents submitted and compare with IRPTR data. See IRM 4.19.14.9.4, QRP Replies and Closing Process, for additional information.

Reminder: On a married filing joint return, verify CC IRPTR information for both spouses.

4.19.14.9.1.2
(11-21-2025)

**General Agreement on
Tariff and Trades (GATT)**

- (1) Public Law 103-465 (12/8/1994), relating to the implementation of the General Agreement on Tariffs and Trade (GATT), modified IRC 32 to exclude amounts received for services provided by an inmate at a penal institution from the definition of earned income for the earned income tax credit (EITC) and credits which utilize the EITC definition of earned income for the earned income tax credit (EITC) and credits which utilize the EITC definition of earned income.
- (2) GATT returns are Full Year Prisoner (FYP) returns with income (wages, Schedule C or HSH) earned while incarcerated. They are identified when a filer claims EITC (or a refundable credit that uses the EITC definition of earned income) based on valid income and withholding earned while an inmate.
- (3) Generally, most prisoners who file returns containing income earned it while incarcerated, regardless of their filing status.
- (4) GATT cases are prisoner returns where the income has been verified good but does not qualify as earned income for calculating refundable credits, such as EITC and ACTC.
- (5) The taxpayer must submit documentation verifying income was not earned while incarcerated such as documentation from the penal institution validating that the taxpayer was not incarcerated for the entire year.

Note: Earned income of the non-inmate spouse on a Married Filing Joint return is **NOT** excluded from the definition of earned income .

4.19.14.9.2
(11-21-2025)

**QRP Source Code and
Project Codes**

- (1) Source codes identify a type of case, and the Project Code identifies the examination issues.

Note: For QRP, source code 06, 08 and 11 have different definitions than outlined in the Document 6209.

- (2) Cases identified as Adoption Credit cases should identify this credit as an exam issue and include the Form 886-H as an enclosure with applicable letters and reports. The Adoption Credit should be disallowed in full, pending receipt of supporting documentation outlined on the Form 886-H. Procedures for making a determination on Adoption Credit are outlined under IRM 4.19.15.5, Adoption Credit and Qualified Adoption Expenses (QAE).
- (3) EITC and Non-EITC QRP cases are full scope audits including the Filing Status, and if present, Education Credit/American Opportunity Credit (AOTC), Premium Tax Credit (PTC), Fuel Tax Credit (FTC), and/or Additional Child Tax Credit (ACTC).

Note: PC 0173 will not include AOTC or PTC.

Note: Since QRP are full scope audits, non-income issues should continue to be pursued even if income is verified on IRPTR per IRM 4.19.14.9.4, QRP Replies and Closing Process. See the exception for Tracking Code 9970.

Exception: If performing other case research and income is verified via IRPTR prior to issuance of the ICL, CC DLITE does not indicate any DDB or

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be surveyed. This should only be in the course of other research. Do not specifically research for IRPTR prior to ICL issuance for the sole purpose of identifying cases to survey.

Reminder: Remove -R freeze on survey cases.

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues	
SB/SE	EITC	0173	06		#
			11		#
			70		#
TS	Discretionary	0263	06		#
			11		#
			70		#
SB/SE	Discretionary	0263	06		#
			11		#
			70		#

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues
TS	EITC	0390	06	
			11	
			70	
TS and SB/SE	EITC	0584	06	
			11	
			70	
TS	EITC	0603	11	
TS	EITC	0611	06	
			11	

[illegible]

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues	
			70		#
					#
					#
					#
					#
SB/SE	EITC	0611	06		#
					#
					#
					#
					#
			11		#
					#
					#
			70		#
					#
TS	EITC	1009	06		#
					#
					#
			11		#
					#
					#
			70		#
					#
					#
					#
					#

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BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues	
			11		#
					#
					#
					#
			70		#
					#
					#
TS	Discretionary	1162	06		#
					#
					#
					#
					#
					#
			11		#
					#
					#
					#
					#
					#
			70		#
					#
					#
					#
					#
					#
SB/SE	Discretionary	1162	06		#
					#
					#
					#
					#
					#
					#

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues
			11	
			70	
TS	Discretionary	1166	06	
			11	
			70	
TS or SB/SE	EITC	1303	11	

[illegible]

BOD	EITC or Discretionary	Project Code	Source Code	Type of Case/Examination Issues
SB/SE	EITC	1304	06	
			11	
			70	

#4.19.14.9.3
(11-21-2025)**QRP Examination
Process**

- (1) Procedures apply to EITC and Non-EITC cases unless specified. Enclosures are based on examination issues as outlined in the table below.

Project Code	Initial Contact Letter	Enclosures	Automated or Manual Process
0173, 0584, 1304	CP 75D/CP 75A	Form 14950, Premium Tax Credit Form 886- H-AOC Form 886-H-DEP Form 886-H-EIC Form 14824 Form 886-H-HOH Form 886-L Publication 3498-A Publication 4134 Form 11652 (if Sch. C)	Automated process. CP 75D/CP 75A Notice is systemically generated as the ICL when case is selected and opened on AIMS. RGS batch processing will be used to generate subsequent letters and reports.
0263, 1107, 1166, 1162, 1303	Letter 566 family, (525 if payer data is available)	Form 14950 Form 886-A (FTC) Form 886-H- DEP Form 14824 Form 886-H- HOH Form 886-H- AOC Form 11652 (if Sch. C) Publication 3498-A	Manual process: Letter 566, 525 and first exam report need to be manually completed. Cases can then be introduced to RGS Batch for Aging and Closing.

Project Code	Initial Contact Letter	Enclosures	Automated or Manual Process
0390, 0611, 1009, 1082, 1303	Letter 566 family (566-E if payer data is available)	Form 14950 Form 886-H-EIC Form 886-L Form 886-H DEP Form 14824 Form 886-H HOH Form 886-H- AOC Publication 3498-A Publication 4134 Form 11652 (if Sch. C)	Manual process: Letter 566, 525 and first exam report need to be manually completed. Cases can then be introduced to RGS Batch for Aging and Closing.
0603	Letter 566 family	Form 886-A (GATT) Publication 3498-A	Manual process: Letter 566 family, 525 and first exam report need to be manually completed. Cases can then be introduced to RGS Batch for Aging and Closing.

Note: Beginning with tax year 2021, Form 14824, Supporting Documents Needed to Prove Filing Status, superseded Form 886-H-HOH. The Form 886-H-HOH will continue to be used for Tax Years 2018, 2019, and 2020.

- (2) Several Project Codes (PC) have miscellaneous issues that can be by themselves or in combination with other credits. An asterisk indicates the enclosure is only included when it is identified as an exam issue on the case in question. No asterisk indicates it is always an enclosure for this PC, as the exam issues are consistent.
- (3) PC 0611 requires additional information to identify all examination issues included on the ICL. Wages claimed on the return can be found using RTVUE. Verified wages and withholding can be determined using the amounts found on IRPTR.

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- (4) After ICL mail out, all QRP project codes should follow existing RPS examination process letters and time frames as outlined under IRM 4.19.13.2.4, Standard Suspense Periods for Correspondence Examination, for issuing the ICL, 30 day Letter 525 and Letter 3219, Statutory Notice of Deficiency.
- (5) Cases requiring manually prepared ICL, Letter 525 and first exam report should be introduced to RGS Batch for Aging and Closing as soon as possible.
- (6) Taxpayers with more than one tax year open (multi-year) should be bundled together and move through the examination process and AIMS status update as one package.

- (7) Refer to IRM 4.19.14.9.2, QRP Source Code and Project Codes, for additional information on identifying exam issues.
- (8) PC 0584, PC 0390, PC 0611, PC 1009, PC 1082, and PC 1303 will be full scope EITC audits; and PC 0263, PC 1107, PC 1162, PC 1166, and PC 1322 will be full scope Non-EITC audits to include, AOTC and Education credits, HCTC, dependent(s) and filing status.
 - a. If present, other credits such as Adoption Credit, Child and Dependent Care Credit, Child Tax Credit, Education Credit, Student Loan Interest Deduction, Health Coverage Tax Credit, Premium Tax Credit and Tuition and Fees Deduction should be statutorily adjusted/disallowed when preparing or revising reports.
- (9) The following is an insert paragraph for the Form 886-A for the QRP issues not addressed on Form 886-H-EIC and Form 886-L, Form 886-H-DEP, Form 14824 or Form 886-H-HOH, and Form 886-H-AOC.

1	GATT (PC 0603) <i>Our records show you used amounts earned while you were an inmate to figure your EITC. These amounts don't qualify as earned income for EITC. Please send us documents that show your earnings were not for work performed while in a penal institution, a work release program, or a halfway house.</i>
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4.19.14.9.3.1
(11-21-2025)

Household Help Income

- (1) The Household Help (HSH) program refers to income reported on line 1b of the Form 1040, with no Form W-2 attached to the return. Prior to tax year 2022, HSH was reported on line 1 of the Form 1040.
- (2) Beginning filing season 2013 through 2025, TS began selecting Household Help (HSH) cases through DDB as well as EFDS.
- (3) Cases opened in DDB will have Tracking Code 6485.
- (4) HSH cases with EITC open in Project Code 0390, and HSH cases with no EITC will open in Project Code 1107.
- (5) The return should have line 1 income only. The income should be limited to HSH, but occasionally other income may be reported.
- (6) HSH cases are full scope audits including dependent(s), filing status EITC, ACTC, FTC and AOTC.
- (7) All statutory adjustments apply based on income and dependent being disallowed.
- (8) In addition to verifying income, the taxpayer also send in supporting documentation for any credits claimed.
- (9) The cases will be opened on AIMS and worked as follows:
 - Issue ICL with appropriate enclosures shown in IRM 4.19.14.9.3, QRP Examination Process. The appropriate letter from the 566 family should be used (566-E if payer data is available).

- For all replies, research IRPTR for income totals. If unreported income cases, use CC FTBOL (P) to confirm incarceration and release dates. If the taxpayer was incarcerated the full year, all refundable credits should be disallowed per the GATT legislation. Document the workpapers for whether the taxpayer was incarcerated the entire year or incarcerated part of the year.
- Acceptable documentation to verify income includes pay stubs and letter from employer on employer's letterhead. Letter from employer must include date(s) work was performed, income earned, and general description of work completed.
- On some occasions, the taxpayer may have worked several small jobs and are unable get a letter from each employer. If the taxpayer can provide letters from the majority of employers, tax examiners can use judgment to accept a written statement from the taxpayer for the remaining employers. The statement must have specific information on the employer's name, TIN/SSN (if known), location of the job, wages earned, date and duration of employment.

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Note: If judgment is used, the factors and details considered in the judgment must be documented on the workpapers.

- Most HSH individuals are not self-employed. However, the taxpayer may have reported self-employment (SE) income erroneously on Line 1. If so, this income reported as wages should be adjusted to SE Income with SE tax applied. Do not revise a tax return to claim income on a Schedule C without a full explanation of why the taxpayer is self-employed. Depending upon the circumstances, it may be more appropriate to ask the taxpayer to file a Form 8919, Uncollected Social Security and Medicare Tax on Wages, and pay the employer portion of SS or accept HSH income, for which there is no SS obligation.
- (10) Follow existing Exam procedures for standard exam letter and EITC/ discretionary suspense times.

4.19.14.9.4
(11-21-2025)
**QRP Replies and
Closing Process**

- (1) All replies to the EITC issue will be worked as outlined in IRM 4.19.14, Refundable Credits Strategy.
- (2) If disallowing withholding amounts manually with TC 807, include TC 170 for zero to suppress Estimated Tax Penalty on Form 5344, Examination Closing Record.
- (3) All Schedule C Net Profit issues are to be worked in accordance with IRM 4.19.14.6.3, EITC - Schedule C Responses.
- (4) All replies to the AOTC issue will be worked as outlined in IRM 4.19.15.3.1.1, Education Tax Credits - Evaluating Taxpayer Responses.
- (5) Be alert to potential Identity Theft (IDT). If a taxpayer or case analysis indicates the taxpayer is a victim of identity theft, follow the procedures in IRM 4.19.19.10, Identity Theft, for telephone contact and IRM 4.19.13.28, Campus Exam Identity Theft, for other contact information. See IRM 25.23.10.7.4.1, IDTVA Specialties Exam General Procedures, for additional information. For Undeliverable mail, follow the procedures outlined in IRM 4.19.13.15, Undeliverable Mail.

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If	Then
Determination made to close case as No Change, Agreed or Default.	Follow existing procedures for EITC closures under IRM 4.19.14.6.6, Closing Actions.
	<ol style="list-style-type: none"> 1. Obtain incarceration and release dates from FTBOLP and notate workpapers 2. If taxpayer is a full year prisoner for the tax year and documents provided confirm good wages/withholding and/or allowable EITC, inform the taxpayer that EITC can't be calculated based on earned income from prison and notate workpapers for whether the taxpayer is incarcerated the full year, incarcerated for part of the year, or not incarcerated at any time during the year. See IRM 4.19.14.9.3, QRP Examination Process. 3. If the taxpayer is replying to the ICL (CP 75D or 566 family) issue Letter 525 and Form 4549 with explanation. 4. If the taxpayer is replying to Letter 525, issue Letter 692 with revised report (Form 4549) removing withholding. Update to status 23.

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- (7) If documentation is received that validates the existence of a business after the issuance of the Statutory Notice of Deficiency (SNOD) and the case is open, process the case as outlined below:

If	And	Then
The time to petition Tax Court has not expired	Sufficient time left in the statute	<p>Prepare a supplemental report for the increased deficiency requesting the taxpayer to sign for the higher deficiency amount.</p> <ul style="list-style-type: none"> • If the taxpayer signs, close on the higher deficiency. • If the taxpayer does not sign or respond, allow the SNOD to expire, purge on the 105th day, prepare corrected Form 4549 and reissue the SNOD for full amount of deficiency (EITC amount). <p>In the explanation to Taxpayer, there must be a statement This Notice of Deficiency supersedes the Notice of Deficiency dated MMDDYYYY (date of previously issued SNOD).</p>

If	And	Then
The time to petition Tax Court has expired	Sufficient time left in the statute	Allow the 105th day purge, prepare corrected Form 4549, and reissue the SNOD for full amount of deficiency (ETC amount). In the explanation to Taxpayer, there must be a statement This Notice of Deficiency supersedes the Notice of Deficiency dated MMDDYYYY (date of previously issued SNOD).

- (8) For Household Help (HSH) cases, the following should be considered as general information when evaluating responses:

Household Employee	Self-Employed
Employer controls not only what work is done, but how it is completed.	Worker controls how the work is scheduled and completed.
Employer provides the tools/supplies needed to complete the work.	Usually provides their own tools/supplies to complete the work.
Does not matter whether the work is full-time or part-time or how the employee is paid, i.e., hourly, daily, weekly or by the job.	Work may be performed outside the home.
Does not matter if the employee was hired through an agency or association.	A company/agency provides the worker and controls the work and how it is completed.
Examples: baby-sitters, nannies, housekeepers/maids, drivers, health aides/private nurses, caretakers, yard workers, similar domestic workers, etc.	Examples: baby-sitters, nannies, housekeepers/maids, drivers, health aides/private nurses, caretakers, yard workers.

Refer to Pub 926, Household Employer's Tax Guide, for additional information.

4.19.14.9.4.1
(10-24-2019)

**QRP Case Information
from EFDS - Workload
Management System
(WMS)**

- (1) There are designated EFDS-WMS Coordinators (EWC) with access to EFDS-WMS in each campus.
- (2) HQ will provide a weekly listing of cases opened to the Campus ICM. The spreadsheet includes:
 - a. Wages claimed on the return and verified amount.
 - b. Withholding claimed on the return and verified amount.
 - c. Employer/payer EIN for each income document.
 - d. If IDRS data is not available the spreadsheet data should be used to complete work papers, letters and reports.

Data - Tax Liability, to the taxpayer with a corrected Form 4549 , Report of Income Tax Examination Changes. The taxpayer must sign the corrected Form 4549, or the timeframe for the SNOD must expire, before the case is closed.

- If the timeframe for the SNOD **has expired**, send Letter 555 to the taxpayer with a corrected report Form 4549-A (report with the taxpayer signature panel omitted) and close the case default **after** 105 days have expired from the date of the Statutory Notice (165 days if the taxpayer is outside the country).

- (4) A negative deficiency can be identified by a negative amount **or** a zero on Form 4549, line 14. When the status is prior to the issuance of the SNOD, negative deficiency closing procedures apply.

4.19.14.9.6
(12-07-2017)
- Z Freeze Cases

- (1) Starting in FY 2010, the Z freeze inventory will be reduced significantly because it is being replaced with the TC 971 AC 136 for QRP processing. These procedures are for residual inventory or CI identified schemes.
- (2) Work the case following standard QRP procedures as outlined in IRM 4.19.14.9, Questionable Refund Program (QRP). Once the case is completed, any adjustments made to the account will go unpostable due to the Z freeze. CI's Scheme Development Center (SDC) will subsequently seek force posting approval from the special agent.

4.19.14.9.7
(11-21-2025)
RRPLC Referrals/ Open Exam

- (1) Beginning in FY 2010, if AIMS is already open the case will reject back to RIVO as an "L freeze" and a TC 971 AC 136 will systemically post.
- (2) The TC 971 AC 136 is needed to reject the case out of RGS Batch when it moves to the next step in the exam process alerting Exam to research wages and withholding and incorporate the additional issues into the examination. Use Command Code (CC) RTVUE, TRDBV or Modernized e-file (MeF) to identify the wages and withholding claimed. CC IRPTR should be used to identify the verified amounts.

Note: It is important when completing the research and revising the reports that the TC 971 AC 136 is reversed. If not reversed, the case will continue to reject out of Batch throughout the exam process.

If	Then
The case is in a status prior to 90 Day	<p>a. Compare the wages and withholding claimed on the return with IRPTR to determine if there are any overstated wages or withholding issues that need to be incorporated into the exam report. .</p> <p>b. Once the exam report has been revised to include the additional issues, input AIMS Tracking Code 7571 and TC 972 AC 136 to reverse the TC 971. Do not change the source and Project Code for the case on AIMS.</p> <p>c. Examiners should introduce/reintroduce cases with revised reports into RGS Batch immediately after inputting the TC 972 AC 136.</p>
The case is in status 24 after 90 Day Letter has been issued	<p>a. Examiners cannot incorporate additional issues into exam report.</p> <p>b. TC 971 AC 136 will post to cases in status 24.</p>

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4.19.14.10
(01-01-2025)
**Math/Clerical Error
Program**

(1) Math or clerical errors are defined by IRC 6213(g)(2) and include:

- a. An error in addition, subtraction, multiplication, or division shown on any return.
- b. An incorrect use of any table provided by the IRS with respect to any return if such incorrect use is apparent from the existence of other information on the return.
- c. An entry on a return of an item which is inconsistent with another entry of the same or another item on such return.
- d. An omission of information which is required to be supplied on the return to substantiate an entry on the return.
- e. An entry on a return of a deduction or credit in an amount which exceeds a statutory limit imposed by subtitle A or B, or chapters 41, 42, 43, or 44, if such limit is expressed as a specific money amount or as a percentage, ratio, or fraction and if the items entering into the application of such limit appear on such return.
- f. An omission of a correct TIN required under IRC 32 to be shown on the return in order to claim the earned income credit.
- g. An entry on a return claiming the earned income credit with respect to self-employment earnings on which the self-employment tax imposed by IRC 1401 has not been paid.
- h. An omission of a correct TIN required under IRC 21 (expenses for household or dependent care) or IRC 151 (personal exemptions).
- i. An omission of a correct TIN required to be included on the return under IRC 24(e), the Child Tax credit.

- j. An omission of a correct TIN required to be included on the return for purposes of IRC 25A(g)(1) relating to higher education tuition and expenses (effective for tax years beginning after December 31, 1997).
- k. An omission of information required by IRC 32(k)(2) relating to taxpayers making improper prior claims of the earned income credit, or for tax years after 2015, an entry on the return claiming EITC for a taxable year for which the credit is disallowed under a 2 or 10 year ban.
- l. The inclusion of a TIN required on the return under IRC 21, 24, 32, 6428, or 6428A (relating to CDCC, CTC/ACTC, EITC, or RRC) if such TIN is of an individual whose age affects the amount of the credit, and the computation of the credit reflects the treatment of such individual as being of an age different from the individual's age based on such TIN.
- m. The entry on the return claiming EITC with respect to a child if, according to the Federal Case Registry of Child Support Orders, the taxpayer is a non-custodial parent of such child.
- n. An omission of any increase required for First Time Homebuyer Credit recapture.
- o. The inclusion on a return of an ITIN issued after December 18, 2015, which has expired, been revoked by the Secretary, or is otherwise invalid.
- p. An omission of required information on a return for tax years after 2015 relating to improper prior claims for CTC/ACTC/ODC or an entry on the return claiming the credit for a taxable year for which the credit is disallowed under a 2 or 10-year ban.
- q. An omission of required information on a return for tax years after 2015 relating to improper prior claims for AOTC or an entry on the return claiming the credit for a taxable year for which the credit is disallowed under a 2 or 10-year ban.
- r. An omission of information or documentation required under section 25C(b)(6)(B) (relating to home energy audits) to be included on a return.
- s. An omission of a correct product identification number required under section 25C(h) (relating to credit for nonbusiness energy property) to be included on a return.
- t. An omission of a correct vehicle identification number required under section 30D(f)(9) (relating to credit for new clean vehicles) to be included on a return.
- u. An omission of a correct vehicle identification number required under section 25E(d) (relating to credit for previously-owned clean vehicles) to be included on a return.
- v. An omission of a correct vehicle identification number required under section 45W(e) (relating to commercial clean vehicle credit) to be included on a return.

A taxpayer shall be treated as having omitted a correct TIN for purposes of the preceding list of math or clerical errors, if information on the return with respect to the individual's TIN differs from the information the Secretary obtains from the person issuing the TIN.

- (2) IRC 6213(b) allows for the assessment of tax resulting from math or clerical errors without the issuance of a statutory notice of deficiency under IRC 6212.
- (3) A taxpayer who receives a math/clerical error notice of assessment may request an abatement of the assessment within 60 days after the notice of assessment is sent under IRC 6213(b)(2)(A).
- (4) All math/clerical error type appeals for abatement are received in Customer Accounts Service, Accounts Management (AM).

