

## IRM PROCEDURAL UPDATE

**DATE: 04/24/2025**

**NUMBER: ts-21-0425-0476**

**SUBJECT: Recapture Letter Guidance; Clarifications to Form 5884-C and Form 5884-D and IDRS Numbers**

**AFFECTED IRM(s)/SUBSECTION(s): 21.7.2**

**CHANGE(s):**

**IRM 21.7.2.4.4.2(4) Updated routing information for Indian Fishing Claims citing IRC 7873 filed by individuals claiming a refund of FICA taxes.**

(4) These procedures also apply to Indian Fishing Claims citing IRC 7873 filed by individuals claiming a refund of FICA taxes on Form 843. Processing of these claims is centralized in Accounts Management (AM) at the Ogden campus. Route Indian Fishing Claims filed by individuals on Form 843 received in other operations/sites as follows:

- Route paper cases to:  
Internal Revenue Service  
MS 6462  
1973 North Rulon White Blvd  
Ogden, UT 84404
- For cases already scanned into CII, reassign to the Ogden Campus IDRS number **0446689024**.

**IRM 21.7.2.5.15(2) and (5) Removed paragraph 2 and added it to existing paragraph 5.**

(2) Eligible employers are directed to file Form 5884-C and Form 5884-D at the Ogden campus.

**(3) Processing of Form 5884-C and Form 5884-D is centralized in Accounts Management (AM) at the Ogden campus.** If you receive a Form 5884-C or Form 5884-D and are not part of the centralized team, route the claim as follows:

1. If you receive a paper case, route to:  
Internal Revenue Service  
1973 North Rulon White Blvd  
Ogden, UT 84404

MS 6700

Lead, Team B2-206

2. If you receive a case that has already been scanned into CII, reassign to the Ogden Campus IDRS number **0435646714** and notate on AMS/CII "**Form 5884-C**" or **Form 5884-D** as appropriate.

(4) **The Form 5884-C and Form 5884-D processing guidelines found in the IRM subsections which follow are for use by the centralized processing team.** They include a general information section and a specific handling section for each of the two forms (Form 5884-C and Form 5884-D), followed by sections containing guidance which applies to the handling of both forms.

**IRM 21.7.2.5.15.3 Subsection updated to provide clarification to eligibility status, CAT-A referrals and provides additional IRM references.**

(1) Qualified tax-exempt organizations claim the Work Opportunity Credit by filing Form 5884-C, *Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans*, after they file their employment tax return (Form 941, Form 943, or Form 944).

**Reminder:** The credit **cannot** be claimed on an original employment tax return or on a Form 94XX.

**Note:** Form 941 revisions for second quarter 2020 through first quarter 2021 included Line 23 to report amounts of anticipated credit to be claimed later on Form 5884-C. Any figure reported on Line 23 were used for certain COVID-related employment tax credit reconciliation purposes but any figure reported on Line 23 was **not** used to record the credit on the related tax account.

(2) The credit applies to qualified tax-exempt organizations hiring certain eligible unemployed veterans who begin work on or after November 22, 2011, and before January 1, 2026.

**Note:** See IRM 21.7.2.5.15.1, *Form 5884-C — General Information*, for more information on credit eligibility requirements.

(3) The valid forms and tax periods for Form 5884-C claims are as follows:

- Form 941 (MFT 01): 201112 through 202612
- Form 943 (MFT 11): 201112 through 202612
- Form 944 (MFT 14): 201112 through 202612

**Note:** Formally disallow any Form 5884-C filed for an invalid form or tax periods. As appropriate, follow guidance in IRM 21.5.3.4.6.1, **Disallowance and Partial Disallowance Procedures**, and issue Letter 105C explaining that the form was filed for an invalid form or tax period.

(4) Credit Reference Number (CRN) 290 is used to adjust the Work Opportunity Credit (WOC) claimed on Form 5884-C (as well as the Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters claimed on Form 5884-D).

- An increase to the credit will be recorded with a positive CRN 290 and a TC 290 \$.00. The CRN 290 input will generate a TC 766.
- A decrease to the credit will be recorded with a negative CRN 290 and a TC 290 \$.00. The CRN 290 input will generate a TC 767.

**Note:** The programming for CRN 290 will permit it to be input separately or with any combination of other TCs, IRNs, or CRNs. However, because of the unique nature of this credit, any allowance or correction of a CRN 290 amount should generally be input as a separate adjustment unless manual penalty and/or interest corrections are required.

**Caution:** CRN 290 was selected to record and adjust the credit claimed on Form 5884-C (and later for the credit claimed on Form 5884-D) due to the immediate effective date of the initial legislation and other administrative reasons. **However, by law, the credits recorded with CRN 290 are NOT refundable credits.** The maximum credit allowable is limited to the employer portion of social security tax on wages paid to all employees during any period.

(5) Forms 5884-C are scanned into Correspondence Imaging Inventory (CII) system with Document Type 941-X, 943-X or 944-X (as appropriate) and Category Code SPC3. The scanning of a Form 5884-C systemically generates a TC 971 AC 010 and sets a -A or E- freeze which **must** be addressed before closing the case. See IRM 21.5.6.4.2, *-A Freeze*, and/or IRM 21.5.6.4.9, *E- Freeze*, for additional information.

