INDEPENDENT OFFICE
OF APPEALS

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

April 18, 2025

Control No. AP-08-0425-0003
Expiration Date: 04/18/2027
Affected IRM: 8.20.5

MEMORANDUM FOR: DIRECTOR, EXAMINATION APPEALS
DIRECTOR, CASE SUPPORT

FROM: Steven M. Martin /s/ Steven M. Martin
Director, Operations Support

SUBJECT: New IRM Processes for Employee Retention Credit (ERC) Cases and ERC Claim Cases

This memorandum issues guidance on processing ERC cases from Taxpayer Services (TS) Accounts Management (AM) and Small Business/Self-Employed (SB/SE) locations.

Purpose: This memorandum updates IRM 8.20.5.9, Audit Reconsideration Case Carding, and IRM 8.20.5.10.1.1, Claim or Overassessment Case Carding, to provide guidance on using appropriate Feature Codes (FC) and LOC11 dates for ERC cases and ERC claim cases.

Background/Source(s) of Authority: The ERC allows credits against certain employment taxes paid by qualifying businesses during the COVID-19 pandemic. This credit is claimed on employment tax returns. Due to various issues during these tax periods, the IRS postponed processing approximately 1.2 million ERC claims. The IRS recently began working through a backlog of claims resulting in the IRS Independent Office of Appeals (Appeals) encountering this workstream more frequently. TS is receiving protests and forwarding the claims to Compliance for consideration. If the claim is disallowed, and the taxpayer still requests an appeal, then SB/SE will forward the case to Appeals electronically. Upon receipt, Account and Processing Support (APS) should follow existing paperless procedures and use appropriate codes as set forth below. Additionally, if another case is received in Appeals with an ERC issue, it will also have FC "RC" added at card-in.

Procedural Change: See the attachment to the memorandum for impact to IRM 8.20.5, Carding New Receipts.

Effect on Other Documents: This guidance will be incorporated into the affected IRMs within two years from the date of this memorandum.

Effective Date: This guidance is effective as of the date of this memorandum.

Contact: Appeals employees should follow existing procedures to elevate questions through their management chain and follow established procedures on How to Contact an Analyst.

Attachment: Updated Guidance

cc: www.irs.gov

8.20.5.9 (MM-DD-YYYY)
Audit Reconsideration Case Carding

Add note in (3):

(3) Follow normal carding procedures and enter FEATRCD RE

Note: If the case has Employee Retention Credits (ERC) then also add FEATRCD RC.

8.20.5.10.1.1 (MM-DD-YYYY)
Claim or Overassessment Case Carding

Revise (1) and add (3) as follows:

(1) Establish the case on ACDS following normal procedures, except for the following ACDS fields:

- STATDATE - enter the assessment statute date, if it has not expired; if the statute has expired, leave blank.
- Statute CODE - enter CLAIM
- DDAMTCLM - enter the claim amount disallowed for Field Compliance cases. (See page 2 of AMDISA.)
- APPAMTCLM - enter the amount that was disallowed on the Letter 105-C, Claim Disallowed or Letter 106-C, Claim Partially Disallowed, if the claim is received from a Campus. Campus-sourced claims are not controlled on AIMS so page 2 of an AMDISA will not be available.
- FEATRCD – enter RC for ERC claims.
- LOC11 Date – enter the date of issuance for Letter105-C and/or Letter 106-C.

  Reminder: If the front page of the 105-C/106-C is missing, enter the following comment in the NOTE field: "Unable to determine claim amount."

(2) Letter 105-C/106-C claims involving ERC should arrive from Compliance after merits of the claim have been considered. Claims that arrive from Taxpayer Services Accounts Management should be rejected back to the originating function.