

IRM PROCEDURAL UPDATE

DATE: 04/21/2025

NUMBER: ts-21-0425-0461

SUBJECT: Various Updates to Credits Procedures

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

CHANGE(s):

IRM 21.6.3.4.1.5.1 Added that Form 1098-T is required and added exception to the requirement.

(1) The Lifetime Learning Credit:

- Applies to qualified education expenses, such as tuition and certain related expenses required for enrollment in a course at an eligible educational institution.
- Is 20% of the first \$10,000 of out-of-pocket expenses for all eligible students in the family.
- Has no course-load requirement.
- Is available for all years of post-secondary education (including graduate studies), and may be claimed for an unlimited number of years.

(2) A taxpayer can elect, for any year, only one of the education credits for each student.

(3) # [REDACTED]
[REDACTED]

#	Category	Value
1	Category 1	Value 1
2	Category 2	Value 2
3	Category 3	Value 3
4	Category 4	Value 4
5	Category 5	Value 5
6	Category 6	Value 6
7	Category 7	Value 7
8	Category 8	Value 8
9	Category 9	Value 9
10	Category 10	Value 10
11	Category 11	Value 11
12	Category 12	Value 12
13	Category 13	Value 13
14	Category 14	Value 14
15	Category 15	Value 15
16	Category 16	Value 16
17	Category 17	Value 17
18	Category 18	Value 18
19	Category 19	Value 19
20	Category 20	Value 20
21	Category 21	Value 21
22	Category 22	Value 22
23	Category 23	Value 23
24	Category 24	Value 24
25	Category 25	Value 25
26	Category 26	Value 26
27	Category 27	Value 27
28	Category 28	Value 28
29	Category 29	Value 29
30	Category 30	Value 30
31	Category 31	Value 31
32	Category 32	Value 32
33	Category 33	Value 33
34	Category 34	Value 34
35	Category 35	Value 35
36	Category 36	Value 36
37	Category 37	Value 37
38	Category 38	Value 38
39	Category 39	Value 39
40	Category 40	Value 40
41	Category 41	Value 41
42	Category 42	Value 42
43	Category 43	Value 43
44	Category 44	Value 44
45	Category 45	Value 45
46	Category 46	Value 46
47	Category 47	Value 47
48	Category 48	Value 48
49	Category 49	Value 49
50	Category 50	Value 50
51	Category 51	Value 51
52	Category 52	Value 52
53	Category 53	Value 53
54	Category 54	Value 54
55	Category 55	Value 55
56	Category 56	Value 56
57	Category 57	Value 57
58	Category 58	Value 58
59	Category 59	Value 59
60	Category 60	Value 60
61	Category 61	Value 61
62	Category 62	Value 62
63	Category 63	Value 63
64	Category 64	Value 64
65	Category 65	Value 65
66	Category 66	Value 66
67	Category 67	Value 67
68	Category 68	Value 68
69	Category 69	Value 69
70	Category 70	Value 70
71	Category 71	Value 71
72	Category 72	Value 72
73	Category 73	Value 73
74	Category 74	Value 74
75	Category 75	Value 75
76	Category 76	Value 76
77	Category 77	Value 77
78	Category 78	Value 78
79	Category 79	Value 79
80	Category 80	Value 80
81	Category 81	Value 81
82	Category 82	Value 82
83	Category 83	Value 83
84	Category 84	Value 84
85	Category 85	Value 85
86	Category 86	Value 86
87	Category 87	Value 87
88	Category 88	Value 88
89	Category 89	Value 89
90	Category 90	Value 90
91	Category 91	Value 91
92	Category 92	Value 92
93	Category 93	Value 93
94	Category 94	Value 94
95	Category 95	Value 95
96	Category 96	Value 96
97	Category 97	Value 97
98	Category 98	Value 98
99	Category 99	Value 99
100	Category 100	Value 100

#

#

#

(4) If the age of the student is such that the credit becomes questionable (under age 16, or age 80 and older), the only income on the original or amended return is from social security, other circumstances that make the claim questionable, or if the Form 1098-T cannot be verified, no consider the claim.

IRM 21.6.3.4.1.25 Updated paragraph 2 to say document type 1040X instead of XRET.

