IRM PROCEDURAL UPDATE

DATE: 03/14/2025

NUMBER: ts-21-0325-0381

SUBJECT: Updates and Clarifications to Various Credit IRMs

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

CHANGE(s):

IRM 21.6.3.4.1.5.2 Added link to Form 8863 instructions to clarify exceptions to when Form 1098-T is required.

(1) If the form is incomplete and cannot be perfected with available information, follow claim processing in IRM 21.5.3.4, General Claims Procedures.

(2) Use CC INOLE to verify the name control and Taxpayer Identification Number (TIN) of the student(s).

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

Note: If the student is assigned an Individual Taxpayer Identification Number (ITIN), use the Real Time System (RTS) to verify the name control, TIN, and date of birth. See IRM 3.21.263, IRS Individual Taxpayer Identification Number (ITIN) Real Time System (RTS).

(3) If considering the American Opportunity Tax Credit (AOTC), see IRM 21.6.3.4.2.11, American Opportunity Tax Credit, for information about retroactive claims.

Caution: Retroactive claim processing only applies to AOTC, not the Lifetime Learning Credit.

(4) For information about ITIN renewal math errors, see IRM 21.6.1.6.6.2, ITIN Renewal Math Error Adjustments.

(5) # [redacted] #

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[redacted]		[redacted]	

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Exception: # [redacted] #

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

a. Use TC 291 with a money amount to allow/increase the credit.
b. Use TC 290 with a money amount to decrease the credit.
c. Use RC 035 and the applicable source code and blocking series.

IRM 21.6.3.4.1.27 Clarifications made to verbiage in paragraph 2. Added a link to the Form 5695 Instructions and IRM 21.6.3.4.1 (1) to paragraph 4.

(2) **Part 1 - Residential Energy Efficient Property Credit (2021 and prior) Residential Clean Energy Credit (2022 and subsequent) (IRC 25D)** Provides taxpayers a credit for qualified expenditures to their residence located in the United States. A taxpayer may receive a credit on the amounts spent for adding one or more of the following to their home:

- Solar electric
- Solar water heating

- Small wind energy
- Geothermal heat pump
- Fuel cell
- Biomass fuel (tax years 2021 and 2022)
- Battery storage technology with a capacity of at least 3 kilowatt hours (tax years 2023 and later)

Fuel cell property is limited to the lesser of the expenditures shown below or $500 for each half kilowatt of capacity of the qualified fuel cell property.

- property placed in service after December 31, 2016, and before January 1, 2020, 30%
- property placed in service after December 31, 2019, and before January 1, 2022, 26%
- property placed in service after December 31, 2021, and before January 1, 2033, 30%
- property placed in service after December 31, 2032, and before January 1, 2034, 26%
- property placed in service after December 31, 2033, and before January 1, 2035, 22%

See Instructions for Form 5695, Residential Energy Credits for detailed information.

(3) **Part 2 - Non-business Energy Property Credit (2021 and prior) Energy Efficient Home Improvement Credit (2022 and subsequent) (IRC 25C)**
Provides taxpayers a credit for improving the energy efficiency of an existing home. The credit is available for costs related to items such as high efficiency heating and cooling systems, water heaters, windows, doors and insulation.
For 2023 and later, the allowable credit is 30% of the amount paid for qualified energy efficiency improvements, generally limited to $1,200. There is a separate annual limit of $2,000 for qualified expenditures for heat pumps, heat pump water heaters, and biomass stoves and boilers. Therefore, the total annual credit is limited to $3,200. There is no lifetime limit. Specifically, the credit is limited as follows:

- Energy property - any item of qualified energy property is limited to $600
- Windows - total of all exterior windows and skylights is limited to $600
- Doors - any exterior door is limited to $250, total of all exterior doors is limited to $500
- Heat pump and heat pump water heaters; biomass stoves and boilers - total is limited to $2,000
- Home energy audits - limited to $150

(4) If the Residential Energy Credit is claimed in addition to certain other non-refundable credits, then the taxpayer must compute these credits before completing the carryforward section of Form 5695. See IRM 21.6.3.4.1(1) Non-refundable Credits Procedures, and the Form 5695 instructions for additional information.