**Reminder:** If a TC 971 AC 010 was not systemically posted **and** there is a TC 150 posted to the module, manually input a TC 971 AC 010 to set the -A freeze and post delay adjustment actions to ensure the resulting freeze is properly released.

(6) Use blocking series 15, 18, or 00 as appropriate when adjusting an account per a Form 5884-C. Do **not** use blocking series 20.

(7) Form 5884-C cases are to be worked under the 1005X program.

(8) Forms 5884-C requesting a credit (or an increase to credit) are considered claims. Special processing instructions applicable to Forms 5884-C (and Form 5884-D) are provided in the subsections which follow. However, guidance found in IRM 21.5.3, *General Claims Procedures*, also applies to their handling.

(9) Eligibility for the credit claimed on Form 5884-C is limited to qualified tax-exempt organizations (organizations described in IRC 501(c) and exempt from tax under IRC 501(a)). Review the entity and EO submodule data on INOLES and follow the

instructions in the table below to determine if the Form 5884-C was filed by an eligible entity and the appropriate handling:

| If                              | And                                                                      | Then                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| There is an EO submodule        | The EO status is 18, 19, 20, 22, 70, 71, 72, 97, 98 or 99                | Suspend the claim to CAT-A using HQ Reserved 18.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| There is an EO submodule        | The EO status is 12 or 34                                                | Formally disallow the claim and send Letter 105C. Use the following text in an open paragraph: "Our records indicate you are not a qualified tax-exempt organization (an organization described in Section 501(c) and exempt from tax under Section 501(a)) and you are therefore not eligible for the credit you claimed on Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans." Also refer to IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns</i> , for additional information.<br><br><b>Exception:</b> If there is no TC 150 posted to the tax period for which the Form 5884-C was filed, issue Letter 916C using the text provided above instead of issuing a Letter 105C and "no consider" the claim. |
| There is an EO submodule        | The EO status is not one of those listed in an earlier row of this table | Continue to process the claim.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| There is <b>no</b> EO submodule | The account reflects an Employment Code of W or C                        | Continue to process the claim.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| There is <b>no</b> EO submodule | None of the other rows of this table apply                               | Formally disallow the claim in the same manner as discussed in the second row of this table.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

(10) In addition to the claims described in the first row of the table in (9) above, send all Forms 5884-C (including amended Forms 5884-C) reflecting a line 11 claim amount of # [REDACTED] # or more to CAT-A using HQ Reserved 18.

**Reminder: #** [REDACTED]  
[REDACTED] #

(11) Refer to the following table if the Form 5884-C reflects **both** a claim amount on line 11 and an amount due on line 12:

| <b>If</b>                                                                  | <b>Then</b>                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The sum of lines 11 and 12 on Form 5884-C would be a <b>net amount due</b> | Continue processing per the paragraphs below treating the net amount due as if it had been reported on line 12 of Form 5884-C.<br><br><b>Exception:</b> Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance on resolving the case if there is documentation attached indicating the separate amounts reported as increases and decreases apply to different tax periods. |
| The sum of Lines 11 and 12 on Form 5884-C would be a <b>net credit</b>     | Continue processing per the paragraphs below treating the net credit as if it had been claimed on line 11 of Form 5884-C.<br><br><b>Exception:</b> Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance on resolving the case if there is documentation attached indicating the separate amounts reported as increases and decreases apply to different tax periods.      |

(12) Refer to the subsections referenced below, if applicable, before continuing processing per guidance in the following paragraphs:

- If there is no TC 150 posted to the account for the tax period the Form 5884-C was filed for, see IRM 21.7.2.5.15.7, *Form 5884-C or Form 5884-D Filed — No TC 150 Posted*.
- If a Form 94X (original or duplicate) return was filed with the Form 5884-C, see IRM 21.7.2.5.15.8, *Form 5884-C or Form 5884-D Filed with Form 94X (Original or Duplicate) Return*.
- If a Form 94XX was filed with the Form 5884-C, see IRM 21.7.2.5.15.9, *Form 5884-C or Form 5884-D Filed with Form 94XX*.
- If the Form 5884-C reflects a credit amount on line 11 and there is a previous CRN 290 adjustment on the account for the tax period the Form 5884-C was filed for, see IRM 21.7.2.5.15.10, *Form 5884-C or Form 5884-D Filed — Credit Increase, Prior CRN 290*.

(13) **Verify the following items to ensure the Form 5884-C is complete for processing:**

1. Verify the entity information (EIN, organization name, and address) entered on the Form 5884-C matches IRS records.
2. Verify there are entries in lines 4a/4b and/or 5a/5b, in lines 6 through 10, and in either line 11 or 12, as appropriate.
3. Verify the Form 5884-C is signed. Form 5884-C signature requirements are the same as for Form 94XX. See IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures.
4. Verify the tax form and tax period for which the Form 5884-C was filed. If blocks on lines 2 and/or 3 are not marked, attempt to determine the correct

tax form and tax period by comparing the line 9 entry to posted return data. If not found, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-C with Letter 916C.

5. Compare the entry on line 9 to the appropriate wage/tips figure(s) (original or as adjusted) on the account. Math verify lines 10 and 11 **(only)** to ensure the claim amount does not exceed the employer share of social security tax for the claim period. #



(14) After applying the guidance provided above for verifying the form is processable, continue processing Form 5884-C cases as per guidance in either IRM 21.7.2.5.15.6, *CRN 290 Credit Increase Form 5884-C, Line 11 or Form 5884-D, Line 12 Filed — TC 150 Posted*, or IRM 21.7.2.5.15.11, *CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13*, as appropriate.

