

IRM PROCEDURAL UPDATE

DATE: 08/08/2025

NUMBER: ts-03-0825-3551

SUBJECT: Tribal Tax Credit Scheme

AFFECTED IRM(s)/SUBSECTION(s): 3.12.15

CHANGE(s):

IRM 3.12.15.2.16(1) - Added "Section 6418" to the list of non-valid credits.

(1) There is currently a potential scheme that has been identified with Tribal Credits being claimed. These credits are highly questionable and cannot be allowed, regardless of documentation provided (including OARs). These non-valid credits are being claimed as Other Credits and should be disallowed.

- Tribal Tax Credit
- Native American Tax Credit
- Sovereign Tribal Tax Credit
- Section 6418

IRM 3.12.15.2.16(2) - Corrected the procedures for the Tribal Tax Credit Scheme.

(2) If all of the following conditions are present, and a statement is not attached identifying the credit, edit Action Code 211 and correspond for a statement identifying the type of credit and the associated amount for the credit:

- Box 15 of the Schedule K-1 has an amount
- Code "ZZ" is notated.

Note: Do not detach and send the Schedule K-1 to SCRIPS for processing. ERS/Rejects will forward the Schedule K-1(s) to SCRIPS for processing once a reply or no reply to correspondence action has been taken.

- a. When corresponding for a statement identifying the type of credit and the amount for the credit, use the following literal:
"Please provide a statement with the name of the credit claimed Schedule K-1, Box 15, (Form 1065) with Code "ZZ" and the amount pertaining to the credit."

IRM 3.12.15.2.16(3) - Added new procedures for when the Schedule K-1(s) should and should not be sent to SCRIPS for processing. Removed Line 1zz information.

(3) If Schedule K-1, (Form 1065) Box 15, has an amount with a Code "ZZ" and a statement is provided identifying the credit as one of the credits listed in paragraph (1) above, take the following action:

- Edit an asterisk ("*") closest to the left of Schedule K-1, Box 15 (Form 1065) entry.
- Detach the Schedule K-1(s) and send to SCRIPS for processing.
- Assign TPNC 73 when Error Code 730 generates.

IRM 3.12.15.2.16.1(1),(2) - Updated the procedures for Tribal Tax Credit Scheme.

(1) **Reply** - If Box 15, Schedule K-1, Form 1065, has an amount with a Code "ZZ" and the statement identifies the credit as one of the credits listed in IRM 3.12.15.2.16, Tribal Tax Credit Scheme, take the following action:

- Edit an asterisk (*) closest to the left of Box 15, Schedule K-1 (Form 1065) entry.
- Detach the Schedule K-1(s) and send to SCRIPS for processing.
- Assign the TPNC 73 when Error Code 731 generates.

(2) **No Reply** - If Box 15, Schedule K-1 (Form 1065) has an amount with a Code "ZZ" and a statement is not provided identifying the credit, take the following action:

- Edit an asterisk (*) closest to the left of Box 15, Schedule K-1 (Form 1065) entry.
- Detach the Schedule K-1(s) and send to SCRIPS for processing.
- Assign TPNC 73 when Error Code 731 generates.

IRM 3.12.15.10.7(3) - Added new procedures for Box 15 of the Schedule K-1 with the code "ZZ".

(3) **Correction Procedures:**

- a. Correct coding and transcription errors.
- b. If Box 15 of the Schedule K-1 has an amount with the Code "ZZ" notated, see IRM 3.12.15.2.16, Tribal Tax Credit Scheme.
- c. If the tax period is before 202301, delete the field.

- d. If there is an amount present in Field 07EPE and a supporting Form 3800 is not attached and the amount claimed for EPE is # [REDACTED] #, then SSPND with Action Code 211 and correspond using Letter 1355C.
- e. If **No Reply** to correspondence, then disallow the EPE credit shown and remove the amount claimed in Field 07EPE. See IRM 3.12.15.20.26 Error Code 731, Elective payment election (EPE) Disallowance for more information.

IRM 3.12.15.20.26(4)(d) - Added Tribal Tax Credit Scheme link for updated procedures.

(4) Correction Procedures

- a. Correct coding errors, transcription errors, and misplaced entries.
- b. The taxpayer will attach Form 3800 General Business Credit, and report their EPE credit on Form 1065, Line 29.
- c. If Form 3800, General Business Credit, is not attached and the EPE credit claimed on Form 1065, Line 29 is # [REDACTED] # then SSPND with Action Code 211 and correspond using Letter 1355C.
- d. If Box 15 of the Schedule K-1 has an amount with the Code "ZZ" notated, See IRM 3.12.15.2.16, Tribal Tax Credit Scheme.
- e. If a Filed 231BJ, Field 231GJ, Field 241OJ, or 241XJ has an entry and the computer underprint is zero, send TPNC 56.
- f. If a math error is present and transcription is correct, then send TPNC 73.
- g. Valid TPNCs for Error Code 731 are 56, 73 and 90. See Exhibit 3.12.15-26, Taxpayer Notice Codes (TPNCs), for more information.