IRM 21.6.3.4.1.38.2 Removed the reference to "tentative tax" in paragraph 5.

(5) For 2024 tax modules, a TC 971 AC 830 is used to indicate the taxpayer has elected to transfer their CVC. The MISC field contains the VIN of the vehicle, the memo amount is the advance credit amount and the TC date is the date of purchase. If the taxpayer returns the vehicle to the dealer within a certain timeframe, the account will have a TC 972 AC 830. Taxpayers who are no longer eligible for the amount of credit they were advanced due to AGI limits, returning the vehicle, etc., are required to repay the credit, which is reported on Form 1040, Schedule 2, 1b or 1c.

IRM 21.6.3.4.2.7.1.2 Added information to the note in paragraph 1 that qualifying children must have an SSN issued on or before the due date or extended due date of the return to be qualifying children for the Earned Income Tax Credit. Added a link to IRM 21.6.3.4.2.7.3.

(1) Children on Schedule EIC are qualifying children if they meet four tests. The four tests are:

- Relationship
- Age
- Residency
- Joint Return

  Note: A taxpayer’s child does not have to be a claimed as a dependent on the taxpayer’s return to qualify for EITC. A qualifying child must have a social security number issued on or before the due date or extended due date of the return to be a qualifying child. See IRM 21.6.3.4.2.7.3, Earned Income Tax Credit (EITC) - Social Security Number Requirements.

IRM 21.6.3.4.2.11 Updated verbiage and moved note in paragraph 8 regarding exceptions to the Form 1098-T requirement after the If/Then chart as an exception to be consistent with IRM 21.6.3.4.1.5.2. Added link to Form 8863 instructions to clarify exceptions to when Form 1098-T is required. Updated the verbiage in the 4th box of the If/Then chart in paragraph 8 to be consistent with the verbiage in the If/Then Chart in IRM 21.6.3.4.1.5.2(5).

(8) # [redacted] #

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Exception: # [redacted] #

IRM 21.6.3.4.2.13.1 Updated paragraph 3 to use CC TXMOD or IMFOLA and the information in the table to determine how the Economic Impact Payment was calculated.

(3) Use CC TXMOD or CC IMFOLA and the table below to determine how the Economic Impact Payment was calculated.

Note: These reason codes are informational only, no adjustment notice was generated.

Systemic Adjustments

Reason Code (RC)	Credit Reference Number (CRN)	Meaning
200	338	No payment or "plus-up payment" due (includes AGI phase-out)
201	338	No payment due to the taxpayer being claimed on another return (TC 971 AC 199 may reflect "DSI") or someone can claim you/spouse as a dependent box checked

202	338	No payment due to TIN issues (an invalid primary or secondary SSN, invalid due to assignment date, and ITIN) (A TC 971 AC 166 in the entity identifies SSNs issued for non-work purposes)
203	338	No payment due to the filing of Form 1040-NR, Form 1040-PR, or Form 1040-SS
205	338	• Systemic catch-all for when a payment cannot be issued, such as refund less than $1 and SSA/RRB deceased individual • Payment was previously considered (including an amount for zero) and could be reduced or eliminated. For example, a single taxpayer received $1,200 based on a 2018 return, then a 2019 joint return is filed (the 2019 payment amount is reduced by the amount previously paid for 2018) • Tax year 2021 "plus-up payments"
206	338 / 257	Payment reduced due to AGI phase-out
207	338	Deceased taxpayer, payment issued to surviving spouse **(systemic use only)**
209	338	Taxpayer qualifies for $1,200 / $2,400
211	257	• dependent 17 or over as of January 1, 2020 • date of death prior to 2019 • non-qualifying relationship present • dependent has an ITIN
213	257	All claimed children qualify (those children who qualified for CTC based on the return as processed, plus those kids with an ATIN shown in the first four dependents position of the return)