#### **IRM 21.7.2.5.15.4 Subsection updated to provide clarification to eligibility status, CAT-A referrals and provides additional IRM references.**

(1) Qualified tax-exempt organizations claim the qualified disaster related employee retention credit by filing Form 5884-D, *Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters*, after they file their employment tax return (Form 941, Form 943, or Form 944).

**Reminder:** The credit **cannot** be claimed on an original employment tax return or on a Form 94XX.

(2) The credit applies to qualified tax-exempt organizations paying qualifying wages to certain eligible employees in non-COVID-19 related qualified disaster zones.

**Note:** See IRM 21.7.2.5.15.2, *Form 5884-D — General Information*, and the *Instructions for Form 5884-D* for more information on credit eligibility requirements.

(3) The valid forms and tax periods for Form 5884-D claims are as follows:

- Form 941 (MFT 01): 201912 and subsequent
- Form 943 (MFT 11): 201912 and subsequent
- Form 944 (MFT 14): 201912 and subsequent

**Note:** Formally disallow any Form 5884-D filed for an invalid form or tax period. As appropriate, follow guidance in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*, and issue Letter 105C explaining that the form was filed for an invalid form or tax period.

(4) Credit Reference Number (CRN) 290 is used to adjust the Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters (as well as the Work Opportunity Credit (WOC) claimed on Form 5884-C).

- An increase to the credit will be recorded with a positive CRN 290 and a TC 290 \$.00. The CRN 290 input will generate a TC 766.
- A decrease to the credit will be recorded with a negative CRN 290 and a TC 290 \$.00. The CRN 290 input will generate a TC 767.

**Note:** The programming for CRN 290 will permit it to be input separately or with any combination of other TCs, IRNs, or CRNs. However, because of the unique nature of this credit, any allowance or correction of a CRN 290 amount should generally be input as a separate adjustment unless manual penalty and/or interest corrections are required.

**Caution:** CRN 290 was selected to record and adjust the credit claimed on Form 5884-D (similar as for the credit claimed on Form 5884-C) due to the immediate effective date of the legislation and other administrative reasons. **However, by law, this credit is NOT a refundable credit.** The maximum credit allowable is limited to the employer portion of social security tax on wages paid to all employees during any period.

(5) Forms 5884-D are scanned into Correspondence Imaging Inventory (CII) system with Document Type 941-X, 943-X or 944-X (as appropriate) and Category Code SPC3. The scanning of a Form 5884-D will systemically generate a TC 971 AC 010 and set a -A or E- freeze which **must** be addressed before closing the case. See IRM 21.5.6.4.2, *-A Freeze*, and/or IRM 21.5.6.4.9, *E- Freeze*, for additional information.

**Reminder:** If a TC 971 AC 010 was not systemically posted **and** there is a TC 150 posted to the module, manually input a TC 971 AC 010 to set the -A freeze and post delay adjustment actions to ensure the resulting freeze is properly released.

(6) Use blocking series 15, 18, or 00 as appropriate when adjusting an account per a Form 5884-D. Do **not** use blocking series 20.

(7) Form 5884-D cases are to be worked under the 1005X program.

(8) Forms 5884-D requesting a credit (or an increase to credit) are considered claims. Special processing instructions applicable to Form 5884-D (and Form 5884-C) are provided in the following subsections. However, guidance found in IRM 21.5.3, *General Claims Procedures*, also applies to their handling.



(9) Eligibility for the credit claimed on Form 5884-D is limited to qualified tax-exempt organizations (organizations described in IRC 501(c) and exempt from tax under IRC 501(a)). Review the entity and EO submodule data on INOLES and follow the instructions in the table below to determine if the Form 5884-D was filed by an eligible entity and the appropriate handling:

| If                              | And                                                                      | Then                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| There is an EO submodule        | The EO status is 18, 19, 20, 22, 70, 71, 72, 97, 98, or 99               | Suspend the claim to CAT-A using HQ Reserved 18.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| There is an EO submodule        | The EO status is 12 or 34                                                | Formally disallow the claim and send Letter 105C. Use the following text in an open paragraph: "Our records indicate you are not a qualified tax-exempt organization (an organization described in Section 501(c) and exempt from tax under Section 501(a)) and you are therefore not eligible for the credit you claimed on Form 5884- D, Employee Retention Credit for Certain Tax-Exempt Organizations Affected by Qualified Disasters." Also refer to IRM 21.5.3.4.6, <i>No Consideration and Disallowance of Claims and Amended Returns</i> , for additional information.<br><br><b>Exception:</b> If there is no TC 150 posted to the tax period for which the Form 5884-D was filed, issue Letter 916C using the text provided above instead of issuing a Letter 105C and "no consider" the claim. |
| There is an EO submodule        | The EO status is not one of those listed in an earlier row of this table | Continue to process the claim.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| There is <b>no</b> EO submodule | The account reflects an Employment Code of A, C, F, G, I, Q, T, W or Z   | Continue to process the claim.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| There is <b>no</b> EO submodule | None of the other rows of this table apply                               | Formally disallow the claim in the same manner as discussed in the second row of this table.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

(10) In addition to the claims described in the first row of the table in (10) above, send all Forms 5884-D (including amended Forms 5884-D) reflecting a line 12 claim amount of # [REDACTED] # or more to CAT-A using HQ Reserved 18.