4.19.14.10.1
(01-01-2025)

Math Error Referrals to Examination

- (1) If a taxpayer appeals a math error notice within 60 days of the date the notice is sent, but does not provide substantiation to support the issue, the case is considered an unsubstantiated math error protest. Accounts Management (AM) will send unsubstantiated math error protests to Examination, using the procedures that are outlined in IRM 21.5.4.4.5, Math Error Unsubstantiated Protest Processing.
- (2) Each year more math errors are being developed for credits/issues other than EITC. Because the use of math error may be available to the IRS for additional credits/issues other than EITC, it is important that all new math error protest receipts are reviewed for accuracy and other issues that should be included in the examination. The examination issues should be driven by the Math Error Authority (MEA) codes and/or the review for other issues. The math error notice codes in Document 6209 show the issues related to the MEA.
- (3) Review the account to ensure the adjustments addressed all the changes made by processing. If the taxpayer agreed with one or more of the math errors or filed a claim with the math error protest, AM will input multiple adjustments. All adjustments must be posted before beginning the examination.
- (4) Prior to referring unsubstantiated math errors protests to Examination, AM issues a letter to inform taxpayers their case was sent to Examination for review.
- (5) If a review identifies a return needs to be examined for issues other than EITC, the issues should be classified and included in the examination process based on the following criteria:
 - If the Math Error was a result of the taxpayer's requirement to recertify eligibility for the EITC, Correspondence Examination will conduct the examination.
 - If the screening identifies other complex issues on the case that cannot be addressed in Correspondence Examination, the case should be forwarded to the appropriate Area Office for review and the refund released. Initiate refund procedures and input Transaction Code (TC)571 on partial refund returns being transferred to the appropriate Area Office.
- (6) The case should be reviewed, and the initial contact letter must be prepared by a tax examiner within thirty (30) days of the TC 420. Use DDBCX to review math errors selected by DDBCK.
- (7) When working a taxpayer's response on a Math Error case, research the prior audit information in CEAS to identify if the prior audit adjustments are relevant to the issues currently under examination.
- (8) When a case is closed as "No Change", document the workpapers to explain why the issue(s) disallowed in the prior year examination is allowable in the current examination. Follow the procedures for general case development and resolution in IRM 4.19.13, General case Development and Resolution.
- (9) The 2-year ban should be considered when it is determined that a taxpayer recklessly or intentionally disregarded the EITC, CTC/ACTC/refundable CTC/ODC or AOTC rules and regulations when claiming the credit(s), based on the facts and circumstances of the case. Refer to IRM 4.19.14.7.1, 2/10 Year Ban Guidelines for Correspondence Examination Technicians (CET), for procedures.

Note: The reason for assertion or non-assertion of the 2-year ban must be documented in the workpapers and on the Form 886-A , Explanation of Items .

- (10) If a case is closed Default, and the refund is frozen on the account, send the taxpayer a Letter 105C, Claim Disallowed. If the case is surveyed, remove the -R freeze by inputting a TC 571.
- (11) See IRM 4.19.14.10.2, EITC Math Error Processing, for processing EITC Math Errors Project Codes (PC) 0600 and 1172.
- (12) See IRM 4.19.14.10.3, Non-EITC (Discretionary) Math Error Processing, for processing Discretionary Math Errors PC 0125.

4.19.14.10.2
(11-21-2025)
**EITC Math Error
Processing**

- (1) Unsubstantiated math error protests received within 60 days for Earned Income Tax Credit will include a TC 764 and will be forwarded to Examination . The DLN Blocking Series (BS) 74 and Priority Code (PC) 7 are used by Accounts Management (AM) to adjust the account to the original filing, freeze the refund and create AIMS.
- (2) Math Error Notice Code 653 is used when the taxpayer is required to recertify for EITC but did not attach Form 8862 to the original return. When taxpayer replies with Form 8862 within 60 days, AM uses DDBCK to score and classify the recertification issue. If CC DDBKD selects the return for examination, AM will adjust the account back to the original filing, using BS 74, PC7, HC3, PDC2 and forward the case to Examination as a DDBCK select through CII. EITC unsubstantiated math errors will create in PC 0600 or PC 1172, if Schedule C filters are broken.
- (3) EITC PC 0600 and PC 1172 cases will follow the three-letter exam process as is done for all EITC examinations. The three letters are the initial contact letter (ICL), Letter 566-S , the 30 day Letter 525 and the Statutory Notice of Deficiency (SNOD), Letter 3219. See IRM 4.19.13.2.4, Standard Suspense Periods for Correspondence Examination, for applicable suspense time frames.
- (4) The Letter 566-S (SC/CG) will be used as the initial contact letter with Form 886-H-EIC, Form 886-H-DEP, Form 14824 or Form 886-H-HOH, , and Publication 3498-A. Form 11652 will be sent for PC 1172 only.

Note: Beginning with tax year 2021, Form 14824 superseded Form 886-H-HOH. The Form 886-H-HOH will continue to be used for Tax Years 2018, 2019, and 2020.

- (5) The Letter 3219, Statutory Notice of Deficiency, will be issued on all unagreed or no response cases.
- (6) If a case is closed as a default and the refund is frozen, a certified notice of claim disallowance, *Letter 105C*, should also be issued.

4.19.14.10.3
(01-01-2025)
**Non-EITC (Discretionary)
Math Error Processing**

- (1) General procedures for the establishment and processing of unsubstantiated math/clerical error cases are presented in IRM 4.19.14.10, Math/Clerical Error Program.
- (2) Unsubstantiated math error protests for which the original adjustment did not include a TC 764 (Earned Income Tax Credit) received within 60 days will be forwarded to examination by the input of the unsubstantiated math error adjust-

ment. The DLN blocking series (BS) 74 and priority code 7 are used by AM to adjust the account to the original filing, freeze the refund and create AIMS.

- (3) AM uses CAT-A criteria as a guideline for treating math error responses as unsubstantiated. See IRM 21.5.3-2, Examination Criteria (CAT-A) - General and IRM 21.5.3-3, Examination Criteria (CAT-A) - Credits.

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forwarded to Exam. If you receive a case below tolerance, do not start the examination. Return the case to Accounts Management.

- (5) Unsubstantiated math/clerical error protest cases for which the original adjustment did not include a TC 764 (Earned Income Tax Credit) will set up on AIMS under Project Code 0125, Math Error - Non-EITC. Campuses must review the cases to determine whether or not the math/clerical error protest involves potential examination issues.

Note: The math error adjustment must be on the account before the Examination is started.

- (6) PC 0125 cases will be initiated with Letter 566-B, ICL 45-Day Combo, and should be updated to Status 22 on AIMS.
- (7) Letter 3219, Statutory Notice of Deficiency, will be issued on all unagreed or no response cases.
- (8) If a case is closed as a default, and the refund is frozen, a certified notice of claim disallowance, Letter 105C, should also be issued.

4.19.14.10.4 (07-18-2022) RRC Math Errors

- (1) The Recovery Rebate Credit (RRC) math error cases follow a two-letter process using a Letter 566-B, ICL 45-Day Combo Letter and Statutory Notice of Deficiency (SNOD). See IRM 4.19.13, General Case Development and Resolution, for applicable suspense time frames.
- (2) The Letter 566-B Combo letter will include a report and a customized 886-A.
- (3) Letter 3219, Statutory Notice of Deficiency, will be issued on all unagreed or no response cases.
- (4) The IRS has Math Error Authority to deny or reduce the RRC based on the following:
 - The primary or secondary taxpayer checks the box that someone else can claim either of them as a dependent.
 - For tax year 2020, a valid Social Security Number (SSN) for the primary or secondary is not present, with the exception for the Married Filing Joint account having a military indicator, which allows an ITIN for either the primary or secondary taxpayer.

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themselves without a valid Social Security Number (SSN), with the exception for the Married Filing Joint account having a military indicator, which allows the couple to receive up to the maximum MFJ RRC for the year if one spouse has a valid SSN.

- A valid SSN for a dependent is not present.
- A decedent SSN is present, and the person died prior to the tax year.
- The Adjusted Gross Income (AGI) limitation is exceeded.
- For tax year 2020, the dependent age limitation is exceeded.

- The Economic Impact Payments have not been considered in the calculation of the RRC.
- (5) The Taxpayer Notice Codes are found in IRM 21.6.3.4.2.14.2, RRC Taxpayer Notice Codes (TPNC).
 - (6) The TPNC corresponding math error codes are 681, 682, and 683. Math errors 682 and 683 are associated with more than one explanation for reduction or denial of the RRC. Therefore, prior to corresponding with the taxpayer, examiners will need to complete research to determine the reason for the reduction or denial to the RRC when Math Errors (ME) 682 or 683 are present.
 - (7) The return due date for tax year 2020 was postponed to May 17, 2021, without extensions. The return due date, along with the postponed due date for disasters must be considered, when evaluating the assignment date of the TIN.
 - (8) If research results in allowance of the RRC and the case has not moved to Status 10, survey the case and ensure the applicable refund is released.
 - (9) If correspondence is necessary, the facts and circumstances for each case must be considered. Examiners should use the following guidelines to resolve RRC math error cases.

If	And	Then
The ME is 681	The RRC was reduced or denied because the primary and/or secondary taxpayer checked the box that someone else can claim them as a dependent.	<ol style="list-style-type: none"> 1. Research IDRS to verify: <ol style="list-style-type: none"> a. The age of the primary and/or secondary taxpayer and gross income. b. The address of the primary and/or secondary taxpayer. c. The age and gross income of the related taxpayer, relationship to the taxpayer, and credits claimed on behalf of the taxpayer. Was the taxpayer claimed as a qualifying child or qualifying relative? Reference IRM 4.19.14.6.5, EITC – Personal Exemptions and Dependents, for the eligibility requirements for claiming a dependent as a qualifying child or qualifying relative. 2. If it can be reasonably determined the primary and/or secondary taxpayer is entitled to claim themselves, allow the RRC. 3. If it cannot be determined, correspond with the taxpayer for proof of the taxpayer providing their own support during the tax year.

If	And	Then
The ME is 682	The RRC was reduced or denied because the primary and/or secondary taxpayer's SSN was either missing or incomplete.	<ol style="list-style-type: none"> 1. Research IDRS to determine if the correct SSN can be located. If located, refer to IRM 4.19.13.4(4), Researching Cases, to determine the SSN issuance date. <ol style="list-style-type: none"> a. If assigned before the due date of the return (including extensions), allow the RRC. b. If an SSN is not located and/or is not assigned before the due date of the return (including extensions), continue to disallow the RRC, and request a copy of the taxpayer's SS card. 2. If the SS card and IRS records verify the taxpayer's identity, and the SSN is assigned before the due date of the return (including extensions), allow the RRC. 3. If disallowed, advise the taxpayer to contact the Social Security Administration (SSA). <p>Caution: : For TY 2020 returns, the SSN must be "Valid for Employment". For TY 2021 returns, the SSN does not have to be "Valid for Employment" but must be a valid SSN.</p>
The ME is 682	The RRC was reduced or denied due to the primary and/or secondary's last name not matching IRS records.	<ol style="list-style-type: none"> 1. Research IDRS to determine if the SSN is assigned to the taxpayer (e.g., first name match). <ol style="list-style-type: none"> a. If the Nm-Ctrl on the tax return matches IRS records, allow the RRC. b. If the Nm-Ctrl on the tax return does not match IRS records, continue to disallow the RRC, and request a copy of the taxpayer's SS card. 2. If the SS card and IRS records verify the taxpayer's identity, allow the RRC. 3. If disallowed, advise the taxpayer to contact the SSA.

If	And	Then
The ME is 682	The RRC was reduced or denied due to the primary and/or secondary taxpayer using an Individual Taxpayer Identification Number (ITIN) and there is no indication that one spouse was a member of the Armed Forces of the United States at any time during the tax year, so that an exception does not apply to the rule that both spouses must have a social security number.	<ol style="list-style-type: none"> 1. Research the taxpayers' entities for the military indicator, TC 971 AC 162. If found, allow the RRC. 2. Research CC IRPTRO for the Payer's Name Line, and/or search the signature area, Form W-2, and attachments for any of the following indications: <ul style="list-style-type: none"> • United States Air Force • United States Army • United States Coast Guard • United States Marines • United States Navy • DCPS CIVPAY DIRECTOR-ATE • DFAS - ATTN: Defense Finance and Accounting Service • USAF - Active Duty • DFAS - PMJFC/DE • Commanding Office USCG Human Resources Service Information Center 3. If any indicators are found, allow the RRC. 4. If a military indicator is not found, research IDRS to determine if the ITIN spouse has been issued an SS card before the due date of the return. If found, allow the RRC. 5. If research indicates the ITIN spouse does not have an SS card, request a copy of the taxpayer's military ID or any other document which verifies the taxpayer was a member of the U.S. Armed Forces at any time during the tax year. In addition, request a copy of the ITIN spouse's SS card, if applicable. 6. If applicable, advise the taxpayer to contact the SSA.

If	And	Then
The ME is 682	The RRC was reduced or denied because the SSN shown on the tax return for the primary and/or secondary taxpayer, or one or more of the dependents belongs to a deceased person.	<ol style="list-style-type: none"> 1. Research IDRS to determine if any SSN(s) show a date of death prior to 1/1/2020 (TY 2020 returns) or 1/1/2021 (TY 2021 returns). 2. If there is not a date of death prior to the applicable dates, allow the RRC. 3. If there is a date of death prior to the applicable dates, request the SS cards for all individuals on the tax return to verify if the date of death is accurate. 4. If the SS card(s) provided for the individuals on the tax return verifies there is not a date of death, allow the RRC. Note: If an SS card is submitted for a dependent not on the original return, and there is not a record of an amended return, request information to verify the taxpayer is entitled to claim the dependent. 5. If disallowed, advise the taxpayer to contact the SSA. 6. If there is an indication of fraud, contact the manager or lead to discuss indicators.
The ME is 682	The RRC was reduced or denied because the SSN for the primary and/or secondary taxpayer, or one or more of the dependents on the return was not issued before the due date of the tax return.	<ol style="list-style-type: none"> 1. Follow procedures in IRM 4.19.13.4(4), to determine the issuance date of the SS card for the primary and/or secondary taxpayers and the dependents on the tax return. If the issuance dates were before the due date of the return (including extensions), allow the RRC. 2. If the issuance date cannot be verified for one or more of the SSNs on the tax return, request a copy of the applicable SS cards. 3. If the issuance date is before the due date of the return (including extensions), allow the RRC. If not, continue to disallow the RRC. 4. If applicable, advise the taxpayer to contact the SSA.

If	And	Then
If the ME is 683	The RRC is reduced or denied because the last name of one or more individuals claimed as a qualifying dependent does not match IRS records.	<ol style="list-style-type: none"> 1. Research IDRS to determine if each SSN is assigned to the appropriate qualifying dependent. 2. If the examiner can determine that the SSN or last names have been mistakenly switched for one or more dependents on the tax return which caused a name mismatch for one or more of the dependents, allow the RRC. 3. If the last names cannot be verified, request a copy of the SS card(s), birth certificates, court records and/or any necessary documents to verify the taxpayer is eligible to claim the dependent. 4. If taxpayer documentation verifies the dependent's identity, allow the RRC. 5. If disallowed, advise the taxpayer to contact the SSA.
If the ME is 683	For TY 2020 returns only: The RRC was reduced or denied because one or more individuals claimed as a qualifying dependent exceeds the age limit.	<ol style="list-style-type: none"> 1. Research IDRS to determine the age of each qualifying dependent. <ol style="list-style-type: none"> a. If research shows all dependents within the age limit, allow the RRC. Note: For TY 2020 returns, the qualifying dependent must not have attained the age of 17 by 12/31/2020. b. If research does not show all dependents within the age limit, continue to disallow the RRC. 2. Do not request documents from the taxpayer to verify the age of the dependent. 3. If disallowed, advise the taxpayer to contact the SSA.

If	And	Then
The ME is 683	The RRC is reduced or denied because the taxpayer's adjusted gross income exceeds \$75,000 (\$150,000 if married filing jointly or qualifying surviving spouse, \$112,500 if head of household).	<ol style="list-style-type: none"> 1. Disallow the RRC and request the taxpayer's information documents (e.g., Forms W-2, 1099(s)) to verify reported income. 2. Compare documents received to IDRS information to verify the taxpayer's reported income. 3. If necessary, research gross income for prior tax years (e.g., 2020, 2019, 2018) to establish the taxpayer's filing history and location. 4. If information documents, such as the Form W-2 the taxpayer is refuting, shows inconsistent information when compared to other documents in the current year and/or prior years, adjust the taxpayer's income and allow the RRC. 5. If the income cannot be verified as not belonging to the taxpayer, continue to disallow the RRC.
The ME is 683	The amount was computed incorrectly	<ol style="list-style-type: none"> 1. Research TXMOD to verify the payment was issued to the taxpayer(s). 2. If the payment was issued and there is not an indication the payment was returned, research TXMOD to verify if a refund trace has been initiated. Refer to IRM 21.4.2-2, Disposition Code Chart - Refund Inquiry Employee Actions, for a list of disposition codes. If initiated, disallow the RRC. 3. If the payment was not issued, allow the RRC.

4.19.14.11
(11-21-2025)

**DDBCK/CAT A (Form
1040-X) EITC Claims**

- (1) This subsection provides procedures for current year and/or two prior year EITC Form 1040-X Claims/Amended Returns that will be systemically scored and selected through the Dependent Database Check Command Code (CC) DDBCK.
- (2) Accounts Management processes a claim with EITC that meets CAT A Criteria using the CC DDBCK. The SSN of the Qualifying Child(ren) will be run against

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- (3) The current and two prior tax years Form 1040-X Claims/Amended Returns will be transferred to the co-located Examination or as directed by CC DDBCK through the Correspondence Imaging Inventory (CII). See the following table:

If	And	Then
<p>Current tax year, and two prior tax years (i.e., 2025, 2024, and 2023) EITC Form 1040-X Claim/Amended Returns without a Schedule C are systemically scored and selected by CC DDBCK.</p> <p>Note: CII Claims will be received through the Exam Electronic Inventory and accessed through the dedicated terminal for amended returns.</p>	<p>Taxpayer claiming additional or new EITC not claimed on original return.</p>	<ol style="list-style-type: none"> 1. Verify: IMFOLT – TC 424 posting AIMS – PC 0367 EGC 5005 Source Code 30 Status Code 08 2. Establish/assign on CEAS. 3. Review CC DDBCK Validation Results, and retrieve DDBCK print, if necessary, to identify rule breaks. The rule breaks identify the questionable issues. Review Form 1040-X for related EITC issues: filing status, dependent, Child Tax Credit (CTC), Child and Dependent Care Credit (CDCC), Education Credit, etc., Also look for any non-EITC issues that may require further classification. 4. Mail Letter 566-D with appropriate Form 886 to start the examination within 30 days of claim receipt. 5. Follow existing claim procedures in IRM 4.19.16.2.4, Claims Processing in Examination Operation.

If	And	Then
<p>Current tax year, and two prior tax years (i.e., 2025, 2024, and 2023) EITC Form 1040-X Claim/Amended Returns with Schedule C are systemically scored and selected by CC DDBCK based on selectable rule breaking and Schedule C Filters firing.</p> <p>Note: CII Claims will be received through the Examination Electronic Inventory and accessed through the dedicated terminal for amended returns.</p>	<p>Taxpayer is claiming Schedule C changes to self-employment income/expense/tax and claiming additional or new EITC not claimed on original return.</p>	<ol style="list-style-type: none"> 1. Verify: IMFOLT – TC 424 posting AIMS – PC 0026 EGC 5005 Source Code 30 Status Code 08 2. Establish/assign on CEAS. 3. Review CC Validation Results , and retrieve DDBCK if necessary, to identify rule breaks. The rule breaks identify the questionable issues. Review Form 1040-X for related EITC issues: filing status, dependent, CTC, CDCC, Education Credit, etc. Also look for any non EITC issues that may require further classification. 4. Mail Letter 566-D with appropriate Form 886-H to start the examination within 30 days of claim receipt. 5. Follow existing Claim procedures in IRM 4.19.16.2.4.
<p>Current tax year, and two prior tax years (i.e., 2025, 2024, and 2023) EITC Form 1040-X Claim/Amended Returns meeting CAT A criteria are scored and identified by CC DDBCK.</p>	<p>Taxpayer is claiming additional or new EITC that was not claimed on original return.</p>	<ol style="list-style-type: none"> 1. Manually classify claims for possible selection. Review Form 1040-X for related EITC issues: filing status, dependent, CTC and CDCC, Education Credit, etc. Also look for any non-EITC issues that may require further classification. 2. If selected, open on AIMS using: Project Code 0370 Source Code 30 Status Code 08 3. Mail Letter 566-D, with appropriate Form 886-H to start the examination within 30 days of claim receipt. 4. Follow existing claim procedures in IRM 4.19.16.2.4.

If	And	Then
<p>Current year, and two prior tax years (i.e., 2025, 2024, and 2023) EITC Form 1040-X Claim/Amended Returns with Schedule C meeting CAT A criteria are scored and identified by CC DDBCK and Schedule C filters firing .</p> <p>Note: CII Claims will be received through the Examination Electronic Inventory and accessed through the dedicated terminal for amended returns.</p>		<ol style="list-style-type: none"> 1. Manually classify claims for possible selection. Review Form 1040-X for related EITC issues: filing status, dependent, CTC, CDCC, Education Credit, etc. non- EITC issues that may require further classification. 2. If selected, open on AIMS using: Source Code 30 Project Code 0386 Status Code 08 3. Mail Letter 566-D with the appropriate Form 886-H to start the examination within 30 days of claim receipt. 4. Follow existing claim procedures in IRM 4.19.16.2.4.
<p>Current year, and two prior tax years (i.e., 2025, 2024, and 2023) EITC Form 1040-X Claim/Amended Returns with Recertification Indicator 1 or 9 and EITC was not claimed on the original return, are systemically scored and selected by CC DDBCK.</p>		<ol style="list-style-type: none"> 1. Verify: IMFOLT – TC 424 posting AIMS – PC 0625 EGC 5005 Source Code 30 Status Code 08 2. Establish/assign on CEAS. 3. Review CC DDBCK Validation Results, and retrieve DDBCK print, if necessary, to identify rule breaks. The rule breaks identify the questionable issues. Review Form 1040-X for related EITC issues: filing status, dependent, CTC, CDCC, Education Credit, etc., if included on Form 1040-X as well as additional non-EITC issues that may require further classification. 4. Follow existing claim procedures in IRM 4.19.16.2.4. <p>Note: See IRM 4.19.14.7, Recertification, to determine when recertification indicator must be removed.</p>

If	And	Then
	Taxpayer claiming EITC and EITC was previously disallowed (ME 653)	<ol style="list-style-type: none"> 1. Verify: IMFOLT – TC 424 posting AIMS – PC 0625 EGC 5005 Source Code 30 Status Code 08 2. Establish/assign on CEAS. 3. Review CC DDBCK Validation Results, and retrieve DDBCK print, if necessary, to identify questionable issues. Review Form 1040-X for related EITC issues: filing status, dependent, CTC, CDCC, Education Credit, etc., non-EITC issues that may need further classification. 4. Mail Letter 566-D with appropriate Form 886-H to start examination within 30 days of claim receipt. 5. Follow existing claim procedures in IRM 4.19.16.2.4.
	Taxpayer is claiming EITC and EITC was previously disallowed	<ol style="list-style-type: none"> 1. Verify: IMFOLT- TC 424 posting AIMS - PC 0600 EGC 5005 2. Establish/assign on CEAS. 3. Review CC Validation Results, and retrieve DDBCK print, if necessary, to identify questionable issues. Review Form 1040-X for related EITC issues, such as filing status, dependent, CTC, CDCC, Education Credit, etc., non-EITC issues that may need further classification. 4. Follow Math Error procedures in IRM 4.19.14.10, Math/ Clerical Error Program, to initiate the examination within 30 calendar days of the TC 470 cc 94 date that is associated with the DLN blocking series 74X and the TC 764. 5. Follow existing Math Error procedures in IRM 4.19.14.10.