Manual Adjustments

Reason Code (RC)	Credit Reference Number (CRN)	Meaning
214	338/257	For EIP 1 and EIP 3, split equally 50/50 between the primary and secondary taxpayer
215	338/257	For EIP 1 and EIP 3, attributable to only the primary taxpayer
216	338/257	For EIP 1 and EIP 3, attributable to only the secondary taxpayer
217	338/257	EIP 2 attributable to both spouses (50/50 split)
218	338/257	EIP 2 attributable to the primary taxpayer
219	338/257	EIP 2 attributable to the secondary taxpayer

IRM 21.6.3.4.2.15 Added verbiage in paragraph 4 referencing Part IV of Form 7202.

(4) An eligible self-employed individual who is entitled to claim qualified sick and family leave equivalent credits must attach Form 7202 for the correct year, to their tax return. The credit is reported on Form 1040, Schedule 3, Additional Credits and Payments, line 12b (tax year 2020) line 13b (tax year 2021). If filing a joint tax return and both spouses are self-employed individuals and eligible for the credit, each must attach a separate Form 7202 to the joint tax return. See IRM 21.6.4.4.14(4), Self-Employment Tax, for additional information. Form 7202 was only available for tax years 2020 and 2021. The credit can only be claimed on a tax year 2022 return on Schedule H. See IRM 21.6.4.4.8.5.3, Credits for Qualified Sick and Family Leave Wages.

Note: If a day meets the requirements for both the Credit for Sick Leave and the Credit for Family Leave, it can only be counted once. The same day cannot be included for both credits.

- Review Form 7202 for completeness and math verify the form. Follow IRM 21.5.3.4.5(6), Math and Master File Verification of Claims and Amended Returns, to verify the income reported to claim this credit. This includes prior year self-employment income if the taxpayer elects to use it. If the self-employment income used on the Form 7202 does not match current or prior year self-employment income, or the number of day does not match the dates listed, recompute the credit using the correct amount of self-employment income, or days and follow IRM 21.5.4.4.1, Setting the Initial Math Error Action.
- If the form is not attached or incomplete, follow procedures in IRM 21.5.3.4.2, Tax Decrease or Credit Increase Processing, or IRM 21.5.3.4.1.1, Tax Increase and Credit Increase Processing.

  Note: Returns received electronically and accessed through the Employee User Portal (EUP) may show data from Form 7202 under the heading "Gen Dep" (where the forms are listed) instead of a pdf of the form. Use the data to create a "dummy" Form 7202 to determine completeness of the form and math verify the claim. Attach a pdf of the "dummy" Form 7202 to your CII case.

- Disallow claims if the taxpayer submits Form 7202 without any self-employment income or tax, for the incorrect year (e.g., a 2021 Form 7202 attached to a 2022 or 2023 tax return), or if the taxpayer requests a credit in Part II or Part IV and they do not have a qualifying dependent (son or daughter under 18 years of age or incapable of self-care because of a mental or physical disability). Refer to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.
- # [redacted]

[redacted] #

IRM 21.6.3.4.3 Updated paragraph 7 to account for subsequent tax processing years.

(7) **For tax year 2023 and subsequent:**
A mandatory pre-filing registration process has been established for facilities related to these credits. The taxpayer must obtain a registration number and include it on Part III of Form 3800, General Business Credits and the source form.
To **allow** an EPE, verify the taxpayer has completed Form 3800, General Business Credits, Part III, including registration number, and completed the source form for the credit(s) for which the EPE is claimed with the same registration number (included on the source form), and recorded the credit on Form 1040 / Form 1040-SR, Schedule 3, Additional Credits and Payments, Part II, line 13c.
Input the adjustment using the appropriate reason code (RC), appropriate item reference number (IRN) and appropriate credit reference number (CRN):

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