**Reminder:** # [REDACTED] #



(11) Refer to the following table if the Form 5884-D reflects **both** a claim amount on line 12 and an amount due on line 13:

| <b>If</b>                                                                  | <b>Then</b>                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The sum of lines 12 and 13 on Form 5884-D would be a <b>net amount due</b> | Continue processing per the paragraphs below treating the net amount due as if it had been reported on line 13 of Form 5884-D.<br><br><b>Exception:</b> Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance on resolving the case if there is documentation attached indicating the separate amounts reported as increases and decreases apply to different tax periods. |
| The sum of Lines 12 and 13 on Form 5884-D would be a <b>net credit</b>     | Continue processing per the paragraphs below treating the net credit as if it had been claimed on line 12 of Form 5884-D.<br><br><b>Exception:</b> Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance on resolving the case if there is documentation attached indicating the separate amounts reported as increases and decreases apply to different tax periods.      |

(12) Refer to the subsections referenced below, if applicable, before continuing processing per guidance in the following paragraphs:

- If there is no TC 150 posted to the account for the tax period the Form 5884-D was filed for, see IRM 21.7.2.5.15.7, *Form 5884-C or Form 5884-D Filed — No TC 150 Posted*.
- If a Form 94X (original or duplicate) return was filed with the Form 5884-D, see IRM 21.7.2.5.15.8, *Form 5884-C or Form 5884-D Filed with Form 94X (Original or Duplicate) Return*.
- If a Form 94XX was filed with the Form 5884-D, see IRM 21.7.2.5.15.9, *Form 5884-C or Form 5884-D Filed with Form 94XX*.
- If the Form 5884-D reflects a credit amount on line 12 and there is a previous CRN 290 adjustment on the account for the tax period the Form 5884-D was filed for, see IRM 21.7.2.5.15.10, *Form 5884-C or Form 5884-D Filed — Credit Increase, Prior CRN 290*.

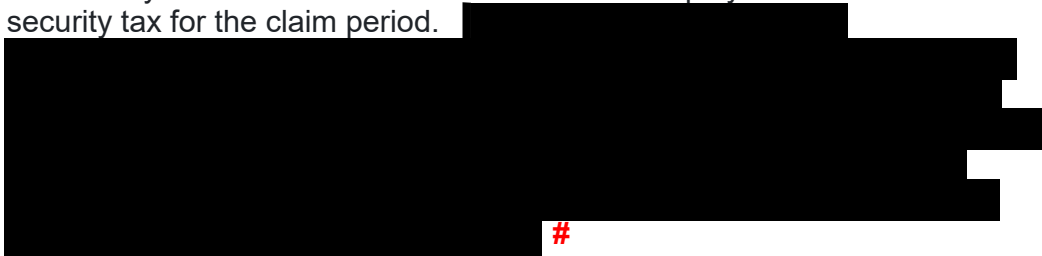
(13) **Verify the following items to ensure the Form 5884-D is complete for processing:**

1. Verify the entity information (EIN, organization name, and address) entered on the Form 5884-D matches IRS records.
2. Verify the Form 5884-D is signed. Form 5884-D signature requirements are the same as for Form 94XX. See IRM 21.7.2.4.4.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, for who may sign and handling guidance for missing signatures.

3. Verify **either box 2a or box 2b** is checked "Yes":
  - If **neither box is checked** "Yes", make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter that an entry on Line 2a and/or 2b is required for form processing purposes.
  - If **both boxes are checked** "No", "no consider" the Form 5884-D following IRM 21.5.3.4.6.3 , **No Consideration Procedures**, and indicate in Letter 916C that based on their entries on boxes 2a and 2b that they are not eligible to claim the credit.
4. Verify information has been entered in line 3 as follows:
  - If there is **an entry in column a**, verify it corresponds to a qualified disaster zone listed in the *Instructions for Form 5884-D*.
  - If there is **a valid entry in column a, but no entry in column b**, continue processing the Form 5884-D.
  - If there is **an entry in column b but no entry in column a**, review the list of qualified disaster zones in the *Instructions for Form 5884-D*. If the correct qualified disaster zone can be determined, continue processing the Form 5884-D. If not, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter that entries in all three columns of line 3 on Form 5884-D are required for form processing purposes.
  - If there is **no entry in column b and no entry in column a**, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter that entries in all three columns of line 3 on Form 5884-D are required for form processing purposes.
  - If there is **no entry in column c**, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-C with Letter 916C and indicate in the letter that entries in all three columns of line 3 on Form 5884-D are required for form processing purposes.
5. Verify the tax form and tax period for which the Form 5884-D was filed.
  - If blocks on lines 4 and/or 5 are not marked, attempt to determine the correct tax form and tax period by comparing the Line 10 entry to posted return data. If not found, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information. Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C.
6. Verify there are entries in Lines 6a and 6b, Line 7, and Lines 10, 11a, and 11d, and in either Line 12 or Line 13, as appropriate (Lines 8 and 9 are only required to account for carryforwards and may not be completed on every Form 5884-D). If there are missing required entries that cannot be mathematically perfected, make two attempts to contact the taxpayer by phone (if a telephone number is available) for the missing information.