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If	And	Then
	Taxpayer is claiming EITC and EITC was previously disallowed	<ol style="list-style-type: none"> 1. Verify: IMFOLT- TC 424 posting AIMS - PC 1172 EGC 5005 2. Establish/assign on CEAS. 3. Review CC Validation Results, and retrieve DDBCK print, if necessary, to identify questionable issues. Review Form 1040-X for related EITC issues, such as filing status, dependent, CTC, CDCC, Education Credit, etc., Also look for ; non- EITC issues that may need further classification. 4. Follow M E procedures in IRM 4.19.14.10 to initiate the examination within 30 calendar days of the TC 470 cc 94 date that is associated with the DLN blocking series 74X and the TC 764. 5. Follow existing ME procedures in IRM 4.19.14.10.

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- (4) This subsection provides procedures for prior year EITC Form 1040-X Claims/ Amended Returns not being scored and selected through the Dependent Database Check CC DDBCK.

If	And	Then
<p>TY 2021 and prior Form 1040-X Claim/Amended returns without an EITC Re-certification Indicator</p> <p>Note: Form 1040-X Claim/ Amended returns with Recertification Indicators 2 or 4 will only be reviewed for years of disallowance. If received for any other year, send Letter 105C to inform the taxpayer that their claim will not be considered. Explain the 2/10 year ban.</p>	Taxpayer is claiming an additional child or EITC not claimed on original return	<ol style="list-style-type: none"> 1. Open using: Project Code 607 Source Code 30 Status Code 08 2. Mail Letter 566-D and appropriate Form 886-H to start the examination within 30 days of claim receipt. 3. Follow existing claim procedures in IRM 4.19.16.2.4.
Presently open on the AIMS data base		<ol style="list-style-type: none"> 1. Associate claim with open case. 2. Follow existing procedures.

If	And	Then
Form 1040-X Claim has a Duplicate Dependent condition	It has been determined that the Form 1040-X is the non-custodial/third party of claim receipt.	<ol style="list-style-type: none"> 1. Open with: Project Code 0652 Source Code 30 Status Code 08 2. Mail Letter 566-D and appropriate Form 886-H to start the examination within 15 days.

4.19.14.11.1
(01-01-2007)

**Claims Processing in
Examination Operations**

- (1) See IRM 4.19.16, Claims, for instructions and processing procedures for Claims cases.

4.19.14.12
(01-01-2024)

Child Tax Credits

- (1) The Child Tax Credit (CTC) includes the Additional Child Tax Credit (ACTC) and the Credit for Other Dependents (ODC).
- (2) If research reveals there are two or more taxpayers claiming the same qualifying child and/or dependents, see IRM 4.19.14.21.1, DUPTIN Related Taxpayers.

4.19.14.12.1
(11-21-2025)

**Overview – CTC, ACTC,
Refundable CTC and
ODC**

- (1) **Required TIN for CTC/ACTC/refundable CTC:** The Protecting Americans from Tax Hikes (PATH) Act of 2015 requires the taxpayer, spouse if filing jointly, and each qualifying child (QC) for whom the CTC/ACTC (refundable CTC for tax year 2021) is claimed to have a taxpayer identification number (TIN) issued on or before the return due date (RDD), including extensions. The requirement applies to returns and amended returns filed after December 18, 2015.

A TIN can be a Social Security number (SSN) issued by the Social Security Administration, or an individual taxpayer identification number (ITIN) or adoption taxpayer identification number (ATIN) issued by the Internal Revenue Service (IRS).

- (2) **Credit temporarily modified:** The Tax Cuts and Jobs Act (TCJA) of 2017 temporarily modifies the child tax credit for returns and amended returns for tax years **2018-2025**.
- Required SSN for CTC/ACTC:** A qualifying child for the CTC/ACTC (and refundable CTC for tax year 2021) must have an SSN that is valid for employment and issued before the return due date, including extensions.
 - ODC:** The TCJA created a nonrefundable \$500 credit for other dependents (ODC). Other dependents are qualifying children who would otherwise be eligible for the CTC/ACTC (refundable CTC for 2021), but they do not have the required SSN or are over age 16 (age 17 for 2022) and still meet the age test for dependent qualifying children. Other dependents can also be qualifying relatives (QR) who are United States (U.S.) citizens, nationals or residents.
 - Required TIN for ODC:** The taxpayer, spouse if filing jointly, and each individual for whom the ODC is claimed must have a TIN issued on or before the return due date (including extensions).

- (3) **Credit temporarily fully refundable:** The American Rescue Plan Act (ARPA) of 2021 temporarily modified the CTC to be fully refundable for tax year 2021.
- a. **Principal place of abode:** CTC is fully refundable if the taxpayer (or spouse if MFJ) had a main home in the U.S. for more than six months of the year or is a bona fide resident of Puerto Rico.
- Note:** Bona fide residents of Puerto Rico may claim the refundable CTC. The refundable CTC is generally claimed on a Form 1040-SS/PR. For additional information about the CTC filing requirements relating to the Form 1040-SS/PR for Puerto Rico bona fide residents, see IRM 3.38.147.10.3(2) and (3), IRM 21.6.3.4.2.8(7) and (8), and IRM 21.8.1.5.5.
- b. **Income:** No income is required for the refundable CTC. Taxpayers without a filing requirement may claim the refundable CTC.
- c. **ODC:** This credit remains non-refundable.
- d. **Modified Adjusted Gross Income (MAGI):** The CTC phases out in two different steps based on MAGI. The first phaseout can reduce the Child Tax Credit to \$2,000 per child based on ARPA MAGI limitations. The second phaseout won't reduce the remaining Child Tax Credit below \$2,000 per child until MAGI exceeds the TCJA limitations.
- e. **SSN requirement:** This requirement remains the same as the requirements for the PATH Act and TCJA.
- (4) **OBBB – Permanently modified:** The One Big Beautiful Bill (OBBB) Act of 2025 permanently increased the CTC amount and enhanced Social Security number requirements. For tax years beginning after 2025:
- a. **Credit increased:** The credit is permanently increased to \$2,200 per qualifying child and will be indexed annually for inflation. The refundable portion of the credit (\$1,700) and higher phaseout amounts (\$400,000 for joint filers, \$200,000 for all others) were made permanent.
- b. **SSN Requirement:** In addition to the child, the taxpayer must have a valid for social security number, (or, in the case of a joint return, a valid for work a valid for work social security number of at least 1 spouse) that was issued before the due date of the return, including extensions.
- c. **Must be a citizen:** In addition to the child, the taxpayer must be a United States citizen or resident alien.
- d. The Credit for Other Dependents (ODC) was made permanent based on the extension of the Child Tax Credit.
- (5) **Required TINs for CTC/ACTC/refundable CTC and ODC:**

Applicable Period	TP and spouse, if filing jointly	QC for CTC/ ACTC/ refundable CTC	QC for ODC	QR for ODC
Tax Year 2025 and subsequent tax years	At least one spouse's SSN was issued before RDD (including extensions)	SSN valid for employment and issued before RDD (including extensions)	TIN issued on or before RDD (including extensions)	TIN issued on or before RDD (including extensions)
Tax year 2018-2025	TIN issued on or before RDD (including extensions)	SSN valid for employment and issued before RDD (including extensions)	TIN issued on or before RDD (including extensions)	TIN issued on or before RDD (including extensions)
Tax year 2017 and prior tax year original and amended returns filed after December 18, 2015	TIN issued on or before RDD (including extensions)	TIN issued on or before RDD (including extensions)	N/A	N/A
Original and amended returns filed before December 19, 2015	TIN issued at any time	TIN issued at any time	N/A	N/A

- (6) **Dependency exemption** : The TCJA temporarily reduced the dependency exemption amount to zero for tax years 2018-2025. The OBBB permanently reduced the dependency exemption to zero beginning with tax year 2025. However, the eligibility rules for dependents (qualifying child and qualifying relative) haven't changed.

Refer to IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents, for more information on evaluating taxpayer responses.

- (7) **Head of household filing status:** The TCJA didn't change the eligibility rules for head of household filing status. A taxpayer can still file as head of household with a qualifying person who is the taxpayer's parent living in a separate home in the U.S., Canada or Mexico.

Refer to IRM 4.19.14.6.4, EITC - Filing Status.

- (8) **U.S. national:** For tax purposes, the term 'U.S. national' includes individuals who were born in American Samoa or the Commonwealth of the Northern Mariana Islands who have chosen to be U.S. nationals instead of U.S. citizens.
- (9) **U.S. Resident Alien :** In general, to be a U.S. resident alien, an individual must either be a lawful permanent resident alien (meet the green card test) or be physically present in the U.S. for a certain number of days (meet the substantial presence test). See IRM 4.19.14.12.4, U.S. Resident Alien, and Pub 519, U.S. Tax Guide for Aliens, for more information.
- (10) **Return due date (including extensions):** The regular return due date is normally April 15th of the year following the calendar tax year. For returns and amended returns filed after the return due date, for CTC/ACTC/ODC purposes, if the taxpayer received an extension of time to file, then the return due date is the extended due date, normally October 15th of the year following the calendar tax year. For more information, see the instructions for Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. Note: Different rules can apply for taxpayers outside the United States.
- (11) **Recertification and two and ten-year ban:** The ODC is part of the child tax credit. If a taxpayer is required to recertify for, or is subject to a 2- or 10-year ban on claiming the CTC/ACTC/refundable CTC, the recertification requirement or ban applies to the ODC as well, and vice versa.

If the overall combined amount of CTC, ACTC, refundable CTC and ODC is decreased because of a deficiency examination of a taxpayer who had an existing recertification requirement, consideration must be given to asserting applicable penalties and a 2- or 10-year ban. See IRM 4.19.14.7, Recertification, for more information.

- (12) **Prior Year Earned Income:** For tax year (TY) 2020, a taxpayer can elect to use their TY 2019 earned income (i.e., PYEI) to calculate their Earned Income Tax Credit or Additional Child Tax Credit if their TY 2019 earned income is more than their TY 2020 earned income. The taxpayer can apply the election to either credit or both credits, even if they did not have earned income for TY 2020. See IRM 4.19.14.6.7, Prior Year Earned Income (PYEI), for more information.
- (13) **Foster/Adopted Child:** An individual legally adopted by the taxpayer or an individual who is lawfully placed with the taxpayer for legal adoption is treated as a child of the taxpayer by blood. An eligible foster child is an individual who is placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. A child adopted by the taxpayer, a child lawfully placed with the taxpayer for legal adoption, or an eligible foster child placed with the taxpayer, meets the residency test for a qualifying child if the child has the same residence as the taxpayer for more than one-half of the portion of the year following the placement of the child with the taxpayer. For additional information on residency, citizenship, and tie-

breaker rules, see IRM 4.19.14.6.1, EITC Qualifying Child (QC).

4.19.14.12.2
(11-21-2025)

**Requirements for
CTC/ACTC and
Refundable CTC)**

(1) A child must:

- a. Meet the relationship, residency, joint return and support tests to be the taxpayer's dependent qualifying child
- b. Be younger than the taxpayer and under the age of 17 (18 for 2021) at the end of the tax year
- c. Be a U.S. citizen, national or resident
- d. Have the required SSN issued as a citizen of the United States or whose SSN is valid for work purposes before the due date of the return including extensions

Please see the table below for information related to the rules listed above.

Relationship The child must be the taxpayer's:	Residency The child must have:	Joint Return The child must:	Support The child must:	Age The child must be:	U.S. Citizen, National or Resident The child must be:
son, daughter, adopted child, stepchild or a descendant of any of them or	lived with the taxpayer (or spouse, if filing jointly) for more than one-half the year*	not file a joint return or file a joint return only to claim a refund of income tax withheld or estimated tax paid and neither the child nor the child's spouse had a filing requirement	not have provided over one- half of their own support	younger than the taxpayer and under the age of 17 at the end of the year (18 for 2021)	a U.S. citizen, national or resident alien
brother, sister, stepbrother, stepsister, or a descendant of any of them or	*Exceptions exist for children of divorced or separated taxpayers, temporary absence due to special circum- stances, and birth or death of a child				

Relationship The child must be the taxpayer's:	Residency The child must have:	Joint Return The child must:	Support The child must:	Age The child must be:	U.S. Citizen, National or Resident The child must be:
eligible foster child	<p>*A child adopted by the taxpayer, a child lawfully placed with the taxpayer for legal adoption, or an eligible foster child placed with the taxpayer, meets the residency test for a qualifying child if the child has the same residence as the taxpayer for more than one-half of the portion of the year following the placement of the child with the taxpayer.</p> <p>Example: An eligible foster child is placed with the taxpayer on August 1, 2021, through the end of tax year 2021. The child meets the residence test if the child resides with the taxpayer for more than 2 and 1/2 months.</p>				

- (2) Workpapers must address whether each dependent for whom CTC/ACTC or refundable CTC was claimed meets each of the eligibility tests and has the required SSN. The Internal Revenue Code requires the child to have a **valid**

social security number (SSN) issued by the Social Security Administration (SSA) before the due date of the tax return (including extensions).

- To be valid, the SSN must have been issued to a child who is a citizen of the United States or whose SSN is valid for work purposes **and** was issued on or before the due date of the return, including extensions.
 - If CC DDBKD shows the child's SSN was updated to citizenship code A or B *after* the due date of the return (including extensions), **and/or** the social security card received has the legend "Not Valid for Employment", verify the child was a citizen or permanent resident on or before the due date of the return, including extensions. Refer to Exhibit 4.19.14-1 for evidence of Citizenship. If the cardholder was either a citizen or resident by the due date of the return, including extensions, they are entitled to receive a Social Security card without the legend (same number, but no legend) and have a valid SSN for the CTC/ACTC. See IRM 4.19.14.6(5) for more information.
 - If the social security card has the legend "Valid for Work Only with DHS Authorization" issued after the due date of the return (including extensions), verify the child was a citizen or permanent resident by the due date of the return, and request a new social security card without the legend.
- (3) For each dependent who doesn't meet the tests for the CTC/ACTC/refundable CTC (2021) or doesn't have the required SSN for the CTC/ACTC/refundable CTC, workpapers must address whether the dependent meets the tests for the ODC and has the required TIN for the ODC. The ODC should be allowed for the dependent if they meet the tests and have the required TIN for the ODC. See IRM 4.19.14.12.2.1, Qualifying Child Age 17-23 or Disabled May be Eligible to be Claimed for ODC (2018-2025 Returns), and IRM 4.19.14.12.2.2, Qualifying Child Without Required SSN May be Eligible to be Claimed for ODC.
- (4) For TS Exam, EITC cases in which the dependent has an SSN not valid for work will be identified with Tracking Code 6565.
- (5) For tax year 2021, changes to the MAGI may impact the refundable CTC amount due to ARPA and TCJA threshold phaseouts. Once the refundable CTC is reduced by ARPA thresholds, the credit will then phase out at the current TCJA MAGI thresholds and will not drop below the TCJA amounts (\$2,000 per child). See the table below for examples.

Fact pattern	Calculation
A married taxpayer filing a joint return with 3 children, ages 1, 3, and 7, with a MAGI of \$250,000 will have a tentative refundable credit of \$10,200.	$\$3,600 \times 2 (\$7,200) + \$3,000 =$ \$10,200
The MAGI minus ARPA income threshold equals the reduced MAGI for calculating the refundable CTC.	$\$250,000 - \$150,000 =$ \$100,000

Fact pattern	Calculation
The reduced MAGI multiplied by the five percent phaseout equals the CTC amount the TP is <i>not</i> eligible for.	$\$100,000 \times .05 = \$5,000$
The tentative refundable credit minus the five percent phaseout amount equals the refundable CTC before TCJA rules are applied.	$\$10,200 - \$5,000 = \$5,200$
The TP is eligible for the greater of the increased credit amount or the credit amount following prior year rules (\$2,000 per child).	Greater of \$5,200 or \$6,000

- (6) For tax year 2021, the CTC is 100% refundable if the taxpayer (or spouse if MFJ) lived in the United States for more than one-half the year or was a bona fide resident of Puerto Rico. If during the exam, it is determined that the taxpayer did not reside in the United States for more than one-half the year, the taxpayer is **not** eligible for the refundable CTC. However, the taxpayer **is** eligible for the non-refundable CTC and ACTC (with a qualifying child). Adjust the RGS issue to the non-refundable CTC and ACTC and continue with the exam to verify the qualifying child.
- (7) The One Big Beautiful Bill (OBBB) Act of 2025 permanently increased the CTC amount and enhanced Social Security number requirements beginning with tax year 2025. The credit is permanently increased to \$2,200 per qualifying child and will be indexed annually for inflation. To qualify for the credit, the taxpayer (or spouse, if married filing jointly) and the qualifying children are required to have a valid for employment SSN issue before the due date of the return (including extensions).

4.19.14.12.2.1
(11-21-2025)
**Qualifying Child Age
17-23 or Disabled May
be Eligible to be
Claimed for ODC**

- (1) A taxpayer **can't claim the CTC/ACTC or refundable CTC (2021)** for a child who is over age 16 (17 for 2021). However, the taxpayer **can claim the ODC** if the child meets the age test for a dependent qualifying child over age 16 (17 for 2021):

Age The child must be:	Age (If Permanently and Totally Disabled) The child can be:
<ul style="list-style-type: none"> younger than the taxpayer (or spouse if filing jointly), and either under the age of 19 at the end of the year -- or under the age of 24 and a full-time student 	any age if permanently and totally disabled at any time during the year

Example 1: A taxpayer has a niece who is 18 years old, younger than the taxpayer, single, and didn't provide over one-half of their own support. They lived together all year and are both U.S. citizens. Nobody else can claim the taxpayer's niece as a qualifying child for the CTC/ACTC. The niece meets all other tests to be the taxpayer's qualifying child for the CTC/ACTC but doesn't meet the age test. The taxpayer cannot claim CTC/ACTC for the niece. However, ODC for the taxpayer's niece is allowable.

Example 2: A taxpayer has an older brother who is permanently and totally disabled, single and didn't provide over one-half of their own support. They lived together all year and are both U.S. citizens. Nobody else can claim the taxpayer's brother as a qualifying child for the CTC/ACTC. The brother meets all other tests to be the taxpayer's qualifying child for the CTC/ACTC but doesn't meet the age test. The ODC for the taxpayer's brother is allowable.

4.19.14.12.2.2
(11-21-2025)
**Qualifying Child Without
Required SSN May be
Eligible to be Claimed
for ODC**

- (1) A taxpayer **can't claim the CTC/ACTC** for a child who doesn't have the required SSN. However, a taxpayer **can claim the ODC** if the child has an SSN not valid for employment, ITIN or ATIN issued on or before the return due date (including extensions).

Example: In 2018, a taxpayer, their spouse and their 6-year-old child lived together all year in the United States. They all have ITINs issued by the return due date. No one else can claim their child as a qualifying child for the CTC/ACTC. Their child meets all other tests to be the taxpayers' qualifying child for the CTC/ACTC except the required SSN. The ODC for the taxpayers' child is allowable.

4.19.14.12.3
(11-21-2025)
Requirements for ODC

- (1) Other dependents are qualifying children who would otherwise be eligible for the CTC/ACTC (refundable CTC for 2021), but they do not have the required SSN or are over the age of 16 (age 17 for 2021) and still meet the age test for dependent qualifying children. Other dependents can also be for qualifying relatives (QR) who are United States (U.S.) citizens, nationals, or residents.
- (2) A qualifying relative must **not** be:
- a. The taxpayer's qualifying child for the CTC/ACTC/refundable CTC (2021)
 - b. A qualifying child of any other taxpayer for the CTC/ACTC/refundable CTC (2021) or ODC
- (3) A qualifying relative must:
- a. Meet the relationship or member of household, gross income, joint return and support tests to be the taxpayer's dependent qualifying relative
 - b. Be a U.S. citizen, national or resident
 - c. Have the required TIN

Relationship or Member of Household The individual must be the taxpayer's:	Gross Income The individual must:	Joint Return The individual must:	Support The taxpayer must:	U.S. Citizen, National or Resident The individual must:
child, stepchild, foster child, or a descendant of any of them, sibling, half sibling, or a son or daughter of any of them	have gross income that is less than \$5,200 (\$5,050 in tax year 2024; \$4,700 in tax year 2023; \$4,400 in tax years 2022), indexed for inflation after	not file a joint return	provide over one-half the person's support for the year	be a U.S. citizen, national or resident alien
parent or an ancestor or sibling of either parent but not a foster parent	There are special rules for the income of disabled dependents	or	There are special rules for multiple support agreements, spousal or child support, and support of children of divorced or separated parents.	
step-sibling, step-parent, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law		file a joint return only to claim a refund of income tax withheld or estimated tax paid and neither the individual nor the individual's spouse has a filing requirement		
or				
any other person (other than the taxpayer's spouse) who lived with the taxpayer all year as a member of the taxpayer's household if the relationship didn't violate local law				

(4) Some examples:

Example 1: An unmarried taxpayer provided over one-half the total support for their widowed parent who earned \$1,500 (U.S. dollars), has a timely-issued ITIN and

lives in Mexico. The parent meets all other tests to be the taxpayer's qualifying relative but doesn't meet the U.S. citizen or resident test, and the ODC isn't allowable.

Note: Since the taxpayer's parent is a dependent qualifying relative, they can be the taxpayer's qualifying person for head of household filing status if all eligibility tests are met.

Example 2: A taxpayer lived all year with and provided over one-half the total support for their 30-year-old friend and their friend's 10-year-old child. The friend earned \$1,500 during the year, and all three individuals have timely-issued ITINs. The friend and the friend's child meet all tests to be the taxpayer's qualifying relatives; the ODC is allowable.

Example 3: A taxpayer lived all year with and provided over one-half the total support for a 30-year-old friend and the friend's 10-year-old child. The friend earned \$8,000 during the year, and all three individuals have timely-issued ITINs. The friend earned too much to be the taxpayer's qualifying relative for the ODC. The friend's child meets many tests to be the taxpayer's qualifying relative for the ODC, but the child is the friend's qualifying child for the ODC under the rules in IRM 4.19.14.12.2.2, Qualifying Child Without Required SSN May be Eligible to be Claimed for ODC (2018-2025 Returns). The taxpayer can't claim the ODC for the friend or the friend's child as a qualifying relative.

- (5) For math error protest (PC 0125 or 0600) or erroneous refund (PC 0044 or 0045) cases, workpapers must address whether the taxpayer, and spouse if filing jointly, has the required TIN.
- (6) Workpapers must address whether each dependent for whom ODC was claimed meets each of the eligibility tests and has the required TIN.

