

IRM PROCEDURAL UPDATE

DATE: 07/02/2025

NUMBER: ts-03-0725-3458

SUBJECT: Highly Questionable Tribal Credits

AFFECTED IRM(s)/SUBSECTION(s): 3.11.15

CHANGE(s):

IRM 3.11.15.5.7(5) - Added Note to include the Tribal Credits Scheme with IRM reference.

(5) Detach Schedules K-1 for current year (TY2024), two preceding years (TY2023 and TY2022) and future Schedules K-1. Process according to IRM 3.0.101, General - Schedule K-1 Processing.

Note: If Line 13, Schedule K (Form 1065) has the Code "ZZ" with an amount, see IRM 3.11.15.5.9, Tribal Credits Scheme, and take any actions that apply.

IRM 3.11.15.5.9 - Added procedures for Tribal Credits Scheme per SERP Alert revised 06-27-2025.

(1) There is currently a potential scheme that was identified with Tribal Credits being claimed. These credits are not allowed, regardless of the amount claimed or the type of documentation provided (including OARs). These non-valid credits are being claimed as "Other Credits" with Code "ZZ" and should be disallowed.

(2) If a tax return is claiming these credits involving:

- Tribal Tax Credit
- Sovereign Tribal Federal Tax Credit or
- Native American Tribal Credit

Edit Action Code 211 and correspond for a statement identifying the type of credit and the associated amount for the credit:

- Code "ZZ" on Line 13, Schedule K, (Form 1065).
- Form 3800, Part III, Line 1zz, has an amount and is equal to line 13, Schedule K (Form 1065) amount with a Code "ZZ".

Note: Use the following literal when corresponding for the statement identifying the type of credit and the amount of the credit: "Please provide a statement with the

name of the credit claimed on Line 13, Schedule K (Form 1065) with Code ZZ (other credits) or Form 3800, Part III, Line 1zz and the amount pertaining to the credit."

(3) If Line 13, Schedule K (Form 1065) has an amount with code "ZZ" (Other Credits) and a statement is attached identifying the credit as one listed in paragraph (1) above, edit Line 13, Schedule K (Form 1065) entries for non-transcription.

(4) If the Form 3800, Part III, line 1zz has an amount that is equal to Line 13, Schedule K (Form 1065) with Code "ZZ" and a statement is attached identifying the credit as one of the credits lines in paragraph (1) above, edit the Line 13, Schedule K (Form 1065) entries for non-transcription.

IRM 3.11.15.17(3) - Added procedures for Tribal Credits Scheme with IRM reference.

(3) Only a Schedule K-1 (Form 1065) or an attachment to Form 1065 that has the information required on Schedule K-1 is acceptable. Refer to IRM 3.0.101 for complete instructions to edit and process Schedules K-1.

Note: Prior to detaching the Schedule K-1's, see IRM 3.11.15.5.9 , Tribal Credits Scheme, and take any actions that apply.

Note: After editing Line I, detach current year (TY2024), two preceding years (TY2023 and TY2022) and future Schedules K-1.

DRAFT

Form 1065		U.S. Return of Partnership Income		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		For calendar year 2024, or tax year beginning _____, 2024, ending _____, 20____		2024
Go to www.irs.gov/Form1065 for instructions and the latest information.				
A Principal business activity Farming	Name of partnership Falcon Farms	D Employer identification number 00-4961123		
B Principal product or service Grain	Type or Print Rt. 2 Box 943	E Date business started 6/30/1953		
C Business code number 111191	City or town, state or province, country, and ZIP or foreign ZIP code Fargo, ND 58102	F Total assets (see instructions) \$ 391644		
G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return				
H Check accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify): _____				
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year: _____		3		
J Check if Schedules C and M-3 are attached ☐				
K Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes				
Caution: Include only trade or business income and expenses on lines 1a through 23 below. See instructions for more information.				

Figure 3.11.15-24

Number of Partners

IRM 3.11.15.38(2) - Added paragraph for procedures for Tribal Credits Scheme.

(2) If Form 3800, Part III, Line 1zz has an amount and the amount is equal to the amount on Line 12, Schedule K Form 1065 and has Code "ZZ", see IRM 3.11.15.5.9, Tribal Credits Scheme, and take any actions that apply.