Otherwise, if the contact was unsuccessful or if no telephone number is available, reject the Form 5884-D with Letter 916C and indicate in the letter which required Form 5884-D entries were missing.

7. Multiply the number entered on Line 7 by \$6,000.
8. Multiply the **lesser** (smaller) of the amount reported on Line 6a or the amount calculated in Step 7 above by 40% (0.40). Use the **lesser** (smaller) of this calculated amount or the amount entered on Line 6b for continued verification in Step 9 and Step 10 below.
9. If there is an entry on Line 8, math verify Line 9 or Line 13 as appropriate.
10. Compare the entry on Line 10 to the appropriate wage/tips figure(s) (original or as adjusted) on the account. Math verify Lines 9, 10, 11a, 11d and 12 to ensure any claim amount does not exceed the employer share of social security tax for the claim period.



(14) After applying the guidance provided above for verifying the form is processable, continue processing Form 5884-D cases as per guidance in either IRM 21.7.2.5.15.6, *CRN 290 Credit Increase — Form 5884-C, Line 11 or Form 5884-D, Line 12*, or IRM 21.7.2.5.15.11, *CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13*, as appropriate.

#### **IRM 21.7.2.5.15.5 Corrected links and IRM titles, editorial changes for clarity.**

(1) **FTD penalty:** The credits claimed on Form 5884-C and Form 5884-D do not reduce the tax liability reported on the associated employment tax return. However, the TC 766 / CRN 290 credit is applied by Master File as a credit against tax liability using the first day of the tax period as the credit effective date for FTD penalty purposes (only). Any previously assessed FTD penalty will be recomputed on that basis when a CRN 290 credit is allowed. This recomputation will generally occur systemically unless the FTD penalty was previously restricted.

**Note:** The employer filing Form 5884-C or Form 5884-D should **not** reduce tax liabilities reported on an original or subsequently filed Schedule B (or other tax liability schedules for Forms 941, 943 and 944) by the amount of any credit claimed on Form 5884-C or Form 5884-D.

(2) **FTF penalty:** For purposes of any late filing penalty, the CRN 290 credit is considered a timely credit as of the return due date for the tax period to which it is applied. Similarly, a reversal of the credit is considered a reduction in timely credits as of the return due date. Accordingly, the computer will generally recompute the

FTP penalty systemically with CRN 290 adjustments unless the penalty was previously restricted.

(3) **FTP penalty:** For FTP penalty purposes, allowances and reversals of a CRN 290 credit will be treated in the same manner as an increase or decrease to tax liability **even though** we are not actually increasing or decreasing recorded tax when making these adjustments. When allowing a CRN credit (or increasing the amount allowed), the computer will accurately compute FTP if there has not been an additional tax assessment made after the original return posted on the account. However, if there has been a previous tax increase on the account, or if the credit is being reversed in part or full, the FTP penalty will generally need to be manually computed and restricted as discussed in (2) of IRM 21.7.2.5.15.6, *CRN 290 Credit Increase — Form 5884-C, Line 11 or Form 5884-D, Line 12*, and IRM 21.7.2.5.15.11, *CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13*.

(4) **Overpayment interest:** For the purposes of calculating any applicable overpayment interest, a CRN 290 credit will be considered to be available as of the return due date for the tax period for which the Form 5884-C or Form 5884-D was filed.

**Note:** The 45-day interest rule for claims and amended returns applies to Forms 5884-C and Forms 5884-D claiming (or increasing) a CRN 290 credit. See (10) through (13) of IRM 21.5.3.4, *General Claims Procedures*, and IRM 20.2.4.8.3.2, *45-Day Rule and Amended Returns and Claims*, *OBRA 1993*, for more information, including instructions for inputting the date the processable claim was received by the IRS as the Amended Claims Date on ADJ54.

(5) **Underpayment interest:** Any applicable underpayment interest arising from the reversal of a CRN 290 credit, or arising from an amount reported due on line 12 of Form 5884-C or line 13 of Form 5884-D, will be charged from the return due date of the tax period for which the Form 5884-C or Form 5884-D was filed.

**Note:** Because Form 5884-C and Form 5884-D are not adjusted returns, the regulations which allow for interest-free payment periods for underpayments reported on Forms 94XX do not apply to reversals of the CRN 290 credit or to amounts reported as due on line 12 of Form 5884-C or on line 13 of Form 5884-D. Do **not** input these adjustments with a TC 298.

**IRM 21.7.2.5.15.6 Subsection updated to provide clarity, added links to other subsections, and examples. Removed table that had information covered in other subsections.**

(1) After considering all verification requirements in IRM 21.7.2.5.15.3, *Processing Guidelines Specific to Form 5884-C*, or IRM 21.7.2.5.15.4, *Processing Guidelines Specific to Form 5884-D*, follow the procedures provided below to process a Form

5884-C showing a claim amount on Line 11 or a Form 5884-D showing a claim amount on line 12 when there is a TC 150 posted to the tax account for which the Form 5884-C or Form 5884-D was filed.

1. Input a TC 290 \$.00 with CRN 290, using blocking series 15, 18, or 00, as appropriate, for the allowable claim amount determined in IRM 21.7.2.5.15.3, *Processing Guidelines Specific to Form 5884-C*, or IRM 21.7.2.5.15.4, *Processing Guidelines Specific to Form 5884-D*. Also, include the appropriate Amended Claims Date with the adjustment.