4.19.14.12.4 (01-03-2023) U.S. Resident Alien

- (1) A dependent who is a U.S. resident alien generally must meet either the green card test or the substantial presence test. See Pub 519, U.S. Tax Guide for Aliens, for more information.
- (2) **Green Card test** - An individual meets the green card test for the year under examination if they are a lawful permanent resident of the United States at any time during the calendar year. A lawful permanent resident has been given the privilege, according to the immigration laws, of residing permanently in the United States as an immigrant. Generally, the U.S. Citizenship and Immigration Services (USCIS) issued the individual an alien registration card, also known as a "green card." The individual continues to have resident status under this test unless the status is taken away or is administratively or judicially determined to have been abandoned.

A resident alien who meets the green card test is eligible for an SSN and is not eligible for an ITIN. See IRM 4.19.14.12.5, What is an ITIN?, for more information.

- (3) **Substantial presence test** - An individual meets the substantial presence test for the year under examination if they are physically present in the U.S. for:
 - a. At least 31 days in the calendar year under examination, and

- b. A total of 183 days during the three-year period that includes the year under examination, and the two years immediately before that. Total days are calculated as total days in the year under examination, plus one-third of the days for the immediate prior year, and one-sixth of the days for the second prior year.
- (4) An alien who meets the substantial presence test may have either an SSN, ITIN or ATIN.

Example 1: An alien who is present in the U.S. from July 1st to December 31st, or 184 days, in 2018 meets the substantial presence test for 2018.

Example 2: An alien who was present in the U.S. from January 1st to 31st in 2018 (31 days), all year in 2017 (365 days), and all year in 2016 (365 days) meets the substantial presence test for 2018.

The computation of days of physical presence is shown below.

Computation of days of physical presence:		
All the days present in 2018		31
One third of the days present in 2017	$365 \times 1/3$	121
One sixth of the days present in 2016	$365 \times 1/6$	60
Total days of physical presence		212

- (5) **Dual-status alien** - Dual-status taxpayers are those who have been both a resident alien and a nonresident alien in the same year. The most common dual-status tax years are the years of U.S. arrival and departure. In addition to status changes, a green card or meeting the substantial presence test, taxpayers may also become resident aliens by attaching a timely statement to their income tax return or sending the statement to the IRS.

4.19.14.12.5
(01-03-2023)
What is an ITIN?

- (1) **Authority** - Under Treas. Reg. 301.6109-1, a TIN must be furnished on all tax returns, statements, and other tax-related documents. The Department of the Treasury created the ITIN so that a foreign individual not eligible for an SSN could use an identification number for U.S. federal tax reporting.
- (2) **Effect** - An ITIN doesn't affect an individual's immigration status, isn't valid for identification purposes outside the U.S. federal tax system and doesn't authorize an individual to:
- a. Work in the U.S.
 - b. Receive Social Security benefits
 - c. Claim the EITC or be claimed as a qualifying child for the EITC
 - d. Be claimed as a qualifying child for the CTC/ACTC for 2018-2025 or refundable CTC for 2021

- (3) **Eligibility** - Any individual who doesn't qualify for an SSN is eligible to receive an ITIN if the individual has a valid U.S. federal tax filing requirement, or if a dependency exemption or other tax benefit may be claimed for the individual.
- (4) **Format** - An ITIN is a nine-digit tax processing number issued by the IRS in the same format as an SSN, except that:
 - a. The first digit is (9)
 - b. The fourth and fifth digits range from (50-65), (70-88), (90-92), or (94-99)

Note: An ITIN is not the same as an Internal Revenue Service Number (IRSN). An IRSN is a tax processing number assigned to a taxpayer or spouse by the IRS to process a tax return until the taxpayer is assigned an SSN or ITIN or until their SSN or ITIN is located. An IRSN is in the same format as an ITIN, except that the fourth and fifth digits are always a valid IRS Campus Code (IRSC), ranging from (02-10), (17-18), (28-29), (37-39), 49, 66 and 89. See IRM 3.21.263.5.5, Internal Revenue Service Number (IRSN), for more information.

- (5) **Expiration/Deactivation** - ITINs that haven't been included on a federal tax return at least once in the last three consecutive tax years will expire. Further, ITINs that were assigned before 2013 will expire according to an annual schedule based on the middle digits of the ITIN. To renew or reactivate an expired or deactivated ITIN, a taxpayer must submit Form W-7, Application for IRS Individual Taxpayer Identification Number. Once approved, the taxpayer will be assigned the same ITIN as originally issued. For more information, see IRM 3.21.263.2.1, How to Identify Expired/Deactivated ITINs, and IRM 3.21.263.2.2, How to Identify Renewed/Reactivated ITINs.

4.19.14.12.6
(01-03-2023)
**ITIN and ATIN Issuance
Date**

- (1) **Original assignment** - If an ITIN or ATIN is applied for on or before the return due date (including extensions) and the IRS assigns an ITIN or ATIN because of the application, the IRS will consider the ITIN or ATIN as issued on or before the return due date.
- (2) **Renewed/reactivated and 'gap period'** - When an ITIN is renewed, the ITIN Assignment Date on the renewal application will be the original date the ITIN was assigned. See paragraph (5) of IRM 4.19.14.12.5, What is an ITIN?, and IRM 3.21.263.2.2, How to Identify Renewed/Reactivated ITINs.
- (3) The below is an example of the status of a child's ITIN.

Child's ITIN Status	Status Date
Child's ITIN originally assigned	April 15, 2010
Child's ITIN deactivated	December 31, 2015
Taxpayer submitted renewal Form W-7 for the child	June 15, 2019
Child's ITIN reactivated	June 30, 2019
Child's ITIN assignment date after reactivation	April 15, 2010

- There was a gap period when the ITIN was deactivated from 12/31/15-6/29/19. However, **after renewal/reactivation**, CTC/ACTC and ODC

can be allowed retroactively for tax years during the gap period if the child meets all other eligibility tests for the credit(s).

- For tax year 2018, the child has the required TIN for the ODC after re-activation.
- For tax years 2015, 2016 and 2017, the child has the required TIN for the CTC/ACTC after reactivation. See IRM 4.19.14.12.9, Requirements for CTC/ACTC for Tax Years Prior to 2018, for more information.

Note: No credit or refund will be made for years for which an original or amended return claiming the CTC/ACTC/refundable CTC or ODC is received after the Refund Statute Expiration Date (RSED).

4.19.14.12.7
(01-03-2023)
ITIN and EITC

- (1) If the earned income tax credit (EITC) is claimed on an original return by a taxpayer with an ITIN, or spouse with an ITIN if filing jointly, or claimed for a child with an ITIN, the return is either rejected (electronically) or the EITC is denied using math error correction authority. Research Integrated Data Retrieval System (IDRS) command codes TXMOD, IMFOLT, RTVUE, TRDBV, the Employee User Portal (EUP) or other IRS electronic account research systems as authorized to verify whether the taxpayer improperly received the EITC. If so, with managerial approval, include the EITC as an audit issue.
- (2) If the taxpayer and spouse if filing jointly each have valid SSNs, they can receive the EITC for each qualifying child with a valid SSN if all other eligibility tests are met. They can't receive the EITC if the taxpayer or spouse, if filing jointly, has an SSN issued solely to get a federally funded benefit or has an ITIN. If taxpayers have valid SSNs, they can't receive an additional amount of EITC for any qualifying child who has an SSN issued solely to get a federally funded benefit or who has an ITIN or ATIN.
- (3) See IRM 4.19.15.34.1, Programs and Initial Contacts, for more information on EITC issues in CTC/ ACTC/ODC programs.

4.19.14.12.8
(01-03-2023)
Date of Attainment

- (1) Rev. Rul. 2003-72 applies a uniform method of determining when a child attains a specific age for the purposes of child tax credit, dependent care credit, adoption credit, earned income credit, dependent care assistance programs, foster care payments, adoption assistance programs and dependency exemptions. The ruling provides that a child attains a given age on the anniversary of the date that the child was born. This ruling includes determinations of age for the purposes of child tax credit and dependents.

Example 1: A child born on January 1, 2002, attains the age of 17 on January 1, 2019, for purposes of the CTC/ACTC. For tax year 2018, the child meets the age test for the CTC/ACTC.

Example 2: A child born on December 31, 2001, attains the age of 17 on December 31, 2018, for purposes of the CTC/ACTC. For tax year 2018, the child doesn't meet the age test for the CTC/ACTC.

4.19.14.12.9
(01-03-2023)

**Requirements for
CTC/ACTC for Tax Years
Prior to 2018**

- (1) The following subsections apply to CTC/ACTC claimed on original and amended returns for tax years prior to 2018.

4.19.14.12.9.1
(01-01-2025)

**CTC/ACTC for 2017 and
Prior-Year Returns and
Claims for Refund Filed
After December 18, 2015**

- (1) A child must:
- a. Meet the relationship, residency, joint return and support tests to be the taxpayer's qualifying child.
 - b. Be younger than the taxpayer and under age 17 at the end of the tax year.
 - c. Be a U.S. citizen, national or resident.
 - d. Have the required TIN.

Relationship The child must be the taxpayer's:	Residency The child must have:	Joint Return The child must:	Support The child must:	Age The child must be:	U.S. Citizen, National or Resident The child must be:
Son, daughter, adopted child, stepchild or a descendant of any of them	lived with the taxpayer (or spouse, if filing jointly) for more than one-half the year*	not file a joint return or file a joint return only to claim a refund of income tax withheld or estimated tax paid, and neither the child nor the child's spouse had a filing require- ment	not have provided over one-half of their own support	younger than the taxpayer and under the age of 17 at the end of the year	a U.S. citizen, national or resident alien
or					
brother, sister, stepbrother, stepsister, or a descendant of any of them or	*Exceptions exist for children of divorced or separated taxpayers, temporary absence due to special circum- stances and birth or death of a child				

Relationship The child must be the taxpayer's:	Residency The child must have:	Joint Return The child must:	Support The child must:	Age The child must be:	U.S. Citizen, National or Resident The child must be:
eligible foster child	<p>*A child adopted by the taxpayer, a child lawfully placed with the taxpayer for legal adoption, or an eligible foster child placed with the taxpayer, meets the residency test for a qualifying child if the child has the same residence as the taxpayer for more than one-half of the portion of the year following the placement of the child with the taxpayer.</p> <p>Example: An eligible foster child is placed with the taxpayer on August 1, 2021, through the end of tax year 2021. The child meets the residence test if the child resides with the taxpayer for more than 2 and 1/2 months.</p>				

- (2) For math error protest (PC 0125 or 0600) or erroneous refund (PC 0044 or 0045) cases, workpapers must address whether the taxpayer, and spouse if filing jointly, has the required TIN.

4.19.14.12.9.2
(01-03-2023)
**CTC/ACTC for Returns
and Claims for Refund
Filed Prior to December
19, 2015**

- (3) Workpapers must address whether each dependent for whom CTC/ACTC was claimed meets each of the eligibility tests and has the required TIN.

- (1) For returns and claims for refund filed prior to December 19, 2015, the TIN of the taxpayer, spouse if filing jointly, and each qualifying child for whom the credit is claimed can be an SSN, ITIN or ATIN and the TIN can be issued before, on or after the return due date.
- (2) A child must meet the tests shown in IRM 4.19.14.12.9, Requirements for CTC/ACTC for Tax Years Prior to 2018.
- (3) Workpapers must address whether each dependent for whom CTC/ACTC was claimed meets each of the eligibility tests.

4.19.14.13
(01-01-2024)
**Child and Dependent
Care Credit (CDCC)**

- (1) The following guidelines are used to determine if the taxpayer qualifies for the Child and Dependent Care Credit.
- The limit on the amount of qualifying expenses that can be considered in computing the credit is \$3,000 for one qualifying person or \$6,000 for two or more qualifying persons. The amount of qualifying expenses after applying the limit is reduced by the aggregate amount of dependent care assistance excludable from gross income for the tax year.
 - The credit can be as much as 35 percent of qualifying expenses. Refer to Form 2441, Child and Dependent Car Expenses, for computation.

Note: The American Rescue Plan Act revised the Child and Dependent Care Credit rules for tax year 2021 only. For tax year 2021, the limit on the amount of qualifying expenses that can be considered in computing the credit is \$8,000 for one qualifying person or \$16,000 for two or more qualifying persons. The credit can be as much as 50 percent of qualifying expenses, and the amount of qualifying expenses must be reduced by the aggregate amount of dependent care assistance excludable from gross income for the tax year. Refer to the 2021 *Form 2441* and the 2021 *Instructions for Form 2441* for computation.

- (2) The charts below will be helpful in determining what can be accepted to verify amounts claimed for the Child and Dependent Care Credit. IRC 152 defines a dependent as a qualifying child (QC) or a qualifying relative (QR). See IRM 4.19.15.2, Child and Dependent Care Credit, and IRM 21.6.3.4.1.3, Child and Dependent Care Credit (Form 2441), for more information about refundable and non-refundable credits. See the instructions for Form 2441 for more information, including income thresholds for the tax year being examined.

A qualifying person is:	Verifying Information
The taxpayer's dependent who was under age 13 when the care was provided and whom the taxpayer can claim as a dependent.	Birth certificate, school records, or baptismal certificate. Military Personnel Acceptable proof of status: Defense Enrollment Eligibility Reporting System (DEERS), which provides a list of authorized dependents whose relationship, has been verified. Leave and Earnings Statement (LES), which verifies if the taxpayer is paying a voluntary allotment for Basic Housing Allotment (BHA) payable to the dependents or custodial parent, or if the taxpayer is having child support payments garnished.
or	
The taxpayer's spouse who was physically or mentally not able to care for themselves and who has the same principal place of abode as the taxpayer for more than one-half of the year.	Marriage certificate (proof of spouse), and Doctor's note or State certification (proof of disability).
or	
Any other person who was physically or mentally not able to care for themselves and had the same principal place of abode as the taxpayer for more than one-half of the year, or an unrelated individual who lived with the taxpayer all year as a member of the taxpayer's household, if the relationship didn't violate local laws and whom the taxpayer can claim as a dependent or could claim as a dependent except that the person had gross income in excess of \$5,050 (\$4,700 in tax year 2023; \$4,400 in tax year 2022; \$4,300 tax years 2020 and 2021) or more or because the taxpayer claiming the credit could be claimed as a dependent on another taxpayer's return .	Proof of keeping up home: Rent receipts, mortgage documents, property tax bills, utility bills. Proof of person's claimed residency: School records, official mail. Doctors' note or State certification verifying disability.

Eligibility Requirement Tests	Verifying Information
The taxpayer (and spouse if married) must have earned income during the year. (However, there are exceptions for student-spouse or spouse not able to care for self.)	Form W-2 and/or Form 1099
and	
The taxpayer must pay child or dependent care expenses so that they (and spouse if married) can work or look for work.	Proof of payments to provider: Receipts or cancelled checks, and account statements or letters from each childcare or dependent care provider. If looking for work, a calendar showing interviews and dates. If no log or calendar available, statement from the taxpayer that the taxpayer was looking for work and the types of places the taxpayer was applying.
and	
The taxpayer must make payments for child and dependent care to someone they (or spouse) cannot claim as a dependent. If payments are made to the taxpayer's child, that child cannot be the taxpayer's dependent and must be age 19 or older by the end of the year.	Review the name(s) on receipts or cancelled checks. If same surname, determine if claimed as a dependent on return. If not claimed, verify the age using CC INOLE, via a driver's license, birth certificate, or school records.
and	
The filing status must be single, head of household, surviving spouse with dependent child, or married filing jointly. If married, a joint return must be filed or the taxpayer must meet the criteria in IRM 4.19.14.13.1, Statutory Requirement - Married Filing Separate.	
and	

Eligibility Requirement Tests	Verifying Information
The identity of the care provider must be provided on the tax return.	Must include name, address, and TIN/EIN. If an individual, then SSN. Proof can be a copy of provider's SSN card, copy of provider's driver's license (if SSN on it), a copy of provider's completed W-4 if household employee, copy of statement from employer if part of employer's dependent care plan, or a letter or invoice from the provider with the needed information.
and	
Adjustments must be made for any dependent care assistance benefits provided by employer.	Review Form W-2, Box 10, for employer provided benefits or letter from employer and ensure the excluded benefits are not used to compute the credit. See Part III of Form 2441.

Note: If the taxpayer cannot claim the child as a dependent, the child may still be a qualifying person for the Child and Dependent Care Credit if:

- The child was under age 13 or was physically or mentally not able to care for themselves, and
- The taxpayer is the child's custodial parent (the parent with whom the child lived for the greater part of the year), and
- The child received over one-half of their support during the calendar year from one or both parents who are divorced or legally separated under a decree of divorce or separate maintenance, are separated under a written separation agreement, or lived apart at all times during the last 6 months of the calendar year, and
- The child was in the custody of one or both parents for more than one-half the year.

Note: The noncustodial parent cannot claim the qualifying person for the CDCC even if they claim the person as a dependent under the special rules for a child of divorced or separated parents.

- (3) **If the above conditions are met, allow the credit up to the allowable amount.**
- (4) Expenses for a child to attend kindergarten or a higher grade do not qualify for the Child and Dependent Care Credit. Expenses for before-school or after-school care of a child in kindergarten or a higher grade may qualify for the credit.
- (5) Additional information regarding the Child and Dependent Care Credit can be found in Pub 503, Child and Dependent Care Expenses.
- (6) For situations in which there is a duplicate dependent used to obtain the child and dependent care credit:

- a. For EITC cases, the three-letter process applies: ICL, 30 Day and SNOD. For Discretionary cases, the 566-B Combo letter is used to start the examination. The ICL should include Form 14801, Child and Dependent Care Credit Explanation of Items.
- b. Request documentation applicable to the duplicate condition. The taxpayer must certify that they have a qualifying child per the rules as shown in the para (2) table of this section.
- c. Follow normal examination procedures to work case.
- d. If the taxpayer is allowed the credit, follow procedures in IRM 4.19.14.21.1, DUPTIN Related Taxpayers, to open the other duplicate dependent case and disallow the credit.

(7) The below table provides the Child and Dependent Care Rule Summary:

Eligibility Requirement	Qualifying Person Rule Summary
Relationship	Same as dependent QC, physically or mentally incapable dependent QR spouse IRC 21(b)(1), IRM 4.19.14.6.5, EITC-Personal Exemptions and Dependents.
Residency	Same as dependent QC IRC 21(b)(1)(A), or physically or mentally incapable dependent QR or spouse who lived with Taxpayer more than 1/2 of the year IRC 21(b)(1)(B) and IRC 21(b)(1)(C), IRM 4.19.14.13, Child and Dependent Care Credit (CDCC). Note: For Tax Year 2021 only, the Child and Dependent Care Credit was fully refundable if the taxpayer, or spouse if married filing jointly, had a principal place of abode in the U.S. for more than one-half the year. The taxpayer will verify residency by checking the checkbox on <i>Form 2441</i> , line B. If the box is not checked, the credit is nonrefundable. See IRM 21.6.3.4.1.3.3, <i>Form 2441 - Adjusting the Credit</i> , for more information.
Age	Expenses paid up to age 13 or for physically or mentally incapable dependent or spouse IRC 21(b)(1).
Support	Same as dependent QC, physically or mentally incapable dependent QR IRC 21(b)(1)(A) or N/A for incapable spouse IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents.
Citizenship	Same as dependent QC, physically or mentally incapable dependent QR N/A for incapable spouse IRM 4.19.14.13, Child and Dependent Care Credit (CDCC).
Married Child Joint Return	Does not apply.
Tiebreaker Rules	Apply for divorced or separated parents if two taxpayers claim the CDCC for the same dependent.
Requirements and Special Rules	Must be dependent QC or physically or mentally incapable spouse / dependent QR; except divorced / separated parents IRC 21(e)(5); except kidnapped child IRC 152(f)(6)(A).

Eligibility Requirement	Qualifying Person Rule Summary
Credit for Prior Year's Expenses	Credit for Prior Year Expenses (CPYE) is the portion of the credit attributable to expenses incurred in a prior year but paid in the current year. Review the prior year's Form 2441 to verify if the maximum credit was not claimed for the qualifying individual. If the maximum credit was not claimed, the taxpayer may be able to claim CPYE. Refer to Worksheet A for the current year.

4.19.14.13.1
(01-03-2023)

**Statutory Requirement -
Married Filing Separate**

- (1) Generally, married couples must file a joint return to claim the Child and Dependent Care Credit.
- (2) However, if taxpayers are legally separated or living apart from their spouse, they may be able to file a separate return and take the credit if they are not considered married.
- (3) Taxpayers are not considered married if all of the following apply:
 - a. The taxpayer files a separate return.
 - b. The taxpayer provides a home for a qualifying person for more than one-half the year.
 - c. The taxpayer pays more than one-half the cost of keeping up their home for the year.
 - d. The spouse did not live in the home for the last 6 months of the year.

4.19.14.14
(01-01-2024)

Education Tax Credits

- (1) The Education Tax Credits consists of the American Opportunity Tax Credit (AOTC), the Lifetime Learning Credit, and the Above the Line Deduction for Qualified Higher Education Expenses (repealed for tax years after 2020).
- (2) If research reveals there are two or more taxpayers claiming the same qualifying child and/or dependents, see IRM 4.19.14.21.1, DUPTIN Related Taxpayers.

4.19.14.14.1
(01-01-2024)

**American Opportunity
Tax Credit and Lifetime
Learning Credit**

- (1) See IRM 4.19.15.3.1, American Opportunity Tax Credit (AOTC) and Lifetime Learning Credit, and IRM 21.6.3.4.2.11, Education Credit, American Opportunity Tax Credit (AOTC), for information.

4.19.14.14.2
(01-03-2023)

**Above the Line
Deduction for Qualified
Higher Education
Expenses**

- (1) See IRM 4.19.15.3.2, Tuition and Fees Deduction, for information.

4.19.14.15
(11-21-2025)
**Qualified Adoption
Expenses**

- (1) Beginning with taxable years after December 31, 2024, the One Big Beautiful Bill Act of 2025 makes the Adoption Credit partially refundable up to \$5,000 (indexed annually for inflation). The refundable portion of the credit cannot be carried forward. Carry forward amounts are not refundable but continue to reduce tax liability for up to five years. Any allowable credit must always be reduced by prior credits taken for the eligible child.
- (2) For tax year 2025, the maximum credit (the total of the nonrefundable and refundable portion) and the exclusion for employer-provided benefits are both \$17,280 per eligible child. The amount begins to phase out if the taxpayer's modified adjusted gross income (MAGI) exceeds \$259,190 and completely phases out at \$299,190.
- (3) Taxpayer Services (TS) works the refundable Adoption Credit in Project Code 0486. The credit will post to Master File as a Transaction Code 766 with a Credit Reference Number 261. The refundable portion of the Adoption Credit is claimed on Line 30 of Form 1040.
- (4) Taxpayers must provide documentation to confirm a legal adoption has either been finalized or is in the process. Taxpayers must provide verification of their expenses or of any special needs determination. See IRM 4.19.15.5, Adoption Credit and Qualified Adoption Expenses (QAE), for information on allowable expenses. Also see IRM 4.19.15.5.3 , Evaluating Responses, and Form 14806 , Adoption Credit Documentation Requirements, for information required to verify eligibility for the credit.