(2) All adoption credit claims processed in AM are worked at the Andover Campus. Update category to SPC1 and document type to 1040X (you cannot reassign a MEFA/S/P). Reassign through CII to IDRS number 0830141335.

IRM 21.6.3.4.1.38.3 Added that all additional information from the VIN/TIN lookup tool is for tax year 2024 and later.

(1) To claim a Clean Vehicle Credit (CVC), the taxpayer attaches Form 8936, Clean Vehicle Credits, to their amended return. They **must** attach a Form 8936, Schedule A, Clean Vehicle Credit Amount, including the vehicle identification number (VIN) for each vehicle for which they are claiming the credit. If Form 8936, Schedule A is missing or incomplete, follow procedures in IRM 21.5.1.5.6, Incomplete CII Claims.

Note: For 2024 and later, individuals who transferred the credit to the dealer at the time of sale **must** file Form 8936, Clean Vehicle Credits, **and** Form 8936, Schedule A, Clean Vehicle Credit Amount. If either form is missing or incomplete, follow procedures in IRM 21.5.1.5.6, Incomplete CII Claims.

(2) A separate Form 8936, Schedule A must be filed for each VIN used to claim CVC.

Use the VIN/TIN Lookup tool on AMS to validate the VIN prior to determining the action to take on the account. The VIN/TIN Lookup tool is populated with data from the Time of Sale (ToS) report, which is uploaded to the Clean Energy Database

(CEdB) by dealers or sellers. You can search by VIN or TIN.

From AMS, select **Tools -> CLEAN ENERGY-> VIN/TIN Lookup**

Input the full VIN of 17 characters (letters and numbers) or the taxpayer's TIN to search for the VIN.

The tool will respond as indicated below.

- If the user searches by VIN and it is not valid, the tool will return a message that says "No Match found in Clean Energy Database".
- If the user searches by TIN and there is no match, the tool will return an error message stating there are no matches.
- If the user searches by TIN and there are one or more VIN matches, click on the VIN to open additional information shown below.
- For tax year 2023, if the user searches by VIN and it is valid, the tool will open but no additional information will be included.
- For tax year 2024 and later, if the user searches by VIN and it is valid, the tool will open with additional information shown below.

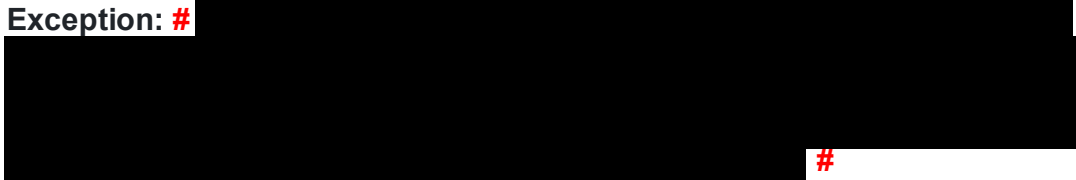
For tax year 2024 and later, after clicking on a valid TIN, the tool will open a page with the following:

- the valid VIN and TIN of the buyer
- date placed in service
- the IRC for which the vehicle is eligible (30D - new clean vehicle, 25E - previously owned clean vehicle)
- the amount, if any, that was advanced (transferred to the dealer at time of sale)
- whether or not the credit has been claimed

If adjusting an account to allow a previously unclaimed credit, use the drop-down menu to change the status from Not Claimed to Claimed.

Note: Updating the claim status is irreversible, once it has been updated, there is no way to remove or reverse that update. To prevent incorrect or erroneous updates, users have to first select the "Update" button on the record which triggers message #2 and requires a selection of "Okay" to proceed. Users then have to select the drop down changing "Not Claimed" to "Claimed" and select "Save" which triggers message #3, and a selection of "Okay" to proceed. Once those steps have been completed the record is updated.