(2) **Special FTP penalty procedures when allowing CRN 290 credits:** See (3) in IRM 21.7.2.5.15.10, *CRN 290 Credit Reversals — Form 5884-C, Line 12 or Form 5884-D, Line 13*. If an FTP penalty was charged in association with an additional tax assessment made after the original return posted, special procedures must be applied when allowing a CRN 290 credit. The procedures in the following table apply to CRN 290 credit increases where an FTP penalty has previously been assessed **ONLY** on additional tax assessment(s) after the original return has posted:

| If                                                                                                         | Then                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The CRN 290 amount being allowed is equal to or exceeds the tax assessment amount to which the FTP applied | Input an adjustment to reverse the full amount of FTP that posted in association with the tax assessment amount with a restricting TC 271 transaction along with the appropriate CRN 290 amount being allowed (and the appropriate Amended Claims Date). Interest will be accurately recomputed by the computer.                                                                                                                                                                                |
| The CRN 290 amount being allowed is less than the tax assessment amount to which the FTP penalty applied   | <ol style="list-style-type: none"><li>1. Manually recompute the amount of FTP due by treating the CRN 290 amount as a reduction to the tax assessment (for calculation purposes only).</li><li>2. Input an adjustment to reduce or reverse (as appropriate) the assessed FTP penalty with a restricting TC 271 transaction along with the appropriate CRN 290 amount being allowed (and the appropriate Amended Claims Date). Interest will be accurately recomputed by the computer.</li></ol> |

**Example:** The IRS receives a processable Form 5884-C for the second quarter of 2024 reporting a credit amount of \$500 on line 11. The account reflects a posted TC 150 and there are no subsequent adjustments to tax. To record the \$500 credit increase in this example, a TC 290 for \$0.00 would be input with a CRN 290 transaction for \$500. No TC 27X would be input with the CRN 290 adjustment. Because there are no subsequent tax assessments made after the original return posted, the computer will correctly recompute the FTP penalty and interest.

**Example:** The IRS receives a processable Form 5884-C for the fourth quarter of 2024 reporting a credit amount of \$5000 on line 11. The account reflects a posted TC 150 for \$30,000 which was timely paid. A subsequent TC 290 tax increase for \$4000 has posted to the account. The tax increase was unpaid and a FTP penalty



was assessed on the additional tax assessment. The current FTP penalty posted to the account, including accruals, is \$50. To record the \$5000 credit increase in this example, a TC 290 for \$0.00 would be input with a CRN 290 for \$5000 and a TC 271 for -\$50. Because FTP has been assessed on only the additional tax assessment and the credit increase amount exceeds the tax increase amount associated with the FTP penalty, the FTP penalty can be removed in full with the credit increase adjustment.

**Example:** The IRS receives a processable Form 5884-C for the first quarter of 2024 reporting a credit amount of \$3000 on line 11. The account reflects a posted TC 150 for \$30,000 which was timely paid. A subsequent TC 290 tax increase for \$4000 has posted to the account. The tax increase was not paid within 21 days of the 23C date of the tax increase and remains unpaid. A FTP penalty was assessed on the additional tax assessment. The credit amount reported is less than the amount of the additional tax assessment associated with the FTP penalty, so the FTP penalty must be manually recomputed. Applying the CRN 290 credit amount of \$3000 as a reduction to the tax assessment, we determine the new unpaid amount of the additional tax assessment is \$1000. The FTP penalty is manually recomputed on the amount of \$1000. To record the \$3000 credit in this example, a TC 290 for \$0.00 would be input with a CRN 290 for \$3000 and a TC 271 to adjust the FTP penalty to the manually recomputed amount. See IRM 20.1.2.3, *Failure to File a Tax Return or to Pay Tax — IRC 6651*, and IRM 20.1.2.3.8.8, *IDRS Command Code COMPA*, for more information on FTP penalty computation.

**Note:** Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance in the event that an unusual credit increase situation is encountered which the special instructions provided above do not address.

**Reminder:** The procedures above do not apply to FTP penalty assessments associated with the original return. The computer will generally accurately recompute penalties and interest associated with original return filing when allowing a CRN 290 credit unless penalties and/or interest were previously restricted. See IRM 21.7.2.5.15.5, *CRN 290 Impact on Penalties and Interest*, for more information.

#### **IRM 21.7.2.5.15.7 Clarified procedures for processing Forms 5884-C and 5884-D with no TC 150 posted.**

(1) A Form 5884-C or Form 5884-D may be received for a tax period for which **no** TC 150 is posted.

(2) In such cases, research the taxpayer's account for the missing tax return. This research should include reviewing the taxpayer's account for misapplied tax returns and unposted or rejected tax returns. If a missing return is located, take action to process or reprocess it to the proper tax account, as appropriate, before processing the Form 5884-C or Form 5884-D following guidelines in IRM

21.7.2.5.15.3, **Processing Guidelines Specific to Form 5884-C**, or IRM

21.7.2.5.15.4, **Processing Guidelines Specific to Form 5884-D**, as appropriate.