Note: Taxpayers can only claim the credit from a foreign adoption after the adoption becomes final.

- (5) If the adoption is domestic and final, and is for a special needs child (as determined by the state or Indian tribal government where the adoption occurs), the taxpayer is entitled to claim the maximum amount of the credit (minus any amounts claimed for the eligible child in a previous year) even if the taxpayer paid no qualified adoption expenses. More information on special needs adoptions can be found in IRM 4.19.15.5.4.

Caution: Don't confuse "children with special needs" for purposes of the adoption credit with the definitions of "children with special needs" for other purposes. Foreign children aren't considered to have special needs for purposes of the Adoption credit. Even U.S. children who have disabilities may not have special needs for purposes of the adoption credit. Generally, "**special needs adoptions**" are the adoptions of children whom the state's or Indian tribal government's child welfare agency considers **difficult to place for adoption**.

- (6) Command Code (CC) DLITE identifies filters fired through Dependent Database (DDB) used in selecting the case for examination. Not all filters are shown, and the fact that a filter has been fired does not mean that the credit is unallowable. Examiners should use this information in evaluating the information submitted by the taxpayer. See IRM 4.19.15.5.2, Research and Initial Contact, for more information on CC DLITE
- (7) For further details regarding the Adoption Credit, see Pub 17, Your Federal Income Tax (For Individuals), the Instructions for Form 8839 found on IRS.gov at *About Form 8839, Qualified Adoption Expenses*, and the IRS.gov web page, *Adoption Credit*.

4.19.14.16
(06-22-2023)
**Recovery Rebate Credit
(RRC)**

- (1) The Recovery Rebate Credit (RRC) is a fully refundable prepayment credit for tax years 2020 and 2021. The advance payment of the RRC is referred to as the Economic Impact Payment (EIP). The following chart is an overview of the RRC:

Category	TY 2020 RRC	TY 2021 RRC
Legislation	Coronavirus Aid, Relief and Economic Security Act (CARES Act) and Consolidated Appropriations Act, 2021 IRC 6428 and IRC 6428A	American Rescue Plan Act of 2021 IRC 6428B
Eligible Individual	An eligible individual for the RRC is an individual other than: a. A non-resident alien b. An individual who can be claimed as a dependent on another individual's tax return c. A filer of Form 1040-NR, Form 1040-PR, or Form 1040-SS d. An estate or trust e. An individual deceased before 1/1/2020	An eligible individual for the RRC is an individual other than: a. A non-resident alien b. An individual who can be claimed as a dependent on another individual's tax return c. A filer of Form 1040-NR, Form 1040-PR, or Form 1040-SS d. An estate or trust e. An individual deceased before 1/1/2021
TIN Requirements for Eligible Individuals	Valid SSN issued before the due date of the return, 5/17/2021, or 10/15/2021, if an extension was filed. See note below. If the eligible individual does not have a valid SSN (For MFJ, if neither eligible individual has a valid SSN), RRC can't be claimed for qualifying dependents.	Valid SSN issued before the due date of the return, or 10/15/2022, if an extension was filed. See note below. Eligible individuals who do not have a valid SSN can claim RRC for qualifying dependents.
Maximum Credit for Eligible Individuals	Eligible individuals are entitled to a credit of up to \$1,800 (\$3,600 if MFJ).	Eligible individuals are entitled to a credit of up to \$1,400 (\$2,800 if MFJ).

Category	TY 2020 RRC	TY 2021 RRC
Qualifying Dependents	<p>Qualifying dependents are children who meet the criteria to qualify for the Child Tax Credit, described in IRM 4.19.14.12.2, Requirements for CTC/ACTC (2018-2025 Returns) and Refundable CTC (2021 Returns) including the requirement to have a valid SSN meeting certain requirements issued before the due date of the return, 5/17/2021, or 10/15/2021, if an extension was filed. See NOTE below.</p> <p>Exception: Children issued an ATIN at any time are qualifying children.</p>	<p>Qualifying dependents are qualifying children and qualifying relatives as defined in IRC 152. The requirements for a qualifying child and qualifying relative are described in IRM 4.19.14.6.5, EITC - Personal Exemptions and Dependents. The qualifying dependent must have an SSN issued before the due date of the return, 4/18/2022, or 10/15/2022, if an extension was filed. See NOTE below.</p> <p>Exception: Children issued an ATIN at any time are qualifying children.</p>
Maximum Credit for Dependents	Eligible Individuals can receive up to \$1,100 for each qualifying child.	Eligible Individuals can receive up to \$1,400 for each qualifying child and each qualifying relative.
AGI Phaseout Limitations	<p>The RRC is reduced when the taxpayer's AGI exceeds:</p> <ul style="list-style-type: none"> a. \$150,000 for joint filers or qualifying widow(er)/qualified surviving spouse b. \$112,500 for HOH filers or HOH filers who don't claim a dependent c. \$75,000 for all other filers 	<p>The RRC is reduced when the taxpayer's AGI exceeds:</p> <ul style="list-style-type: none"> a. \$150,000 for joint filers or qualifying widow(er)/qualified surviving spouse b. \$112,500 for HOH filers or HOH filers who don't claim a dependent c. \$75,000 for all other filers

Category	TY 2020 RRC	TY 2021 RRC
AGI Phaseout Amounts	The phaseout amount is determined by the total amount of RRC attributable to the primary and/secondary taxpayer and qualifying children. See examples provided in IRM 21.6.3.4.2.13, Economic Impact Payments (EIP).	The RRC phases out to \$0 at the taxpayer's AGI amounts of: <ol style="list-style-type: none"> \$160,000 for MFJ or QW \$120,000 for HOH \$80,000 for all other filing statuses

Note: A valid SSN for the TY 2020 RRC is one that is valid for employment. See the SSN rules for qualifying children at IRM 4.19.14.12.2, Requirements for CTC/ACTC (2018-2025) and Refundable CTC (2021 Returns), for a description of valid for employment SSNs. A valid SSN for TY 2021 RRC is any SSN issued by the Social Security Administration on or before the due date of the return (including extensions). For joint filers, if either spouse was an active member of the U.S. Armed Forces at any time during the taxable year, only one spouse is required to have a valid SSN for the couple to receive up to the maximum MFJ RRC in each year.

- (2) The first advanced payment of the RRC was issued in calendar 2020 and is referred to as the first Economic Impact Payment (EIP1). A second Economic Impact Payment (EIP2) was issued at the end of calendar year 2020 and the beginning of calendar year 2021. Taxpayers must reduce the amount of the RRC they claim on their TY 2020 return by the amount of EIP1 or EIP2 they received. The RRC is not reduced by EIP1 or EIP2 amounts advanced to other individuals, even if they received EIP amounts for a child now claimed on the taxpayer's return (such as EIP paid to the child's other parent).
- (3) The third advanced payment of the RRC was issued in calendar year 2021 and is referred to as the third Economic Impact Payment (EIP3). If the taxpayer received EIP3 prior to filing the TY 2020 return, the IRS will automatically evaluate the taxpayer's eligibility for an additional, or "plus up" payment, based on the 2020 return. The "plus up" payment will be recorded as a separate transaction on the tax module. Taxpayers must reduce the amount of RRC they claim on their TY 2021 return by the total amount of EIP3 they received. The RRC is not reduced by EIP3 amounts advanced to other individuals, even if they received EIP amounts for a dependent now claimed on the taxpayer's return (such as EIP paid to the child's other parent or directly to someone who is now a dependent).

4.19.14.16.1
(01-03-2023)
**RRC Reporting
Requirements**

- (1) For both tax years (TY) 2020 and 2021, taxpayers will claim the Recovery Rebate Credit (RRC) on line 30 of their tax return. A worksheet is available to the taxpayer for this calculation and is not required to be attached to the tax return. The RRC is reduced by the amount of the Economic Impact Payment (EIP) received, and this difference is the amount to be reported on the tax return.

Note: EIPs were based on prior year information. A change in circumstances from the prior year (such as fewer children or more income in the current year) does not require the taxpayer to repay any EIP. No repayment is required on Form 1040 or Form 1040-SR.

- (2) For TY 2020, Economic Impact Payments (EIP1 and EIP2) posted to the 2020 tax module and entity, as separate transactions on the tax module. For TY 2021, EIP3 posted to the 2021 tax module and entity. The taxpayer may have been entitled to a “plus up” payment after the issuance of EIP3. This payment is considered to be a portion of EIP3 and is recorded as a separate transaction on the tax module.
- (3) If research is necessary, payments may be found using command codes IMFOLT, IMFOLA, IMFOLE, and ENMOD.
 - a. The EIP posted with a Transaction Code (TC) 766 and the following credit reference numbers on IMFOLT and IMFOLA
338: The amount attributable to the primary and secondary taxpayer, if applicable.
257: The amount attributable to the qualifying child(ren).
 - b. The EIP posted with a TC 971 Action Code 0199 on IMFOLE and ENMOD.
 - c. For TY 2020, there are separate transactions for EIP1 and EIP2.
 - d. For TY 2021, the EIP3 and the “plus up” payment (if applicable) are recorded as separate transactions on the module.
- (4) For TY 2020, the RRC posted to the 2020 tax module with a TC 766 and CRN 256 only. For TY 2021, the RRC posted to the 2021 tax module with a TC 766 and CRN 256 only. Therefore, the RRC can be a combination of the RRC for a qualifying child and a primary and/or secondary taxpayer.
- (5) For more in-depth account research information, including entity and module conditions, refer to IRM 21.6.3.4.2.13.1, Economic Impact Payments (EIP) - Account Information.

4.19.14.16.2
(01-03-2023)

RRC Exam Procedures

- (1) TS examinations may include the RRC as an issue under any project code. The RRC will primarily be adjusted by the disallowance of a qualifying child.
- (2) On any pre-refund or post-refund project code where Earned Income Tax Credit (EITC) or CTC/ACTC is an issue, the RRC will be added as an issue when present. This includes most EITC project codes and any project code (EITC or non-EITC) for which the ACTC is an issue. The full amount of RRC claimed on the return will be frozen.
- (3) The full amount of RRC claimed on the return will be frozen. However, the portion of the RRC attributable to the primary and/or secondary taxpayer is not an examination issue. Ensure the RRC is allowed, regardless of the examination determination, when the initial reply is worked.
- (4) If the taxpayer submits a signed agreement with no correspondence, confirm the RRC claimed on the return for the primary and/or secondary taxpayer is allowed. If the amount of the RRC claimed on the return for the primary and/or secondary taxpayer(s) has not been allowed, issue a corrected report without a taxpayer signature line, allowing that portion of the RRC, and continue with case closure.

Note: For TY 2020 returns, the maximum RRC that can be claimed for the primary and/or secondary taxpayer is \$1,800. Therefore, the maximum RRC is \$3,600 for Married Filing Jointly return. During return processing, the RRC is reduced by the amount of the Economic Impact Payments (EIP1 and EIP2) received.

For TY 2021 returns, the maximum RRC that can be claimed for the primary and/or secondary taxpayer is \$1,400. Therefore, the maximum RRC is \$2,800 for Married Filing Jointly return. During return processing, the RRC is reduced by the amount of Economic Impact Payments (EIP3 and plus-up payments) received.

- (5) The amount of the RRC may be limited by the taxpayers Adjusted Gross Income (AGI). Refer to IRM 4.19.14.16, Recovery Rebate Credit (RRC).
- (6) The RRC cannot be reduced below zero. Therefore, if research reveals that a taxpayer has received more EIP than they were entitled to, do not attempt to recover the EIP.

4.19.14.17
(11-21-2025)

Self-Employed Sick and Family Leave Equivalent Credits (SFLC/SE)

- (1) The SFLC/SE is refundable for tax year (TY) 2020 and TY 2021. The SFLC/SE credits allowed under the Families First Coronavirus Response Act (FFCRA) (as amended by the COVID-Related Tax Relief Act) are figured independently from and those allowed under the American Rescue Plan Act of 2021 (ARPA).
 - a. The SFLC/SE for TY 2020 is figured for leave taken beginning April 1, 2020, through December 31, 2020.
 - b. The SFLC/SE for TY 2021 is figured separately for two periods during 2021:
 - i. the leave taken beginning January 1, 2021, through March 31, 2021 (taking into account TY 2020), and
 - ii. the leave taken beginning April 1, 2021, through September 30, 2021 (not taking into account any other period)
- (2) The FFCRA contains qualified sick and family leave equivalent credits for certain self-employed individuals for the leave taken beginning April 1, 2020, through December 31, 2020. The amendments made to the credits allowed under the FFCRA by the COVID-Related Tax Relief Act apply to TY 2020.
- (3) The COVID-Related Tax Relief Act extended the SFLC/SE under the FFCRA for leave taken beginning January 1, 2021, through March 31, 2021. Importantly, the limits that apply to the SFLC/SE under the FFCRA are applied for the entire period beginning April 1, 2020, through March 31, 2021. If any SFLC/SE remain after accounting for TY 2020 (for leave taken from April 1, 2020, through December 31, 2020), then remaining SFLC/SE up to the limit under the FFCRA may be claimed in TY 2021 (for leave taken from January 1, 2021, through March 31, 2021). See Tax credits for paid leave under the Families First Coronavirus Response Act for leave prior to April 1, 2021, at *Special Issues for Employees*.
- (4) The ARPA contains qualified sick and family leave equivalent credits for certain self-employed individuals for the leave taken beginning April 1, 2021, through September 30, 2021. For TY 2021, the SFLC/SE under the ARPA (for leave taken April 1, 2021, through September 30, 2021) is figured separately from the SFLC/SE under the FFCRA (for leave taken January 1, 2021, through March 31, 2021). See specific ARPA provisions for paid leave for self-employed individuals at *Tax Credits for Paid Leave Under the American Rescue Plan Act of 2021: Specific Provisions Related to Self-Employed Individuals*.
- (5) Eligible self-employed individuals must:

- a. have regularly carried on a trade or business within the meaning of Internal Revenue Code (IRC) 1402, or were a partner in a partnership carrying on a trade or business within the meaning of IRC 1402, and
- b. would have been eligible to receive qualified sick leave wages under the Emergency Paid Sick Leave Act (EPSLA) and/or eligible to receive qualified family leave wages under the Emergency Leave Family Expansion Act (Expanded FMLA), as an employee.

Note: The EPSLA and Expanded FMLA expired on December 31, 2020. However, for TY 2021, the EPSLA or Expanded FMLA are treated as if they apply in 2021 when figuring the SFLC/SE under the FFCRA. The EPSLA or Expanded FMLA are also treated as if they apply in 2021 when figuring the SFLC/SE under the ARPA, but with certain modifications. The EPSLA and Expanded FMLA requirements that apply under the FFCRA and the ARPA are slightly different.

- (6) As stated in IRM 4.19.14.2.5(4), Families First Coronavirus Response Act (FFCRA), an eligible self-employed individual for the SFLC/SE may have separately received qualified sick or family leave wages as an employee of an employer (other than themselves). The employer, not the employee who is also a self-employed individual, receives credit for those qualified leave wages. However, the self-employed individual's SFLC/SE is reduced (but not below zero) to the extent that the sum of SFLC/SE and the qualified sick and family leave wages paid to the individual as an employee exceeds certain limits. An employer is required to provide the amount of qualified sick and family leave wages to each employee on a Form W-2 or on a separate statement provided with the employee's Form W-2 so that a self-employed individual can properly figure the SFLC/SE.

4.19.14.17.1
(01-03-2023)

**Self-Employed Sick and
Family Leave Equivalent
Credits (SFLC/SE)
Reporting Requirements**

- (1) For tax years (TY) 2020 and 2021, taxpayers are instructed to complete Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, to figure the amount to claim for qualified Sick and Family leave credit (SFLC/SE).
- (2) For TY 2020, the SFLC/SE from Form 7202 is reported on *Form 1040, Schedule 3*, Line 12b. The SFLC/SE from *Schedule H* is also reported on Schedule 3, Line 12b.
- (3) For TY 2021, the Sick and Family leave credit from Form 7202 is reported on Form 1040, schedule 3, line 13b and line 13h.
 - a. Line 13b is for SFLC/SE under the FFCRA for the period beginning January 1, 2021, through March 31, 2021 (or for leave taken before April 1, 2021).
 - b. Line 13h is for SFLC/SE under the ARPA for the period beginning April 1, 2021, through September 30, 2021 (or for leave taken after March 31, 2021).
- (4) For tax year 2021, the SFLC/HE from Schedule H is also reported on Schedule 3, lines 13b and 13h for the same time periods.
- (5) If the taxpayers file a joint return and both are self-employed individuals, each must file a separate Form 7202.

Note: A self-employed individual may **elect** to use Prior Year Net Earnings from self-employment to figure the Self-Employed Sick and Family Leave Credit

on the Form 7202 if prior year net earnings from self-employment were greater than current year net earnings from self-employment. However, a taxpayer must be in business in the **current** year to claim the credit regardless of whether prior year or current year net earnings from self-employment are used to calculate the SFLC.

4.19.14.17.2
(06-22-2023)
**Tax Year 2020 SFLC
Exam Procedures**

- (1) The following actions are needed **only** if *Schedule C* is disallowed, adjusted, or allowed, and there is an amount on Schedule 3, line 12b, with a corresponding amount on *Form 1040*, line 31. The examiner should ensure that the Sick and Family Leave Credit (SFLC) flows from *Form 7202* prior to making an adjustment to the credit.
- (2) If an adjustment is warranted for the TY 2020 SFLC, the examiner will create the issue in RGS.

Note: If there is more than one Schedule C attached to the return, the examiner will determine the SFLC separately for each Schedule C.

- (3) Research the taxpayer return data using Command Code (CC) TRDBV or the Employee User Portal (EUP) Modernized e-File (MeF) application to determine if there is an amount on Schedule 3, line 12b. The SFLC transaction code (TC) 766, Credit Reference Number (CRN) 299 increases the credit, and TC 767, CRN 299 decreases the credit.
 - a. If there is not an amount, proceed with normal case processing.
 - b. If there is an amount on *Schedule 3*, line 12b, review the Form 1040 to determine if *Schedule H* is attached.
 - c. Follow the steps below based on whether Schedule C is disallowed, or the Schedule C is adjusted. If the audit results in an adjustment to the Schedule C, or an allowance of the Schedule C, examiners should confirm that the net earnings on the Form 7202 match the net earnings on the current year or prior year Schedule SE, if applicable. If the net earnings reported on the Form 7202 are large, unusual, or questionable, examiners should recalculate the credits using the reported net earnings.

Note: When examining a non-Schedule C project code, examiners should not create a Schedule C issue based on there being an amount on Schedule 3, line 12b.

Note: Form 7202 may be present in EUP as a pdf attachment to the MeF return or an e-file html form.

If the Schedule C is disallowed, and:

If	And	Then
There is not a Schedule H attached		Disallow the SFLC.
There is a Schedule H attached to the return	There is not an amount on Schedule H, Line 8e	Disallow the SFLC.

If	And	Then
There is a Schedule H attached to the return	There is an amount on Schedule H, Line 8e AND The amount equals the amount on Schedule 3, Line 12b	Allow the SFLC.
There is a Schedule H attached to the return	There is an amount on Schedule H, Line 8e AND The amount does not equal the amount on Schedule 3, Line 12b	Allow the SFLC in the amount from Schedule H, line 8e.

If the Schedule C is adjusted, and:

If	And	Then
There is not a Schedule H attached		<p>Research EUP to determine if the taxpayer has attached the Form 7202.</p> <ol style="list-style-type: none"> 1. If the Form 7202 is attached, manually calculate the Sick and Family Leave credit. <p>OR</p> <ol style="list-style-type: none"> 2. If there is not a Form 7202 attached, request the Form 7202 from the taxpayer. Once received, manually calculate the Sick and Family Leave Credit.

If	And	Then
There is a Schedule H attached to the return	There is not an amount on Schedule H, Line 8e	<p>Research EUP to determine if the taxpayer has attached the Form 7202.</p> <ol style="list-style-type: none"> 1. If the Form 7202 is attached, manually calculate the Sick and Family Leave Credit, <p>OR</p> <ol style="list-style-type: none"> 2. If there is not a Form 7202 attached, request the Form 7202 from the taxpayer. Once received, manually calculate the Sick and Family Leave Credit.
There is a Schedule H attached to the return	<p>There is an amount on Schedule H, Line 8e</p> <p>AND</p> <p>The amount equals the amount on Schedule 3, Line 12b</p>	<p>Allow the SFLC.</p> <p>Note: This is the credit for qualified sick and family leave wages for the household employer, which is allowed under different sections of the FFCRA than the credits allowed to self-employed individuals.</p>

If	And	Then
There is a Schedule H attached to the return	There is an amount on Schedule H, Line 8e AND The amount does not equal the amount on Schedule 3, Line 12b	<ol style="list-style-type: none"> 1. Allow the SFLC from the Schedule H, line 8e amount. <p>AND</p> <ol style="list-style-type: none"> 2. Research EUP to determine if the taxpayer has attached the Form 7202. <ol style="list-style-type: none"> a. If the Form 7202 is attached, manually calculate the Sick and Family Leave credit. <p>OR</p> b. If there is not a Form 7202 attached, request the Form 7202 from the taxpayer. Once received, manually calculate the Sick and Family Leave credit.

##

If	And	Then
There is not a Schedule H attached, or a Schedule H is attached and there is not an amount on Line 8e		<p>Research EUP to determine if the taxpayer attached Form 7202.</p> <p>1. If Form 7202 is attached, confirm confirmed, allow the SFLC.</p> <p>OR</p> <p>2. If there is not a Form 7202 attached, locate the net earnings SFLC.</p> <p>net earnings exceed current year</p> <p>confirmed, allow the SFLC.</p> <p>4. If not confirmed by the above, the examiner will need to disallow the SFLC and request the Form 7202 from the taxpayer and an explanation of the source of the net earnings used to calculate the SFLC.</p> <p>Note: In general, net earnings on the Form 7202 should be on Line 6 on the <i>TY 2020 Schedule SE</i>, or Lines 4 or 6 on the <i>TY 2019 Schedule SE</i>.</p>

If	And	Then
There is a Schedule H, and there is an amount on Line 8e		<p>Research EUP to determine if the taxpayer has attached Form 7202.</p> <p>1. If Form 7202 is attached, confirm</p> <p>first subtracting line 8e from the total SFLC to determine the SFLC to be used to confirm the percentage. If confirmed, allow the SFLC.</p> <p>OR</p> <p>2. If there is not a Form 7202 attached, locate the net earnings</p> <p>8e from the total SFLC to determine the SFLC to be used to confirm the percentage. If confirmed, allow the SFLC.</p> <p>earnings exceed current year net</p> <p>the SFLC.</p> <p>4. If not confirmed by the above, the examiner will need to disallow the SFLC and request the Form 7202 from the taxpayer and an explanation of the source of the net earnings used to calculate the SFLC.</p> <p>Note: In general, net earnings on Form 7202 should be on line 6 on the <i>TY 2020 Schedule SE</i>, or lines 4 (if filing the short Schedule SE) or 6 on the <i>TY 2019 Schedule SE</i>.</p>

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If	And	Then
The taxpayer has reported a loss in the current and prior year, OR the taxpayer has reported a loss in the current year and no self-employment income in the prior year	No Schedule H is attached (or a Schedule H is attached and there is not an amount on line 8e) AND there is no indication of other trades or businesses reported in the current year	Research EUP to determine if the taxpayer attached the Form 7202. 1. If the Form 7202 is attached, the examiner should attempt to find the source of the net earnings. If not found, disallow the SFLC. 2. Request the Form 7202 from the taxpayer and an explanation of the net earnings used to calculate the SFLC.