Exception: #



Note: #

#

(3) If the claim is complete, refer to the chart below for processing:

Row Number	If	And	Then
1	VIN(s) were not claimed on original return	#	#
2	VIN(s) are valid and were not claimed on original return	The vehicle and taxpayer meet all qualifications for the credit. See IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications.	Allow credit
3	VIN(s) were claimed on original return but not allowed	The vehicle and taxpayer now meet all qualifications for the credit. See IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications.	Allow credit
4	VIN(s) are missing on Form 8936 Schedule A	Taxpayer claims CVC.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.4.1, Setting the Initial Math Error Action.
5	VIN(s) are not valid	Taxpayer claims CVC.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.4.1, Setting the Initial Math Error Action.
6	VIN(s) are valid and match original return VIN(s)	CVC allowed for same VIN(s) on original return.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.4.1, Setting the Initial Math Error

Any line marked with a # is for Official Use Only

			Action.
7	VIN(s) are valid and were not claimed on original return	Prior year and current year modified adjusted gross income (MAGI) are greater than the maximum allowable. See IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications.	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in the letter, "We cannot allow your claim for the (new/previously-owned) clean vehicle credit because your Modified Adjusted Gross Income (MAGI) exceeds the maximum amount allowable based on your filing status."
8	VIN (s) are valid and were not claimed on original return	Placed in Service Date not during the tax year	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in the letter, "We cannot allow your claim for the clean vehicle credit because the vehicle's placed in service date is not during the tax year."
9	VIN (s) are valid and were not claimed on original return	The CVC claim exceeds \$7,500 (New vehicle) or \$4,000 or 30% of the purchase price (Previously-owned vehicle) per vehicle	Issue a partial disallowance for the amount of credit in excess of what the taxpayer is entitled to. Follow IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in Letter 106C, "We can only allow "XX" of your claim for the (new/previously-owned) clean vehicle credit because your claim exceeds the maximum allowable credit."
10	VIN (s) are valid and were not claimed on original return	Vehicle for Business Use (Part II) is claimed and there is no business income (e.g., Schedule C or Schedule F) attached to the return.	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in the letter, "We cannot allow your claim for the Credit for Business/Investment Use Part of the New Clean Vehicles on Form 8936, Clean Vehicle Credits, because your return does not include any business

			income.”
11	There is a control base present (category code CVCR) or if the account contains an unreversed TC 971 AC 831 with MISC CVC (indicating the original return is still pending prepayment compliance review).	Taxpayer claims CVC	# [REDACTED] #

(4) To allow the credit:

- a. Math verify Form 8936
- b. Use TC 291 with a money amount to allow/increase the credit.
- c. Use TC 290 with a money amount to decrease the credit.
- d. Use RC 233 and the applicable source code and blocking series.

Note: Prior to May 2024, RC 036 was used for CVC adjustments.

IRM 21.6.3.4.2.1 Added verbiage not to credit elect if there is an outstanding tax debt and a link to IRM 21.4.4.4.2, Outstanding Balances/Duplicate Refunds, to check before issuing a manual refund.

(1) An overpayment is refunded or applied as credit-elect only after all other outstanding obligations are satisfied (spousal obligations, tax debts, non-tax debts, etc.). Do not manually process a credit elect if the taxpayer has outstanding balances.

Reminder: Prior to issuing a manual refund, review IRM 21.4.4.4.2, Outstanding Balances/Duplicate Refunds. Also, check Non-Master File accounts for any outstanding balance.

Row Number	If	And	Then
1	A tax return for a period more than one year prior to the current processing year	The "TO" module (module to be credited) is exactly one year later (not a short period), and/or does not contain TC 150	A credit-elect is generated, for the first attempt only.
2	The credit-elect posted is	The date is prior to the	The computer