**Note:** If Submission Processing receives a Form 5884-C or Form 5884-D with a Form 94X for the same tax period, Submission Processing will process the original return, notate on the Form 5884-C or Form 5884-D that it was received with an original return, and route the Form 5884-C or Form 5884-D with a copy of the Form 94X to be scanned into CII and assigned to the designated AM unit for handling.

(3) If the missing return is not located, handle as follows:

| If                                                                                                                 | Then                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Form 5884-C or Form 5884-D was intended for another tax period for which there is a posted TC 150              | <ol style="list-style-type: none"><li>1. Follow procedures in IRM 21.7.9.4.10.2, <i>TC 976 Return Posted to Incorrect TIN/Tax Period, Account for Which It was Intended Contains the Original Return (TC 150)</i>, to resolve the E- freeze.</li><li>2. Process the Form 5884-C or Form 5884-D on the correct account as appropriate.</li></ol>                                                                                                                                |
| The Form 5884-C or Form 5884-D was received with a Form 94XX                                                       | See IRM 21.7.2.5.15.9, <i>Form 5884-C or Form 5884-D Filed with Form 94XX</i> .                                                                                                                                                                                                                                                                                                                                                                                                |
| Less than 60 days have passed from the return due date for the tax period for which the adjusted return was filed  | <ol style="list-style-type: none"><li>1. Monitor the account for the posting of the employment tax return through the 60th day following the return due date.</li><li>2. If the original return posts, process the Form 5884-C or Form 5884-D as per handling instructions in IRM 21.7.2.5.15.3, <i>Processing Guidelines Specific to Form 5884-C</i>, or IRM 21.7.2.5.15.4, <i>Processing Guidelines Specific to Form 5884-D</i>, as appropriate.</li></ol>                   |
| More than 60 days have passed since the return due date for the tax period for which the adjusted return was filed | Reject the Form 5884-C or Form 5884-D using Letter 916C and include the following text in an open paragraph:<br><b>We are unable to process your Form [specify Form 5884-C or Form 5884-D] because we have no record of receiving your original Form [enter form number] for [enter tax period]. If liable for employment taxes, you may resubmit your Form [specify Form 5884-C or Form 5884-D] for our consideration after you file your original employment tax return.</b> |

**Reminder:** Any E- freeze set on these cases **must** be resolved prior to closing the case. If rejecting the Form 5884-C or Form 5884-D, release the E- freeze by inputting a TC 971 Action Code 002. See IRM 21.5.6.4.9, **E- Freeze**.



**Caution:** When rejecting documents, extreme care must be taken to ensure that only the material relative to the taxpayer(s) to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.24, *Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors*, for additional information.

**IRM 21.7.2.5.15.8 Clarified procedures for processing Forms 5884-C and 5884-D received with a Form 94X.**

(1) Taxpayers are instructed to file Form 5884-C and Form 5884-D separately from the associated employment tax returns. However, some taxpayers may file a Form 5884-C or Form 5884-D with an original or duplicated filed Form 94X despite the instructions.

(2) If Submission Processing receives a Form 5884-C or Form 5884-D with a Form 94X for the same tax period, Submission Processing will process the original return, notate on the Form 5884-C or Form 5884-D that it was received with an original return, and route the Form 5884-C or Form 5884-D with a copy of the Form 94X to be scanned into CII and assigned to the designated AM unit for handling.

(3) If a Form 5884-C or Form 5884-D is received with a Form 94X attached, handle as follows:

| If                                                                                             | And | Then                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| There is no TC 150 posted to the tax period for which the Form 5884-C or Form 5884-D was filed |     | Follow procedures in IRM 21.7.2.5.15.7, <i>Form 5884-C or Form 5884-D Filed — No TC 150 Posted</i> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| There is a posted TC 150                                                                       |     | <ol style="list-style-type: none"> <li>1. Follow normal adjustment procedures for duplicate filed Forms 94X to process the Form 94X received with the Form 5884-C or Form 5884D, as appropriate.</li> <li>2. Process the Form 5884-C or Form 5884-D per IRM 21.7.2.5.15.3, <b>Processing Guidelines Specific to Form 5884-C</b>, or IRM 21.7.2.5.15.4, <b>Processing Guidelines Specific to Form 5884-D</b>, as appropriate.</li> </ol> <p><b>Exception:</b> If unable to process the Form 94X and there is an indication a tax adjustment is necessary for the tax period the Form 5884-C or Form 5884-D was filed for, reject the Form 5884-C or Form 5884-D. Explain that we are unable to process their form because the Form 94X does not match our records. Advise the taxpayer to refile the Form 5884-C or Form 5884-D when they take the needed action to resolve the Form 94X issue.</p> |

|  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  | <p><b>Example:</b> A Form 5884-C is filed with a Form 941 reflecting a tax decrease. It is determined the Form 941 is to be rejected and a Form 941X requested from the taxpayer following normal processing procedures. Reject both the Form 941 and the Form 5884-C. In your letter to request the Form 941X, advise the taxpayer we are unable to process their Form 5884-C because the Form 941 does not match our records and to refile their Form 5884-C separately or with the Form 941X requested.</p> <p><b>Reminder:</b> Procedures in IRM 21.5.3.4.3, <i>Tax Decrease and Statute Consideration</i>, must be followed if the Form 5884-C or Form 5884-D was received within 180 days of the Refund Statute Expiration Date (RSED).</p> |
|--|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**Caution:** When rejecting documents, extreme care must be taken to ensure that only the material relative to the taxpayer(s) to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.24, *Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors*, for additional information.