- (4) Examiners may identify the Sick and Family Leave Credit on cases where the Schedule C is not an examination issue. The credit may also be identified on cases that do not have a Schedule C or other business schedule attached. If the examiner considers the credit large, unusual, or questionable, follow guidance in 4.19.13.3.1, Standard 1 - Adequate Consideration of Significant Issues, to determine the scope of the examination.

Note: Business schedules include Schedule C, Schedule F and Schedule H. Examiners should also consider Schedule SE, Form 1099-NEC and Schedule K-1 (Form 1065) (reported on Schedule E), as indicators of business activity. However, the facts and circumstances of each case must be considered. See IRM 4.19.14.17.4, Sick and Family Leave Credit (No current year business reported), for additional instructions.

- (5) For more information about Form 7202, reference Tax Year 2020 *Form 7202 Instructions*.
- (6) Additional information for the Self-employed Sick and Family Leave credit authorized by the FFCRA can be found on [irs.gov](https://www.irs.gov) at *Tax Credits for Paid Leave Under the Families First Coronavirus Response Act for Leave Prior to April 1, 2021*. See the specific provisions related to self-employed individuals.

4.19.14.17.3
(06-22-2023)
**Tax Year 2021 SFLC
Exam Procedures**

- (1) The following actions are needed **only** if *Schedule C* is disallowed, adjusted, or allowed, and there is an amount on Schedule 3, lines 13b and 13h, with a corresponding amount on *Form 1040*, line 31. The examiner should ensure that the Sick and Family Leave credit on the 2021 reflects the Schedule C, prior to making an adjustment to the credit. In the case that there is more than one Schedule C attached to the return, the examiner will determine the SFLC for each Schedule C.

Note: When examining a non-Schedule C project code, examiners should not create a Schedule C issue based on there being amounts on Schedule 3, lines 13b and 13h.

Note: The Form 7202 may be present in EUP as a pdf attachment to the MeF return or an e-file html form.

- (2) A taxpayer who files Schedule F, Profit or Loss from Farming, can also complete Form 7202 to claim the SFLC. A taxpayer who receives net earnings as a partner in a partnership carrying on a trade or business, can also complete Form 7202 to claim the SFLC. TS examiners will not examine these

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- (3) Research the taxpayer return data using Command Code (CC) TRDBV or the Employee User Portal (EUP) Modernized e-File (MeF) application to determine if there is an amount on the 2021 Schedule 3, line 13b (leave taken before April 1, 2021) and/or line 13h (leave taken after March 31, 2021). The SFLC TC 766 CRN 299 increases the credit and TC 767 CRN 299 decreases the credit claimed on Schedule 3, line 13b. The SFLC TC 766, CRN 271 increases the credit and TC 767, CRN 271 decreases the credit claimed on Schedule 3, line 13h.

- (4) Follow the steps in the tables below based on whether the Schedule C is disallowed, adjusted or allowed. If the audit results in an adjustment to the Schedule C or an allowance of the Schedule C, examiners should confirm the net earnings on the Form 7202 match the net earnings on the Schedule SE, if applicable. If the taxpayer used prior year net earnings to calculate the credits on the Form 7202, examiners should confirm that the prior year net earnings are more than the current year net earnings and match the net earnings on the prior year Schedule SE, if applicable. If the net earnings reported on the Form 7202 are large, unusual, or questionable, examiners should recalculate the credits using the reported net earnings.

Note: TS examiners will not need to consider the Schedule H in potential audit adjustments for tax year 2021 returns.

If the Schedule C is disallowed, and:

If	And	Then
There is not a business schedule attached (other than a Schedule C) or other indication of a trade or business		Disallow the SFLC for the leave taken before April 1, 2021, and leave taken after March 31, 2021.
There is a business schedule attached (other than a Schedule C) or other indication of a trade or business		Allow the SFLC.

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If	And	Then
There is a business schedule attached (other than a Schedule C) or other indication of a trade or business	Net earnings on the Form 7202 are a combination of Schedule C and other trade or business	<p>Research EUP to determine if the taxpayer has attached the Form 7202 .</p> <ol style="list-style-type: none"> 1. If Form 7202 is attached, manually calculate the SFLC. <p>OR</p> <ol style="list-style-type: none"> 2. If there is not a Form 7202 attached, request the form from the taxpayer. Once received, manually calculate the SFLC.

If the Schedule C is adjusted, and:

If	And	Then
There is not a business schedule attached (other than a Schedule C) or other indication of a trade or business		<p>Research EUP to determine if the taxpayer has attached the Form 7202.</p> <ol style="list-style-type: none"> 1. If the Form 7202 is attached, manually calculate the Sick and Family Leave credit, <p>OR</p> <ol style="list-style-type: none"> 2. If there is not a Form 7202 attached, request the form from the taxpayer. Once received, manually calculate the Sick and Family Leave credit.

If	And	Then
There is a business schedule attached (other than a Schedule) or other indication of a trade or business	Net earnings on the Form 7202 are only from the trade or business, and none from the Schedule C	Allow the SFLC.
There is a business schedule attached (other than a Schedule C) or other indication of a trade or business	Net earnings on the Form 7202 are a combination of Schedule and another trade or business	<p>Research EUP to determine if the taxpayer attached the Form 7202.</p> <ol style="list-style-type: none"> 1. If the Form 7202 is attached, manually calculate the SFLC. <p>OR</p> <ol style="list-style-type: none"> 2. If there is not a Form 7202 attached, request the form from the taxpayer. Once received, manually calculate the SFLC.

If the Schedule C is allowed:

If	And	Then
The taxpayer has reported a loss in the current and prior year, OR the taxpayer has reported a loss in the current year and no self-employment income in the prior year	There is no indication of other trades or businesses reported in the current year	Research EUP to determine if the taxpayer has attached the Form 7202. 1. If the Form 7202 is attached, the examiner should attempt to find the source of the net earnings. If not found, disallow the SFLC. 2. Request the Form 7202 from the taxpayer and an explanation of the net earnings used to calculate the SFLC.

- (5) Examiners may identify the SFLC on cases where the Schedule C is not an examination issue. The credit may also be identified on cases that do not have a Schedule C or other business schedule attached. If the examiner considers the credit large, unusual or questionable, follow guidance in IRM 4.19.13.3.1, Standard 1 - Adequate Consideration of Significant Issues, to determine the scope of the examination.

Note: Business schedules include Schedule C, Schedule F and Schedule H. Examiners should also consider Schedule SE, Form 1099-NEC and Schedule K-1 (Form 1065) (reported on Schedule E), as indicators of business activity. However, the facts and circumstances of each case must be considered. See IRM 4.19.14.17.4 for additional instructions.

- (6) For more information, reference the Tax Year 2021 *Form 7202 Instructions*.
- (7) Additional information for the Self-employed Sick and Family Leave credit authorized by the FFCRA can be found on [irs.gov](https://www.irs.gov) at *Tax Credits for Paid Leave Under the American Rescue Plan Act of 2021 for Leave After March 31, 2021*. See the specific provisions related to self-employed individuals.

4.19.14.17.4
(01-03-2023)
Sick and Family Leave

- (1) TS examinations will include the SFLC as an issue under Project Code 1336. This project code identifies a claim for the SFLC when there is no apparent indication of the taxpayer meeting eligibility requirements described in IRM 4.19.14.17, Self-employed Sick and Family Leave Equivalent Credits (SFLC/SE).

Note: A self-employed individual may **elect** to use Prior Year Net Earnings from self-employment to figure the Self-Employed Sick and Family Leave Credit on the Form 7202 if prior year net earnings from self-employment were

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greater than current year net earnings from self-employment. However, a taxpayer must be in business in the **current** year to claim the credit regardless of whether prior year or current year net earnings from self-employment is used in the calculation.

(2) Examiners should consider the following schedules and information documents as business indicators in the current year:

- a. Schedule C, Profit or Loss from Business (Sole Proprietorship)
- b. Schedule F, Profit or Loss from Farming
- c. Schedule H, Household Employment Taxes
- d. Schedule SE, Self-Employment Tax
- e. Form 1099-NEC, Nonemployee Compensation
- f. Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, and Other Items
- g. Schedule E, Supplemental Income and Loss

Note: The Form 7202 is the form used to calculate the Self-Employed Sick and Family Leave Credit. The presence of Form 7202 does not verify that the taxpayer is in business for the current year.

(3) The facts and circumstances of each case must be considered. Examiners should use the following guidance upon taxpayer response.

If	And	Then
The taxpayer responds indicating the SFLC was calculated using income (net earnings) from self-employment in the prior year	Does not indicate current year net income or loss from self-employment	Disallow the SFLC. Inform the taxpayer they must be regularly carrying on a trade or business in the current year to claim the SFLC using prior year net earnings from self-employment. If the taxpayer is regularly carrying on such a trade or business during the current year, they will need to file an amended return and report the business income and expenses for the current year on the appropriate form or schedule, even if it shows a loss.
The taxpayer responds indicating the SFLC was calculated using income (net earnings) from self-employment in the prior year	Indicates current year income from self-employment that is not reported on the filed return	Disallow the SFLC. Inform the taxpayer they will need to file an amended return to report business income and expenses for the current year.

If	And	Then
<p>The taxpayer responds indicating the SFLC was calculated using income (net earnings) from self-employment in the prior year</p>	<p>Indicates current year income from self-employment that should have been reported on Schedule C AND Submits a Form 1099-NEC or 1099-K, and/or these forms are located on IRP. Note: If the taxpayer submits expense substantiation, accept the expenses if they are ordinary and necessary for the business activity.</p>	<p>Verify Entity of Payer (CC BMFOL) and Payer Master File (CC PMFOL).</p> <ol style="list-style-type: none"> 1. If the entity is valid and PMFOL matches, enter the income on the Schedule C for the SE tax calculation. <ol style="list-style-type: none"> a. Accept the SFLC if the taxpayer properly calculated the SFLC using prior year net earnings, and prior year net earnings are greater than current year net earnings. b. If current year net earnings are greater than prior year net earnings, allow the calculated SFLC using the current year's net earnings. <p>Note: The taxpayer must elect to use the Prior Year Net earnings to calculate SFLC. The examiner cannot make this election for the taxpayer.</p> 2. If the entity is not valid and PMFOL does not match, Do NOT accept Schedule C income. Disallow the SFLC. <ol style="list-style-type: none"> a. Inform the taxpayer our records did not validate payer information. b. Inform the taxpayer that acceptable payer information will be a letter on business letterhead verifying the amount paid. <p>Note: If the taxpayer is unable to obtain letter from payer, suggest other options to verify income. Refer to <u>IRM 4.19.14.6.3</u>, EITC Schedule C Responses.</p>

If	And	Then
<p>The taxpayer responds indicating income (net earnings) from self-employment was reported incorrectly (e.g., Schedule 1, Other Income)</p>	<p>Indicates income from self-employment should have been reported on a Schedule C, AND Submits Form 1099-NEC or 1099-K, which matches the misplaced entry, or these forms can be located on IRP</p> <p>Note: If the taxpayer submits expense substantiation, accept the expenses if they are ordinary and necessary for the business activity.</p> <p>Note: If the Forms 1099-NEC or 1099-K do not match the misplaced entry but the income is valid, move the income to the Schedule C.</p> <p>Examiners should use judgement to determine if it is reasonable to remove or reduce the amount of the misplaced entry. If a determination cannot be made, inform the taxpayer they will need to file an amended return to remove or correct the income on the return.</p>	<p>Verify Entity of Payer (CC BMFOL) and Payer Master File (CC PMFOL).</p> <ol style="list-style-type: none"> 1. If the entity is valid and PMFOL matches, move the income from (e.g., Schedule 1) to the Schedule C for the SE tax calculation. <ol style="list-style-type: none"> a. Accept the SFLC if the taxpayer properly calculated the SFLC using either the prior year (if greater than the current year) or the current year net earnings. b. If not properly calculated, allow the calculated SFLC using the appropriate year's net earnings. <p>Note: The taxpayer must elect to use the Prior Year Net earnings to calculate SFLC. The examiner cannot make this election for the taxpayer.</p> 2. If not valid and PMFOL does not match, Do NOT accept Schedule C income. Disallow the SFLC. <ol style="list-style-type: none"> a. Inform taxpayer our records did not validate payer information. b. Inform the taxpayer that acceptable payer information will be a letter on business letterhead verifying the amount paid. <p>Note: If taxpayer is unable to obtain letter from payer, suggest other options to verify income. Refer to IRM 4.19.14.6.3, EITC Schedule C Responses.</p>

4.19.14.17.5
(01-27-2025)
Sick and Family Leave

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4.19.14.18
(01-03-2023)
Unallowable (UA) Code Program

- (1) The Unallowable Code (UA) Program is a pre-refund program that identifies items for potential audit during return processing. It is a compliance initiative used to prevent the issuance of erroneous tax refunds on both Individual Master File (IMF) and Business Master File (BMF) tax returns. The program requires coordination between headquarters analysts in TS Campus Examination, SB/SE Campus Examination, Large Business & International (LB&I) and Submission Processing (SP) to ensure the correct types of Unallowable Conditions are being identified.
- (2) During processing, returns are reviewed for unallowable issues. If there is an unallowable issue present on the return, the appropriate code is assigned to the return. The cases are systemically opened on Audit Information Management System (AIMS) to the appropriate campus based upon back-end state mapping.
- (3) For a complete listing of unallowable codes, refer to Document 6209, IRS Processing Codes and Information

4.19.14.18.1
(01-01-2024)
Unallowable Code Assignment and AIMS Opening

- (1) Submission Processing (SP) Headquarters (HQ) analysts are the primary owners of any work request that activates and establishes the programming for an Unallowable Code.
- (2) Examination HQ analysts contact SP with any changes that need to be made in the Unallowable Program.
- (3) SP employees in Code & Edit and Error Resolution System (ERS)/Rejects identify unallowable issues during return processing. Unallowable Code tolerances are as follows:

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[illegible]

- IRM 3.11.3.3.7.7, Unallowable Code (UAC)
- IRM 3.11.3.18, Schedule A - Itemized Deductions
- IRM 3.12.2.5.4, Unallowables
- IRM 3.12.2-6, Audit Codes
- IRM 3.12.2-7, Unallowable Codes

- (4) During return processing, a TC 576 will generate for a TC 150 with a credit balance and unallowable tax hold, which holds the unallowable tax to the extent of the credit balance in suspense. The TC 576 will set a -Q Freeze, which prevents the amount of the TC 576 from refund or offset.
- (5) The cases will be systemically opened on AIMS to the campuses under Project Code (PC) 0000, Source Code (SC) 03, and Employee Group Code (EGC) 5000. The Primary Business Code (PBC) will be based on back-end mapping.

- (1) Most of the cases in the Unallowable (UA) program are opened in PC 0000 and SC 03. The cases have frozen refunds and should be started within 30 days of full AIMS creation.
- (2) Other cases selected using an Audit Code open in PC 0000 and SC 02. These cases should also be classified to determine if the return should be selected for examination.
- (3) One of the data sources available to identify new UA inventory is the SSIVL (Statistical Sampling Inventory Validation).

4.19.14.18.3
(01-03-2023)

**Reviewing and
Classifying Unallowable
Inventory**

- (1) When new Unallowable returns are opened to campus examination inventory, Exam Tax Compliance Officers (TCOs) should classify them. See IRM 4.19.11.2, Classifier Considerations, IRM 4.19.13, General Case Development and Resolution, and IRM 4.8.4.2, Cases Subject to Mandatory Review.
- (2) TCOs should review the return using Command Codes RTVUE, BRTVU, or TRDBV. The Employee User Portal (EUP) can be used to view Modernized Electronically Filed (MeF) returns. Detailed return information and attachments are often available on EUP. SP employees are not trained on all tax law issues, and it is possible that the unallowable condition was incorrectly identified or coded. Classifiers should verify the unallowable conditions on the return and look for any other large, unusual and questionable items.

Note: Refer to Document 6209, IRS Processing Codes and Information, for a list of unallowable codes and explanations to ensure the unallowable code(s) was properly coded. Referrals should be made to the appropriate area when potentially abusive preparers and/or fraud are identified.

- (3) Unallowable codes and amounts are shown on the last page of RTVUE and on the Code and Edit Values section on EUP. RTVUE will also show if there is a change to adjusted gross income, itemized deductions, or a tax adjustment. If RTVUE "Per Return" side and "Per Computer" side are different, a math error notice should have been sent. If the math error resolved the unallowable issue, close the case per local procedures.
- (4) Process cases as follows:

If	Then
The taxpayer is in an active combat zone	Refer to IRM 4.19.13.23, Combat Zone, for instructions.
The unallowable code was coded incorrectly, and no other unallowable issue is present on the return	Survey the case with Disposal Code 20.
The unallowable amount is below the Unallowable tolerance amount or no unallowable issue is present on the return.	Survey the case with Disposal Code 32.
4.19.11.4.3.3, Correspondence Exam Referral Selects, and Document 6209, IRS Processing Codes and Information.	Survey the case with Disposal Code 32.

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If	Then
No additional issues are identified for the return and the UA issue does not need additional clarification	Form 6754, Examination Classification Checksheet, is not required. The case is ready for initial contact letter.
No additional issues are identified for the return and the UA issue needs additional clarification (e.g., UA code is incorrect or EUP provides a description of the UA item)	Use Form 6754 to identify the unallowable item(s).
Additional issues are identified for the return	Use Form 6754 to identify the unallowable and additional issue(s). Change to Source Code 20. The Project Code will remain the same.

4.19.14.18.4
(01-01-2024)

Initial Taxpayer Contact

- (1) Workpapers should be updated to include the specific issue(s) being audited (including UA code and description) along with any research conducted. See IRM 4.19.13.6, Workpapers for All Cases, for additional requirements.
- (2) Issue initial contact letter (ICL), to notify the taxpayer of the unallowable issue(s) as follows:
 - a. Issue Letter 6520, Unallowable Combo, and
 - b. Completed Form 4549, Report of Income Tax Examination Changes, and
 - c. Form 2297, Waiver of Statutory Notification of Claim Disallowance; or add the following paragraph to the Form 4549: **"My original return shows an overpayment. However, based on the adjustments listed above, the IRS has reduced or eliminated the overpayment and is disallowing part or all of my claim for credit or refund. I waive the requirements that a notice of claim disallowance be sent to me (by certified mail) for the disallowance of part or all of any claim made on my original return. I will still receive notice for any claim filed on an amended return or otherwise filed apart from the original return that is disallowed."**; and
 - d. Form 886-A, Explanation of Items, to explain the issue(s) being examined/disallowed.

Note: For UA 89, PC 0505 cases, see IRM 4.19.15.29, Health Coverage Tax Credit - IRC 35, for examination instructions.

- (3) Update AIMS to Status 22 and suspend the case for 45 days.

4.19.14.18.5
(01-01-2024)

**Processing Reply/No
Reply Unallowable
Cases**

- (1) When processing replies or no reply cases, refer to IRM 4.19.13, General Case Development and Resolution. See below for additional requirements relating to the unallowable program that are not shown in the referenced IRM.

If	Then
Sending Letter 3219, Notice of Deficiency	In addition to the attachments noted in IRM 4.19.13, General Case Development and Resolution, include: o Form 2297, Waiver of Statutory Notification of Claim Disallowance OR o Include the following paragraph on Form 4549, Report of Income Tax Examination Changes, with the following paragraph: "I waive the requirement that a notice of claim disallowance be sent to me by certified mail to disallow the refund claimed on my income tax return as described above. I understand that waiving this requirement is irrevocable and it will begin the 2-year period for filing suit with the United States District Court or the United States Court of Federal Claims for refund of the disallowed claim as if the notice of disallowance had been sent by certified or registered mail."
Case is closed as unagreed	Issue <i>Letter 105C</i> , Claim Disallowed, or <i>Letter 106C</i> , Claim Partially Disallowed, as appropriate.

4.19.14.18.6
(01-03-2023)
Transcripts

- (1) Transcripts titled, – *QFRZALERT*, will be sent to the responsible campus when an unreleased TC 576 remains on a module longer than 6 months without open AIMS or 18 months for a module with open AIMS.
- (2) The transcript should be resolved within 15 days of receipt.

4.19.14.18.6.1
(01-03-2023)

Resolving the -Q freeze

- (1) The -Q freeze is set by a TC 576. The TC 576 freezes an amount claimed on a return that appears to be unallowable by tax law.
- (2) The amount will remain frozen until the exam is closed/surveyed, or the refund is manually released.
- (3) To resolve the -Q freeze, the campus will need to identify the reason the unallowable was coded and take one of the following actions:

If	And	Then
There is no TC 420	The unallowable was identified correctly in processing	Establish AIMS using SC 06, PC 0000. Once the AIMS base is established, convert to SC 03. Refer to IRM 4.19.13.23, Combat Zone, for Combat Zone procedures.
There is no TC 420	The unallowable was identified incorrectly in processing	Release the TC 576 through a manual online adjustment using a TC 572. This will generate a TC 577, restoring the TC 576 Unallowable Tax into the tax module, releasing the TC 576 hold.
There is no TC 420	There is a TC 971/522 on ENMOD indicating ID Theft for the tax year	Refer to IRM 4.19.13.28, Campus Exam Identity Theft.
There is a TC 420	The examination has not started	Follow IRM 4.19.14.18.3, Reviewing and Classifying Unallowable Inventory, to see if the case should be examined or surveyed.
There is a TC 420	The examination has started	Find where the examination stalled and promptly take the appropriate actions to get the case into the next stage of the examination process.

If	And	Then
There is a TC 300 or TC 421	The examination is closed	Ensure the correct blocking series and Disposal Code were used at closure. Doc Code 47 is to be used with Disposal Code 20-25, 27, 29, 31-33, 35 or 36. If the incorrect Doc Code was used, then please correct or manually input the TC 572 to release the TC 576.

4.19.14.18.7
(03-07-2023)
**Unallowable Program
and Clean Vehicle Credit**

- (1) UA code 79 is used when a taxpayer claims the same vehicle more than once on a combination of Form 8834, Qualified Electric Vehicle Credit, Form 8910, Alternative Motor Vehicle Credit, and Form 8936, Clean Vehicle Credits.
- (2) These cases open in Source Code 03 and PC 0000.
- (3) See IRM 4.19.15.38, Clean Vehicle Credit, for additional information. See IRM 4.19.15.38.2, Taxpayer Explanations for Form 886-A, for appropriate paragraphs and substantiation requirements.