Any line marked with a # is for Official Use Only

	less than the original return requested. The UNAPPLD-CR-ELECT field on CC TXMOD displays the amount of unapplied credit elect from the return.	end of the processing year in which the credit-elect originated	continues to auto-offset as more credit becomes available until the full credit elect amount is satisfied. Example: A credit elect from 2022 to 2023 is systemically applied thru Dec. 31, 2023. The adjustment must be posted by the end of the year.
3	The credit-elect posted is less than the original return requested. The UNAPPLD-CR-ELECT field on CC TXMOD displays the amount of unapplied credit elect from the return.	The date is after the end of the processing year in which the credit-elect originated	Credit-elect is transferred with TC 830 / TC 710 (use hold code on adjustment).
4	An additional credit-elect amount should be applied	- The date is after the end of the processing year - The credit is greater than the "UNAPPLD-CR-ELECT" amount - The "UNAPPLD-CR-ELECT" field is not displayed	Credit-elect is transferred with TC 830 / TC 710 (use hold code on adjustment).
5	A TC 832 was previously input	A math/clerical error indicator is present	The computer won't generate a secondary TC 836.
6	Taxpayer's claim requests application of an overpayment as credit-elect to the next year	The computer-generated credit-elect auto-offset capability has ended	Credit-elect is transferred with TC 830/710 (use hold code on adjustment).

Note: Computer-generated credit-elects greater than \$24.99 are compared against a non-tax debtor file provided by Bureau of the Fiscal Service (BFS). If a debt is found, a refund is issued up to the amount of the debt for offset by BFS. Remaining credit, if any, is applied to the subsequent tax period.

IRM 21.6.3.4.2.7.14 Updated paragraph 14 with the CC DDBCK response.

(14) After you submit all changes, if the age of a qualifying dependent is over 19, an additional screen pops up to ask if the dependent is a student or disabled. The user should enter either S (student), D (disabled), or N (neither), based on the information provided on Schedule EIC.

IRM 21.6.3.4.2.15 Added note if taxpayer provides proof the person for whom they claimed the Family Leave Credit is their son or daughter, to allow the credit.

(1) The Families First Coronavirus Response Act and American Rescue Plan Act provide eligible self-employed individuals and/or household employers credits for sick and family leave related to COVID-19. The credits apply to income that would have been earned, or leave taken, between April 1, 2020 and September 30, 2021.

(2) Self-employed individuals, who have self-employment income and report self-employment tax on Schedule SE, Self-Employment Tax, can claim the refundable credit on Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, while household employers can claim the non-refundable / refundable credits on Schedule H, Household Employment Taxes. Taxpayers claiming credits for qualified sick and family leave wages on a Schedule H do **not** complete Form 7202. For household employers filing Schedule H, follow procedures in IRM 21.6.4.4.8.5.3, Credits for Qualified Sick and Family Leave Wages.

(3) An individual must be self-employed to claim the credit. To be an eligible self-employed person, the taxpayer must have:

- carried on a trade or business within the meaning of IRC 1402.
- been eligible, if they were employed by someone else, to receive qualified sick leave wages under the Emergency Paid Sick Leave Act or qualified family leave wages under the Emergency Family and Medical Leave Expansion Act.

(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.

Note: If the taxpayer does not claim a qualifying dependent on their return, but provides proof the individual for whom they claimed the Credit for Family Leave is their son or daughter, allow the credit.

- 

(5) Taxpayers may elect to use prior year net earnings from self-employment on Form 7202, Credit for Sick Leave and Family Leave for Certain Self-Employed Individuals, if they are greater than current year net earnings from self-employment.

To make this election for tax year 2020, taxpayers enter the larger of their 2019 or 2020 self-employment income on line 7 or line 26 of their 2020 Form 7202. For tax year 2021, taxpayers enter their prior year self-employment income on line, 7a, 26a, 41a or 60a and check the box below indicating it is prior-year self-employment income.

Note: If the net self-employment earnings reported on line 7 or 26 (2020) or 7a, 26a, 41a, or 60a (2021) do not match the current year return, check the prior year self-employment net earnings to determine if the taxpayer elected to use the prior year earnings to figure the credit.

(6) If none of the scenarios in (4) apply, and the amended return appears frivolous (Social Media Promotion Scheme), see IRM 21.6.3.4 (12), Credits Procedures.

(7) If there is a Transaction Code (TC) 810 Responsibility Code (RC) 4 (-E freeze) on the module and the taxpayer files an amended return, see IRM 21.5.6.4.10(4), -E Freeze.

(8) When adjusting the credit:

- Use CRN 299 for leave taken April 1, 2020 - March 31, 2021.
- Use CRN 271 for leave taken April 1, 2021 - September 30, 2021.
- Use RC 061 and the applicable source code and blocking series.
See Form 7202 Job Aid for more information.