4.19.14.18.8
(01-03-2023)
**Unallowable Program
and First Time
Homebuyer Credit
(FTHBC)**

- (1) UA code 84 is used when the taxpayer could not have transferred a home, which was claimed for the FTHBC, as part of a divorce settlement because the taxpayer was not married filing jointly or married filing separately in the year the credit was issued.

Note: If the taxpayer was Married Filing Jointly (FS 2) in the year the credit was issued, the case does not meet the unallowable referral criteria and should be surveyed. If during your research, you determine that the taxpayer rightfully transferred the property to an ex-spouse, then no examination is needed; and the case can be surveyed.

- (2) Refer to IRM 3.12.3.13.7, Error Code 126 (CE) Unallowable First-Time Homebuyer Credit (UA 84), for the specific unallowable information.
- (3) These cases open in Source Code 03 and PC 0000.
- (4) For homes purchased in 2008, taxpayers generally must repay all remaining annual installments in the year the disposition occurred if the taxpayers disposed on the home during the 15-year recapture period.
- (5) For homes purchased in 2009 and 2010, taxpayers must generally repay the credit in the year of the disposition if the disposition occurred within 36 months of the purchase date.

- (6) If the home is sold to an unrelated person, repayment in the year of the sale is limited to the amount of the gain on the sale. For taxpayers who meet this standard, the taxpayer will reduce the adjusted basis of the home by the amount of the credit.

Note: A gift of a home to a relative or non-relative, including a part sale/part gift triggers full repayment of the credit. The gain limitation does not apply to the taxpayer's repayment liability.

- (7) The following dispositions require accelerated repayment:

- The home was sold
- The entire home was converted to business or rental property
- The home was abandoned, other than in the face of foreclosure
- The lender foreclosed on the mortgage
- The home is no longer the taxpayer's main home

- (8) Exceptions to the acceleration rule:

- Death of a taxpayer
- Involuntary conversion
- Transfers between spouses / divorce
- Qualified official extended duty for members of the Armed Services, members of the Foreign Service of the United States, or members of the Intelligence community (dispositions of cessations after Dec. 31, 2008, only)

- (9) Taxpayers must file Form 5405, First-Time Homebuyer Credit and Repayment of the Credit, with the appropriate box checked in Part III, with their Form 1040, U.S. Individual Income Tax Return.

- (10) When manually adjusting the FTHBC recapture amount, specific reference numbers must be used with each adjustment. For more information about manually adjusting the First-Time Homebuyer Credit, refer to IRM 21.6.4.4.17.4, Manually Adjusting the Recapture Amount.

Caution: When manually transferring the repayment amount to the liable taxpayer (For example, when both taxpayers are no longer liable due to a divorce), ensure the repayment amount shows on CC IMFOLF under the correct liable primary or secondary taxpayer's SSN.

4.19.14.18.9
(01-03-2023)
**Unallowable Program
and Health Coverage
Tax Credit**

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- (2) These cases will open in SC 03 and PC 0505.
- (3) Refer to IRM 4.19.15.29, Health Coverage Tax Credit - IRC 35, for specific unallowable conditions and examination procedures.

4.19.14.18.10

(01-03-2023)

**Unallowable Program
and the District of
Columbia First-Time
Homebuyer Credit
Carryforward**

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- (2) These cases open in Source Code 03 and PC 0000.
- (3) The DC First-Time Homebuyer Credit was available for the purchase or construction of a principal residence beginning August 5, 1997, through December 31, 2011. Any unused portion of the credit can be used to claim a carryforward until the maximum \$5,000 (\$2,500 MFS) has been reached.
- (4) When a new UA code 61 opens to the campus, Exam TCOs should research the taxpayer's account to determine if one or more of the following unallowable conditions are present:
 - a. the taxpayer has taken a cumulative amount greater than the maximum credit of \$5,000 (\$2,500 MFS)
 - b. the taxpayer does not appear to have resided in Washington DC
 - c. other questionable conditions identified by the TCO
- (5) If there are no unallowable conditions present, survey the case with DC 20.

4.19.14.19

(10-03-2024)

**Fuel Tax Credit Claimed
on Form 4136**

- (1) Form 4136, Credit for Federal Tax Paid on Fuels, is used to claim income tax credits for certain uses and sales of fuel, including an income tax credit for certain nontaxable uses (or sales) of fuel during the tax year. Ultimate purchasers, credit card issuers, and in some cases, ultimate vendors of certain types of fuels may be able to claim a fuel tax credit (FTC). A claim cannot be made for personal use of any fuel on Form 4136, line 1, nontaxable use of gasoline. Form 4136 also applies to claims for off-highway business use of fuels other than gasoline, with some differences in rules, but the focus here is on claims made on line 1, nontaxable use of gasoline.
- (2) Form 4136 is often used to claim a credit for gasoline used in an off-highway business use. An off-highway business use pertains to the use by a person in a trade or the business of that person or in an income-producing activity as described in IRC 212 other than as a fuel in a vehicle used on the highway:
 - a. that is registered or required to be registered for highway use with a state department of motor vehicles (at the time of the use), or
 - b. that, in the case of a highway vehicle owned by the United States, is used on the highway.

The credit is also available for gasoline used in a separate, non-propulsion motor of a highway vehicle to power auxiliary equipment, if certain requirements are met. See IRM 4.19.14.19 (7)(7).

- (3) The fuel tax credit for off-highway business use of gasoline does **not** apply to passenger cars or, generally, to other vehicles that are registered or required to be registered to drive on public highways. It also does **not** include non-business, off-highway use of gasoline, including gasoline that is used by minibikes, snowmobiles, power lawn mowers, chain saws and other yard equipment.

Example: A taxpayer owns a landscaping business and uses power lawn mowers and chain saws in their business. The gasoline the taxpayer uses to power the power lawn mowers and chain saws when performing landscaping services for customers qualifies as fuel used for an off-highway

business use. The gasoline the taxpayer uses to power a power lawn mower to mow their own yard does **not** qualify as an off-highway business use.

(4) The corresponding Credit Reference Number (CRN) applicable to the type of fuel tax paid is shown in column (e) of the Form 4136. Review the Form 4136 using Command Code (CC) TRDBV or view the Modernized Electronically Filed (MeF) return through the Employee User Portal (EUP).

(5) Some of the most common documents the taxpayer can submit to verify their FTC claim are listed on Form 14811, Substantiation for Fuel Tax Credit (FTC), and include:

- A list of vehicles and equipment used, including proof of ownership
- Copies of invoices or receipts for the fuel purchases that include:
 - the purpose for which the fuel was used;
 - the number of gallons used for each purpose;
 - the dates of purchase; and
 - the name and address of the supplier and amount purchased

Note: Additional documentation may be required for certain fuels. If required, Form 14811 can be modified to request this documentation. See available resources below for additional requirements.

(6) Generally, cases should be researched and worked following the procedures in IRM 4.19.13, General Case Development and Resolution. There are additional considerations related to the FTC that should be included in the examiner's research. Some are highlighted below.

- Ensure there is a business activity reported on the return.
- Review the credit to see if it appears to be unallowable or excessive based on the type of business activity reported on the return.
- Verify whether the taxpayer claimed amounts on Form 4136 that were also claimed on Form 8849, Claim for Refund of Excise Taxes and Form 720, Quarterly Federal Excise Tax Return.

(7) Other available resources which provide more detail on each type of fuel and the requirements to claim the credit are:

- *Instructions for Form 4136, Credit for Federal Tax Paid on Fuels*
- Pub 510, Excise Taxes
- Pub 225, Farmer's Tax Guide

4.19.14.19.1
(11-21-2025)
**Fuel Tax Credit Claimed
on Form 4136 Selected
by Dependent Database
(DDB) Rules**

(1) FTC returns are filtered and selected by Dependent Database (DDB) rules. Cases are opened pre-refund in Project Code 1505 with assigned tracking codes (TC):

#

-
- (2) Start cases with Letter 566-S, Initial Contact Letter, and Form 14811, Substantiation for Fuel Tax Credit (FTC). If other issues are selected for examination, additional forms may be used to request needed information.

4.19.14.19.2
(10-03-2024)
Fuel Tax Credit Claimed

#

Cases are opened pre-refund or post-refund in Project Code 1259 with assigned tracking codes (TC):

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-
- (2) Start cases with Letter 566-B, Initial Contact Letter, and Form 14811. If other issues are selected for examination, additional forms may be used to request needed information.

4.19.14.20
(01-27-2025)
Premium Tax Credit
Procedures - IRC 36B

- (1) The Premium Tax Credit (PTC) is a refundable tax credit designed to help eligible individuals and families with low or moderate income afford health insurance purchased through the Health Insurance Marketplace, also known as the Exchange, beginning in 2014. Taxpayers can choose to have an estimate of their PTC paid in advance (called advance payments of the PTC, Advance credit payments, APTC) to their insurance companies to lower what they pay for their monthly premiums, or they can forgo advance credit payments and get all of the benefit of the PTC when they file their tax return for the year. If a taxpayer chooses advance payments of the PTC the taxpayer must reconcile the amount paid in advance with the actual PTC computed when filing their tax return.
- (2) The Health Insurance Marketplace is where taxpayers will find information about private health insurance options, purchase health insurance, and obtain help with premiums and out-of-pocket costs if eligible. The Department of Health and Human Services (HHS) administers the requirements for the Marketplace and the health plans offered. More information about the Marketplace may be found at HealthCare.gov.
- (3) There are 4 categories or “metal levels” of coverage in the Marketplace. Plans in each category pay different amounts of the total costs of an average person’s care. The categories have nothing to do with the quality or amount of care provided. The plans are:

Plan Type	The Health Plan Pays (on average)	The Taxpayers Pays
Bronze	60 percent	40 percent
Silver	70 percent	30 percent

Plan Type	The Health Plan Pays (on average)	The Taxpayers Pays
Gold	80 percent	20 percent
Platinum	90 percent	10 percent

Note: Individuals may also enroll in catastrophic coverage plans, which pay less than 60 percent of the total average cost of care on average. They're available only to people who are under 30 years old or have a hardship exemption. PTC is not allowed for coverage under a catastrophic plan.

- (4) The Marketplace will estimate the amount of the premium tax credit that a taxpayer may be able to claim for the tax year, using information provided about family size, projected household income, whether the members of the family enrolled in coverage are eligible for employer coverage or government-sponsored coverage, and other information. This estimated credit is the maximum amount of advance credit payments for which the taxpayer is eligible. Based upon that estimate, the taxpayer may decide to have all, some, or none of the estimated credit paid directly to the insurance company to be applied to the monthly premiums. If a taxpayer receives the benefit of advance payments of the premium tax credit, the taxpayer must reconcile the amount of the advance credit payments with the allowable amount of the premium tax credit for the year.
- (5) Form 8962, Premium Tax Credit (PTC), is used to claim the credit and to reconcile advance credit payments with allowable amount of PTC for the year. Taxpayers who had excess advance credit payments must treat the excess amount as an additional tax, subject to limitations based on the taxpayer's household income. If the allowable amount of PTC for the year is greater than the advance credit payments, the net PTC reduces tax liability or results in a refund.
- (6) Taxpayers who purchased health insurance through the Marketplace for themselves, a spouse or a dependent will receive a Form 1095-A, Health Insurance Marketplace Statement, to assist in completing Form 8962. The Form 1095-A includes the monthly premium for the plan enrolled in, the monthly premium for the taxpayer's applicable benchmark plan and the advance credit payments made for the taxpayer.
- (7) For further details about the Premium Tax Credit, see Pub 17, Your Federal Income Tax, Pub 974, Premium Tax Credit, and the instructions for Form 8962. Additional information may also be found on the Affordable Care Act Resource page located on SERP, and at www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-for-Individuals-and-Families.

4.19.14.20.1
(11-21-2025)
**EITC and Premium Tax
Credit Procedures**

- (1) In FY 2015, a new program was developed to select taxpayers for examination that break both EITC Rules and Premium Tax Credit (PTC) error codes.
- (2) The audits are full scope. Besides EITC and PTC, full scope includes dependent(s), and if applicable, filing status, AOTC and Schedule C. Related statutory adjustments may include CTC/ACTC, Adoption Credit, CDCC, and Student Loan Interest deduction, based upon the dependent being allowed or disallowed.).

- (4) The cases selected with EITC and PTC as issues will be opened on AIMS with a PTC project code. See IRM 4.19.14.4, Program Description, paragraph (1), for project code descriptions.
- (5) Follow existing procedures in IRM 4.19.14.5, RPS Casework Procedures, IRM 4.19.14.6, Evaluating EITC Taxpayer Responses, and IRM 4.19.14.20, Premium Tax Credit Procedures – IRC 36B, for working full scope EITC cases. Standard exam letters and EITC suspense times apply.
- (6) See IRM 4.19.14.2.1 , the Patient Protection and Affordable Care Act (ACA), IRM 4.19.14.2.7.6, Premium Tax Credit (PTC), and IRM 4.19.14.2.8, Inflation Reduction Act of 2022, for tax laws and changes related to the Premium Tax Credit.
- (7) Follow existing procedures in IRM 4.19.14.9, Questionable Refund Program (QRP), for working cases opened with QRP project codes.

4.19.14.20.2 (01-27-2025)

Premium Tax Credit Eligibility

- (1) The taxpayer is eligible for a premium tax credit for a taxable year if they meet all of the following:
 - a. The taxpayer, the taxpayer's spouse if a joint return is filed, or a dependent of the taxpayer must have been enrolled in a qualified health plan offered through the Marketplace for one or more months in which they are not eligible for other health insurance such as employer or government-sponsored coverage, that has minimum essential coverage,
 - b. The taxpayer must have paid their share of the plan premiums for one or more of the months by the taxpayer's tax return due date (not including extensions),
 - c. The taxpayer must be an applicable taxpayer. An applicable taxpayer is a taxpayer with household income of at least 100 percent* but not more than 400 percent of the federal poverty line for the taxpayer's family size, who uses a filing status other than married filing separately** and cannot be claimed as a dependent by another person.

Note: *There are two exceptions for taxpayers below 100 percent of the FPL (see instructions for Form 8962). **An abused or abandoned spouse who cannot file jointly because of the abandonment or abuse may still be an applicable taxpayer.

Note: There are three provisions of the American Rescue Plan Act of 2021 that temporarily modify Premium Tax Credit (PTC) eligibility: **Section 9661:** For tax years 2021 and 2022, eliminates the requirement that household income not exceed 400 percent of the federal poverty line for the taxpayer's family size in order for the taxpayer to be eligible for the PTC. The tables for determining the taxpayer's contribution to their health care coverage are also modified, increasing the amount of the credit. **Section 9662:** For tax year 2020 only, eliminated the requirement to repay excess Advanced Premium Tax Credit (APTC). **Section 9663:** For tax years 2021 only, allows the maximum credit available to any taxpayer who received or was approved to receive unemployment compensation during the tax year, regardless of their household income.

- d. The taxpayer, spouse, or dependent must be a U.S. citizen, or lawfully present in the U.S.
- e. The taxpayer, spouse, or dependent must not be incarcerated.

(2) Filing Status

- a. Taxpayers who file a married filing separate tax return, will not be eligible for the premium tax credit, unless they meet the criteria in 26 CFR 1.36-2(b)(2)(ii), which allows certain victims of domestic abuse and spousal abandonment to claim the credit, using the married filing separate filing status. This relief from the joint filing requirement may be used for no more than three consecutive years.

Note: Victims of domestic abuse or spousal abandonment will check the box on the line about Part 1 of Form 8962, Premium Tax Credit. If the taxpayer has marked the box above Part I for the married filing separately exception, Submission Processing will edit “1” to the right of the checkbox in the right margin per IRM 3.11.3.66.1(2). The MFS PTC EXCEPTION CKBX IND will be set to “1” on IDRS CC RTVUE Definer Code PT.

4.19.14.20.3
(11-21-2025)
Common Terms

- (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. The One Big Beautiful Bill Act permanently eliminated personal exemptions for taxpayers, their spouses or dependents.

- (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 through 2025, 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., some 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

Note: Current federal poverty lines can be found on Health-Care.gov at *Federal Poverty Level*.

- (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.

4.19.14.20.4
(01-27-2025)

PTC Project Codes

- (1) The following table provides an overview of the Non-EITC single-issue Premium Tax Credit (PTC) programs worked in Exam:

PTC Program worked in Exam

Project Code	Project Code Title	Project Code Description	Initial Contact Letter
1300	Premium Tax Credit Pre-Refund	Non-EITC examination questions taxpayer eligibility for PTC for the year. Refund is held on taxpayer's account.	CP 06 or LTR 566-S/ LTR 566-T for TDC cases, with Form 14950
1310	Premium Tax Credit Post Refund	Non-EITC examination questions taxpayer eligibility for PTC for the year. Refund is not held on taxpayer's account.	CP 06A or LTR 566-S/ LTR 566-T for TDC cases, with Form 14950
1322	Premium Tax Credit (Non-EITC)	This examination includes the PTC, questionable W-2s (income) and credits. Note: There are different types of QRP cases identified by various source codes. See IRM 4.19.14.9.2, QRP Source Code and Project Codes	LTR 566-S/LTR 566-T for TDC cases, or 566B/566-J for TDC cases, with Form 4549, Income Tax Examination Changes with Form 14950

Project Code	Project Code Title	Project Code Description	Initial Contact Letter
1321	Premium Tax Credit SLCSP	This examination includes the Second Lowest Cost Silver Plan (SLCSP) for the Premium Tax Credit	LTR 566-S/LTR 566-T for TDC cases, with Form 14950

- (2) Tracking Code 8071 will be used to identify Discretionary cases that also have PTC issues. The Discretionary cases that are in other project codes with this tracking code will reject from ACE automation. The examiner will need to manually add the PTC issue and reintroduce the cases into the ACE automation process.

4.19.14.20.5
(01-27-2025)
Case Selection

- (1) When a Premium Tax Credit (PTC) return is filed, Submission Processing (SP) will compare the return information against the information from the Federal and State Health Exchanges. If the information on the return does not match the information from the exchanges, SP will correspond with the taxpayer to obtain the information needed to process the return.
- (2) If the taxpayer does not respond, SP will input error codes on the return. Nine error codes will be worked in Exam. (Four error codes apply to single-issue examinations.) Please refer to IRM 4.19.14.8.3, Premium Tax Credit (PTC), for a description of the error code conditions.
- (3) After SP inputs the error codes, the returns will be available in Dependent Database (DDB) for case selections.
- (4) DDB will generate flags which will be used to strengthen the selection criteria in conjunction with the error codes. There are 11 flags that will be used. Refer to IRM 4.19.14.8.3, Premium Tax Credit (PTC), for a description of the flags.
- (5) The overall priorities for selecting pre-refund cases are as follows:
1. Returns with an error code and a flag
 2. Returns with an error code
 3. No error code, which includes special processing code (SPC) 4, aging reason code (ARC) 7 or 8 and computed zero values
- (6) Cases will *not* be selected for returns only meeting the flags criteria unless there is an indication the data matching was not completed.

4.19.14.20.6
(01-27-2025)
Research and Initial Report Writing

- (1) **For fully automated cases, the PTC is disallowed in full, or the advance payments of PTC are being treated as repayment. The PTC issue is created by ACE processing and includes the case types listed below:**
- Combination EITC/PTC cases with PTC EC 190, 191 or 195.
 - Single issue non-EITC PTC cases with PTC EC 190, 191 or 195.
- (2) **Partially automated cases will be routed to RGS Group B2. ACE will create the case and all issues with the exception of the PTC and/or APTC repayment issue. Examiners will perform the relevant research, create the PTC and/or APTC Repayment issue, and generate the Examination Report Form 4549. The RAR report (Form 4549 and accompanying forms) will be**

printed and mailed by the campus at the appropriate time. The cases can then be reintroduced to ACE Group B0 for Aging and Closing. The following types of cases will be partially automated:

- Any currently automated (EITC or non-EITC) project codes with a PTC EC 193, 194, 196, 197, 198 or 199.
 - Any currently automated (EITC or non-EITC) project codes with multiple PTC error codes.
 - Any currently automated non-EITC project codes with tracking code 8071.
- (3) **Manual Cases-** Manually created cases will set up in ACE Group B1. Examiners will perform the relevant research, create the PTC and/or APTC Repayment issue, along with other relevant issues and generate the Examination Report Form 4549. The Letter 566-S/566-T for TDC cases, 566B/566-J for TDC cases, Form 4549 and accompanying forms will be printed and mailed by the campus. The cases can then be reintroduced to ACE Group B0 for Aging and Closing.
- (4) PTC allowed on the original return posts as a Transaction Code (TC) 766 with credit reference number (CRN) 262. Excess APTC Repayment is included in the total tax. Posted PTC associated data can be viewed in the posted return section of CC TXMOD or CC IMFOLR. The data elements are:

PTC Data Elements

Data Element	Term
Total Premium Tax Credit	TOTAL PTC
Advance Premium Tax Credit	TOTAL APTC
Excess Advance Payment Above Limitation	LIMIT AMT
Excess APTC Repayment	APTC TX LIAB

Note: Note: The PTC which posts as TC 766 CRN 262 is the Reconciled Premium Tax Credit which is the Total PTC minus the Advance PTC. For additional credit reference numbers that relate to the adjustment of PTC data, refer to IRM 21.6.3.4.2.12.7, Adjusting the Account.

- (5) **Federal Poverty Line** - The Department of Health and Human Services (HHS) determines the federal poverty line amounts annually. A taxpayer who receives excess advance payments must treat the excess amount as additional tax, subject to limitations based on the household percentage of FPL; limitations do not apply in all circumstances.

Note: The American Rescue Plan Act of 2021, enacted on March 11, 2021, suspended the repayment of excess advanced premium tax credit (APTC) amounts for tax year 2020 only. See the IRS website, *More details about changes for taxpayers who received advance payments of the 2020 Premium Tax Credit* for more information. Do not assess the Excess APTC Repayment for tax year 2020 for examination cases.

- (6) The repayment limitation for advance payments are revised yearly and are shown in the *Instructions for Form 8962 - Premium Tax Credit (PTC)* under Table 5, Repayment Limitation. The taxpayer's liability is the smaller of the ex-

cess advance payment or repayment limitation. There is no limitation if the taxpayer's household income is 400 percent or more of the FPL.

(7) **FPL Percentages Not Eligible for PTC -**

- **Household Income Below 100 percent of the FPL;** If the household income is less than 100 percent of the Federal poverty line and the taxpayer does not meet the requirements for **Estimated household income at least 100 percent of the Federal poverty line or Alien lawfully present in the United States**, the taxpayer is not eligible to Claim the PTC. Please refer to *Instructions for Form 8962 - Premium Tax Credit (PTC)*, page 8, for additional information regarding the exceptions.
- **Household Income Above 400 percent of the FPL;** If the household income is greater than 400 percent of the FPL, for tax years other than 2021 and 2022, the taxpayer cannot take the PTC. The taxpayer must repay all APTC paid for individuals in the tax family.

Note: The American Rescue Plan Act of 2021 and the Inflation Reduction Act of 2022 temporarily modified Premium Tax Credit (PTC) eligibility for tax years 2021 through 2025. 1) The requirement that the household income not exceed 400 percent of the Federal poverty line is eliminated for these years. 2) For tax year 2020 only, the requirement to repay excess Advanced Premium Tax Credit is eliminated. 3) For tax year 2021 only, any taxpayer who received or was approved to receive unemployment compensation during the tax year, regardless of their household income, is allowed the maximum credit available.

4.19.14.20.7
(04-18-2025)
**Creating the PTC
Issue(s)**

- (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 misreported 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 SLCSP 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) Research CC IRPOLA to verify the accuracy of Per Exam Amounts for the issues created by the Filer Bridge and ACE.
- (6) 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
- (7) 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.

- (8) 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 systematically by ACE on the initial 30-day report. For tax years prior to 2020, taxpayers whose household income exceeds 400% of the Federal Poverty Line (FPL) for the taxpayer's 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.

(9)

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 <i>Schedule 5</i> of Form 1040	Per Return Amount + AVS EXPOSURE AMT (from IDRS CC RTVUE Definer B1)	8703
191	Net PTC-net credit adj	AVS RECON-CILED 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, SLCSPP 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
190 with response (i.e. Form 8962) ___and/or Form 1095-A and for tax years 2021 through 2025	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

Error Code	RGS Issue Categorization	Per Return Amount	Per Exam Amount	Standard Paragraph Number
196 (This EC indicates that the TP incorrectly used the annual calculation – Form 8962, Line 11 – instead of the monthly calculation – Form 8962, Lines 12-23)	Create issues for each month that has a non-zero entry in the first, second or fifth column on CC RTVUE B2	PTC-calculation method-Monthly = 0:(Important: Enter zero as the Per Return Amount for each issue. Do NOT try to divide the TP's entries on Line 11 between the various months.)	PTC-calculation method-Monthly = 1: See Table in para 9 for appropriate fields to use from IDRS CC RTVUE Definer B2 or CC IRPOLA	8706

- (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.

- (13) 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 codes pertaining to entries on Part 2 of Form 8962

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

Error Code	RGS Issue Categorization	Per Return Amount	Per Exam Amount (research IDRS CC RTVUE Definer B2)	Standard Paragraph
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 form 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 SLCSP amount	Form 8962 Column B Line 11	SLCP CMPTR AMT line Y	8708
198 (TP used monthly calculation)	PTC-monthly prem SLCSP-(month) See Note above.	Form 8962 Column B Lines 12 – 23 (or 0 if creating this issue in association with EC 196)	SLCP CMPTR AMT lines J - D	8708 (Input 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.

(14) 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 RECON-CILED 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 RECON-CILED PTC (from IDRS CC RTVUE Definer B1) (TC 766 CRN 262 amount on IDRS CC IMFOLT if no RTVUE Definer B1)	0	8716

- (15) 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.
- (16) 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.
- (17) 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 .

4.19.14.20.8
(01-27-2025)
Evaluating Responses

- (1) Taxpayers must provide verification to show they are eligible to claim the Premium Tax Credit (PTC). The taxpayer must have purchased health insurance through a Health Insurance Marketplace. If the health insurance was not purchased through a Marketplace, then the taxpayer is not eligible for PTC and does not need to send us any documentation.

IF	THEN acceptable documentation is:
Taxpayer needs to verify names of the individuals they are claiming for PTC	Insurance enrollment forms, invoices, statements from the insurance provider, or Form 1095-A

IF	THEN acceptable documentation is:
Taxpayer Form 8962 is incorrect or is missing (not attached to tax return)	Completed or corrected Form 8962 Note: You will need to calculate the PTC using AMS PTC calculator or create issues in RGS corresponding to the Form 1095-A. Refer to IRM 4.19.14.20.7 , Creating the PTC Issue(s).
Information is needed to support the allocation of the PTC in Part 4 of the Form 8962	Statement from the insurance provider which shows: <ul style="list-style-type: none"> • Policy number • Social security number • Start and stop months • Percentage of allocation Note: You will need to calculate the PTC using AMS PTC calculator or create issues in RGS corresponding to the taxpayer's entries on Form 8962. Refer to IRM 4.19.14.20.7 , Creating the PTC Issue(s).
Information is needed to support the alternative calculation for marriage in Part 5 of the Form 8962	Taxpayer's date of marriage. (marriage certificate)
Proof of payment for the health premium is needed	<ul style="list-style-type: none"> • Cancelled checks (both sides) • Paid receipts • Certificate or insurance coverage • Credit card statements • Bank statements

Note: Taxpayers may send in Form 1095-A or Form 1095-B which can be used to verify items on the Form 8962

Caution: A Form 1095-A marked as Void means the form is no longer valid. The taxpayer is not liable for any APTC originally reported on the Form, nor are they eligible for any credit for data originally reported. A Form 8962 does not have to be submitted to update the account.

Reminder: In 2015, Oregon state-run Marketplace transitioned to Federal. Oregon state-run Marketplace systems did not allow for the electronic transmission of corrected Forms 1095-A for Tax Year 2014 return data when updated information was received from the health care providers. If working a PTC-related return from a taxpayer that participated in the Oregon State Marketplace coverage, and the information the taxpayer provides cannot be verified on BOE or CC IRPOL, advise the taxpayer that they will need to request an official statement from Oregon along with the corrected Form 1095-A that verifies the information reported on their return. Refer taxpayers with questions to the Oregon Marketplace at: **1-855-268-3767 (TTY 711)** or e-mail address: *Oregon Marketplace mailbox*.

- (2) Judgment must be used based on the facts and circumstances in each case to make a substantially correct determination. Workpapers must contain determinations, facts, and circumstances pertaining to the cases.

Note: The American Rescue Plan Act of 2021, enacted on March 11, 2021, suspended the repayment of excess advanced premium tax credit (APTC) amounts for tax year 2020 only. See *IRS suspends requirement to repay excess advance payments of the 2020 premium tax credit* for more information. Starting with RGS 23.0, for tax year 2020 if the taxpayer's return data in the RGS Return Setup includes an Excess APTC Repayment, the Variance Report will show a "true" variance for the amount of the Excess APTC Repayment. This results in an adjustment on Form 5344 to correct the tax to abate the Excess APTC Repayment. Do not assess the Excess APTC Repayment for tax year 2020 for examination cases.

Note: If the taxpayer's Second Lowest Cost Silver Plan (SLCSP) premium on their Form 1095-A is incorrect, the taxpayer is directed not to request a corrected form. The taxpayer must use the Health coverage tax tool located on the HealthCare.gov web page at: *Health coverage tax tool*, to determine their correct SLCSP premium. The printed copy from this web page may be accepted if the information provided is reasonable. Examiners may also use the Health coverage tax tool to validate the information provided.

- (3) A taxpayer (TP1) must allocate policy amounts (enrollment premiums, applicable SLCSP premiums and/or APTC) with another taxpayer (TP2), for example, TP1 and TP2 are former spouses, if (1) the same policy covers one or more individuals claimed on TP1's return and one or more individuals claimed on TP2's return, and (2) the Form 1095-A for the policy lists one or more individuals in TP1's family and one or more individuals in TP2's family. The taxpayers generally may agree on any allocation percentage from zero through one hundred percent (for example, they may agree to allocate 40 percent of the policy amounts to TP1 and 60 percent to TP2), but that same percentage must be used for all of the policy amounts being allocated (that is, if they choose 40/60, then 40/60 must be used for all policy amounts being allocated). Also, if the taxpayers do not agree on an allocation percentage, the default allocation percentage for a particular taxpayer is generally equal to the number of individuals enrolled in the policy and claimed as a personal exemption deduction on the taxpayer's return, divided by the total number of individuals enrolled in the same policy (Allocation Situation 4 in the Form 8962 instructions). Finally, if policy amounts are being allocated because the taxpayers are still married to each other but using either the married filing separately or the head-of-household filing status (Allocation Situation 2 in the Form 8962 instructions), the enrollment premiums and the APTC must be divided equally between the taxpayers (50/50 allocation), and the applicable SLCSP premiums are not allocated (each taxpayer computes their own applicable SLCSP premiums if allowed a PTC for the year).

Example: Charlie and Sam have 5 children and divorced in 2014. For 2016, Sam and the five children enroll in the same Marketplace policy and Charlie enrolls in their employer's coverage. A Form 1095-A for the policy is sent to Sam. However, Charlie claims two of the children on their 2016 return and Sam claims the other three on their 2016 return. Charlie and Sam must allocate the policy amounts for the policy on which Sam and the five children enrolled. They can agree on the percentage to be allocated to Charlie and the percentage to be allocated to Sam. If they do not agree, the enrollment premiums, the SLCSP premiums, and APTC would be allocated as follows:

1. Charlie checks the yes box on line 9 of Part II of F-8962. In Part IV, Charlie enters the appropriate information, including Sam's SSN in

column b and inputs **0.33** in columns (e), (f) and (g) (Charlie is claiming 2 individuals on the policy and a total of 6 are enrolled).

2. Sam checks the yes box on line 9 of Part II of F-8962. In Part IV, Sam enters the appropriate information, including Charlie's SSN in column b and inputs **0.67** in columns (e), (f) and (g) (Sam is claiming 4 individuals on the policy and a total of 6 are enrolled).

Any other allocation percentage is acceptable as long as both taxpayers agree.
If the taxpayers must allocate but have not agreed on the percentage or have not reported an allocation, use the default allocation when

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Reminder: Only exemptions claimed for individuals enrolled in the Marketplace are used in the calculation. For instance, if Charlie also claimed an exemption for their mother who is Medicare eligible, this would not affect the calculation. Similarly, the calculation would not be affected if Charlie was enrolled in a separate Marketplace policy.

Note: In the case of married taxpayers with a shared policy electing to file separately, the amounts must be allocated as follows:

If	Then
Both taxpayers are filing Married Filing Separate (FS 3)	50 percent of any APTC received must be allocated to each return, regardless of the number of exemptions claimed on either return
One taxpayer meets the requirements for filing Head of Household (FS 4)	50 percent of the APTC is allocated to each return. 50 percent of the enrollment premiums are allocated to the taxpayer filing FS 4. The SLCSP premiums are not allocated. The taxpayer filing FS 4 calculates the SLCSP premiums that are appropriate based on their tax family and reports this in Part II of Form 8962 and reports 0.5 in columns (e) and (g) of Part IV.

If	Then
Both taxpayers meet the requirements for filing Head of Household (FS 4)	50 percent of the APTC and enrollment premiums are allocated to each return. The SLCSP premiums are not allocated. The taxpayers calculate the SLCSP premiums that are appropriate based on their tax family and report this in Part II of Form 8962. They report 0.5 in columns (e) and (g) of Part IV.

Reminder: Identify the shared policy in the workpapers. When communicating the basis for the adjustment to the taxpayer(s) adhere to the disclosure guidelines discussed below.

- (4) Third party data of another taxpayer (for example, Form 1095-A data found on the Coverage Data Repository(CDR)) may sometimes be needed to calculate the taxpayer's PTC. If requested by the taxpayer, you may provide the following information as long as the information is directly related to or directly affects the resolution of the taxpayers' filing/reporting requirements:

- Recipient's name
- Premium amount
- SLCSP amount
- APTC amount

Note: Only information about who received health insurance and amounts should be disclosed if the taxpayer specifically requests assistance. Never provide recipients' SSN or address. If there is a discrepancy between the information the taxpayer provides and the data on CC RTVUE or CDR, use the Form 1095-A to verify SLCSP, APTC and Premiums. The Form 1095-A data is accessible via CC IRPOL or through Business Objects. Refer to IRM 2.3.86, Command Code IRPOL, for guidance using the CC.

4.19.14.20.9
(01-27-2025)

Closing Procedures

- (1) See IRM 4.19.13.30(1), Campus Exam Closing Actions, for closing procedures.

4.19.14.21
(01-01-2024)

Pre and Post Refund DDB Selections Duplicate TIN (DUPTIN) Program

- (1) IRS Information Technology (IT) will select pre and post refund Earned Income Tax Credit (EITC) and Non-EITC DUPTIN cases where a DDB Business Rule has been broken.
- (2) Selections will be processed and distributed by Automated Correspondence Exam (ACE) to pre-selected campuses.
- (3) Cases selected for each campus will contain taxpayers where there are two or more taxpayers claiming the same qualifying child and/or dependent. The examination is full scope where the issues should include dependent(s), related tax credits, and the Head of Household filing status.
- (4) The DUPTIN program consists of three categories based on the number of times a qualifying child (QC) TIN is duplicated:

Program	Duplication of TIN	Tracking Code	Campus Assigned
Duplicate	2 – 3 times	None	TS/SB/SE
Multi-Duplicate TIN	4 – 10 times	7669	Kansas City (KCSC)
Ten-plus Duplicate TIN	> 10 times	6450	Andover (ANSC)

Note: Cases with Tracking Code 6450 must be worked and closed by the assigned campus. Do not self-assign these cases.

- (5) EITC DUPTIN post refund cases will open in PC 0652.
- (6) EITC DUPTIN pre-refund cases will open in any pre-refund EITC project code with the Tracking Code 6509.
- (7) Non-EITC cases will open in PC 0097 and PC 0098. See IRM 4.19.15.11, Non-Earned Income Tax Credit Duplicate TIN (Non-EITC DUPTIN), for procedures unique to Non-EITC cases.
- (8) If a case in PC 0652 is still open in exam, and the taxpayer files a subsequent year return claiming EITC with a QC, the subsequent year return will be picked up and opened in PC 0587 and worked pre-refund.
- (9) For all systemically selected post refund EITC cases, the initial contact letter (ICL) is the CP 75A. The ICL identifies the exam issues and the documentation needed. CP 75/CP 75A is the ICL for PC 0587. The ICL and the appropriate Forms 886-H are automatically processed and mailed by Centralized Print Support.
- (10) The adjustments per the Examination Report include the disallowance of all dependents claimed on the returns and any other tax credits and benefits claimed attributable to the dependent such as Child Tax Credit, Child and Dependent Care Credit, Education Credit or filing status.

4.19.14.21.1
(11-21-2025)
**DUPTIN Related
Taxpayers**

- (1) A related taxpayer is defined as a taxpayer claiming the same QC(s) for an EITC and/or dependent credit as in the original case. Command Code DDBKD identifies the TIN of each related taxpayer and the tax year in which the duplicate claim was made. There can be more than one related taxpayer in Multi-DUPTIN.
- (2) There is a special rule for children of divorced or separated parents or parents who lived apart. For post-2008 divorce decrees or separation agreements, the noncustodial parent must attach a Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, or similar statement to their return for each year they are claiming the child as a dependent and for the Child Tax Credit. Taxpayers will still need to submit documents to verify for the Earned Income Credit, Dependent Care Credit, and Head of Household filing status. See IRM 4.19.15.11, Processing Taxpayer Replies, for more information on divorce decrees or separation agreements and the Form 8332.

- (3) When a determination is made to allow a QC on the original case, review and take the required actions outlined below for the related taxpayer(s) identified during examination.
- (4) Research each related taxpayer's on IDRS for evidence of amended return or adjustment, any ongoing audit, any Freeze Codes and any other factors that may affect the decision to expand the audit to the related taxpayer.
- (5) Review also for the potential tax increase and/or decrease in tax credits if the deductions and/or credits pertaining to the duplicate TINs as claimed on the tax return by the related taxpayer are disallowed.

- (7) Audit consideration of the related taxpayer **must** be documented in the work-papers to:
 - a. Indicate the decision regarding whether to expand examination to the related taxpayer(s),
 - b. Provide an explanation for the decision.
- (8) Once the decision is reached to open a related taxpayer, it is **mandatory** that the process to establish the case on AIMS be started immediately, and the ICL on the related taxpayer's audit must be issued within 30 business days of allowing the dependent on the original return.

Note: This includes cases closed "No Change" as well as cases containing multiple QCs with a partial allowance where some QCs are allowed, but the original audit is not closed due to other dependents continuing to be disallowed.

- (9) Related EITC duplicated cases in Project Code 0058 are manually processed by preparing Letter 566-S and the appropriate Form 886-H. The package is issued to taxpayers, and the cases are updated to Status 10 on AIMS. The examination is full scope where the issues should include disallowance of all dependents, related tax credits, and the Head of Household filing status. For PC 0058, send the appropriate Form 886-H with the ICL 566-S.
- (10) For related non-EITC whipsaw cases (PC 0059), refer to IRM 4.19.15.11.1(2), Initial Contact.

4.19.14.21.1.1 (01-01-2024) Evaluating Related Taxpayer Replies	(1)	In addition to evaluating the correspondence received, access CEAS and review the workpapers of the original case for pertinent information that may affect the determination of the related taxpayer's case.
	(2)	Follow procedures in IRM 4.19.13.6, Workpapers for All Cases, when documenting the Form 4700.
	Note: If the decision is reached to close the related taxpayer's case as a no change, reasons for determination must include an explanation to show why the case should be allowed even though the original case was closed no change.	
4.19.14.21.2 (01-01-2024) Evaluating Replies for DUPTIN	(1)	Follow IRM 4.19.13.11, Taxpayer Replies, when evaluating replies from taxpayers.
	(2)	Follow procedures in IRM 4.19.13.6, Workpapers for All Cases, when documenting the Form 4700, Examination Workpapers. See IRM 4.19.14.21.1(6), DUPTIN Related Taxpayers, for additional requirements.
	(3)	See IRM 4.19.14.21.1.1, Evaluating Related Taxpayer Replies, regarding why it is crucial to notate details on the Form 4700, of the documentation received, reasons for acceptance or non-acceptance of the documentation, and the decision and the reasons of determination based on applicable tax laws.
	(4)	Follow IRM 4.19.10.3, Fraud Development and Referrals, if indicators of fraud are identified.
4.19.14.21.3 (06-23-2025) Processing of Duplicate TIN when E-filing	(1)	Processing will allow an E-filed second return duplicating a TIN to post electronically when one of the following four conditions exists:
	However, such returns are still subject to the DUPTIN examination process as described.	
4.19.14.22 (06-23-2025) Claim of Right - IRC 1341, Repayment of Income Previously Reported, Credit	(1)	If a taxpayer repays \$3,000 or more, which was included in gross income in a prior tax year, then they may be able to take a refundable credit against their tax for the year the repayment was made. The taxpayer must have had the appearance of an unrestricted right to the income when it was originally paid. See IRM 21.6.6.2.10, Claim of Right, Repayment of Income Previously Reported, for more details.
	Caution: IRC 1341 does not apply to deductions from bad debts, deductions from sales to customers (e.g., returns and allowances), or deductions for legal and other expenses from contesting the repayment.	

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- (2) Unallowable (UA) Code 70 was used prior to Processing Year 2024 when a taxpayer claimed a Claim of Right or IRC 1341 credit on Form 1040, Schedule 3, Additional Credits and Payments. These cases opened in Source Code 03 and PC 0000.
- (3) Cases should be researched and worked following the procedures in IRM 4.19.13, General Case Development and Resolution. Form 14823, Supporting Documents to Prove Your Claim of Right Credit Internal Revenue Code (IRC) Section 1341, should be included with the Initial Contact Letter (ICL).
- (4) Follow these steps to calculate the Claim of Right Credit:
 1. Figure the tax without deducting the amount repaid.
 2. Refigure the tax for the earlier year of inclusion without including the amount repaid.
 3. Subtract the refigured tax under step (2) from the actual tax for the earlier year. The difference is the credit.
 4. Subtract the credit under step (3) from the tax under step (1).
- (5) Some of the most common documents the taxpayer can submit to verify their claim include:
 - Copies of bills, notices, or similar documents showing the amount(s) required to be repaid.
 - Cancelled checks, money orders, paycheck deductions, or highlighted bank statements showing repayments.
 - Documents showing the income amount(s), type of income and year it was included on a prior year tax return(s).

Note: CETs are responsible for verifying that the repayment was made, and the calculation of credit is accurate.
- (6) If an adjustment is needed to correct the credit posted on the account, refer to IRM 21.6.6.2.10.2, Claim of right- IRC 1341, Repayment of More than 3,000 for more information.

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Exhibit 4.19.14-1 (01-01-2025)**Examples of Acceptable Documentation for EITC Claims (not all-inclusive)**

Examiners should review the taxpayer documentation to ensure a correct determination. The taxpayer may need to submit more than one document to demonstrate eligibility (e.g., utility bills in the taxpayer's name showing residence for more than one-half of the year, or two lease agreements where one does not show residence for more than one-half of the year). The examiner should review documents for the following:

1. The taxpayer's name
2. The qualifying dependent's name
3. A common physical address
4. Dates occurring in the audit year and for the appropriate length of time

Eligibility Requirement	Acceptable Documentation
Relationship (copies of documents /records or letters on official letter-head)	<ul style="list-style-type: none"> • Authorized adoption agency or authorized placement agency • Birth certificates • Court document • Custody order • Government agency verification of benefits received for the year • Legal separation agreement, decree of separate maintenance, divorce decree • Marriage certificate • Medical records • Military records • Parole/Probation office records • Paternity DNA test report by an accredited DNA testing laboratory • School records - audit year (Use the "parent/guardian" information to verify relationship. Do not use the "emergency contacts". • Social service records
Residency (copies of documents/records or letters on official letter-head)	<ul style="list-style-type: none"> • Authorized adoption agency or authorized placement agency • Bank/credit card statements • Bills/invoices/statements for mortgage payments, rent, utilities, insurance • Driver's license (Use to supplement other documentation. Do not consider as stand-alone documentation.) • Earnings statements/check stubs • Eviction notice • Native American tribal records. See Form 13588. • Landlord or property manager (may include rental/lease agreement) • Medical records • Mortgage/property tax statements • Paperwork to obtain a post office box • Parole/Probation office records • Place of worship • School (may require 2 years since school years overlap) • Social service records • Statement or records from a homeless shelter/temporary housing program

Exhibit 4.19.14-1 (Cont. 1) (01-01-2025)**Examples of Acceptable Documentation for EITC Claims (not all-inclusive)**

Eligibility Requirement	Acceptable Documentation
Citizenship (copies of documents/records or letters on official letter-head)	<ul style="list-style-type: none"> • U.S. Birth Certificate • U.S. Passport (can be expired, but must be issued without limitation) • U.S. Passport Card (can be expired, but must be issued without limitation) • Certificate of Citizenship or Naturalization (if provided) • DHS, Department of Homeland Security. See IRM 4.19.14.6(7). • Green Card (Permanent Resident Card) • Parole/Probation office records • Social Security card. See IRM 4.19.14.6(7).
Full-time student (age 19 but under age 24)	<ul style="list-style-type: none"> • School records showing full-time student status for any part of 5 calendar months during the tax year
Permanently and totally disabled (can be any age)	<ul style="list-style-type: none"> • Health care provider • Medical doctor • Social service program agency

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The IRS is granted Math Error Authority for the
RRC by IRC Sections 6428(e) and 6428A(e)....148