#### **IRM 21.7.2.5.15.9 Clarified procedures for processing Forms 5884-C and 5884-D received with a Form 94XX.**

(1) Taxpayers are instructed to file Form 5884-C and Form 5884-D separately from the associated employment tax returns. However, some taxpayers may file a Form 5884-C or Form 5884-D with a Form 94XX despite the instructions.

(2) If a Form 5884-C or Form 5884-D is received with a Form 94XX, handle as follows:

| <b>If</b>                                               | <b>Then</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| There is no TC 150 posted                               | <ol style="list-style-type: none"> <li>1. Follow the procedures in IRM 21.7.2.4.4.6, <i>Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted</i>.</li> <li>2. Once a TC 150 is posted and any tax changes reported on the Form 94XX are processed, continue processing the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.15.3, <i>Processing Guidelines Specific to Form 5884-C</i> or IRM 21.7.2.5.15.4, <i>Processing Guidelines Specific to Form 5884-D</i>, as appropriate.</li> </ol> |
| The Form 94XX reflects no tax data or reflects only the | Process the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.15.3, <b>Processing Guidelines Specific to Form 5884-C</b> or IRM 21.7.2.5.15.4, <b>Processing Guidelines</b>                                                                                                                                                                                                                                                                                                                                                  |

|                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| credit claimed on the Form 5884-C or Form 5884-D | <b>Specific to Form 5884-D</b> , as appropriate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| The Form 94XX reflects a tax increase            | <ol style="list-style-type: none"> <li>1. Continue processing the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.15.3, <b>Processing Guidelines Specific to Form 5884-C</b> or IRM 21.7.2.5.15.4, <b>Processing Guidelines Specific to Form 5884-D</b>, as appropriate. However, use Hold Code 1 if allowing the CRN 290 credit or if there are other credits on the account needed to pay the Form 94XX tax increase.</li> <li>2. Process the Form 94XX using applicable procedures. However, use a post delay code of 1 cycle with this adjustment.</li> </ol> <p><b>Note:</b> Because of the unique nature of this credit, CRN 290 adjustments should generally <b>NOT</b> be combined with other tax or credit adjustments in a single ADJ54 input.</p> |
| The Form 94XX reflects a tax decrease            | <ol style="list-style-type: none"> <li>1. Process the Form 94XX using applicable procedures. However, use Hold Code 1 if Line 12 of Form 5884-C or Line 13 of Form 5884-D reflects an amount due.</li> <li>2. Continue processing the Form 5884-C or Form 5884-D as per procedures in IRM 21.7.2.5.15.3, <i>Processing Guidelines Specific to Form 5884-C</i> or IRM 21.7.2.5.15.4, <i>Processing Guidelines Specific to Form 5884-D</i>. However, use a post delay code of 1 cycle with this adjustment.</li> </ol> <p><b>Note:</b> Because of the unique nature of this credit, CRN 290 adjustments should generally <b>NOT</b> be combined with other tax or credit adjustments in a single ADJ54 input.</p>                                                           |

**IRM 21.7.2.5.15.10 Created subsection for processing credit increase requests on Forms 5884-C and 5884-D with a prior CRN 290 on the account.**

Form 5884-C or Form 5884-D Filed - Credit Increase, Prior CRN 290

(1) In some rare instances, employers may file a subsequent Form 5884-C or Form 5884-D for a tax period they have previously claimed a credit on.

(2) Follow the table below if a Form 5884-C or Form 5884-D reporting a claim amount is received and there is a previous CRN 290 adjustment on the account:

| <b>If</b>                   | <b>Then</b>                              |
|-----------------------------|------------------------------------------|
| The current form type being | Contact the IRM author through the Ogden |

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|                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| processed is different than the previous form type processed (i.e., previous Form 5884-C processed, current Form 5884-D being processed, or vice versa)                                                                                            | Accounts Management Campus P&A Staff for guidance on resolving the case.                                                                                                                                                                                                                                                                                                                                                            |
| The previous CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed is for the <b>same</b> amount as shown on the current form                                                                                        | Treat as a previous action situation. Input a TC 290 \$.00 to release the -A freeze.                                                                                                                                                                                                                                                                                                                                                |
| The previous CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed is <b>less</b> than the amount shown on the current form (i.e., the Form 5884-C or Form 5884-D reflects an <b>increase</b> to the credit claimed) | Treat the difference between the net posted CRN 290 amount and the amount claimed on line 11 of Form 5884-C or line 12 of Form 5884-D as if it had been reported on line 11 of Form 5884-C or Line 12 of Form 5884-D and continue processing per procedures in IRM 21.7.2.5.15.3, <i>Processing Guidelines Specific to Form 5884-C</i> or IRM 21.7.2.5.15.4, <i>Processing Guidelines Specific to Form 5884-D</i> , as appropriate. |
| The previous CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed is <b>more</b> than the amount shown on the current form (i.e., the Form 5884-C or Form 5884-D reflects a <b>decrease</b> to the credit claimed)  | Treat the difference between the net posted CRN 290 amount and the amount claimed on line 11 of Form 5884-C or line 12 of Form 5884-D as if it had been reported on line 12 of Form 5884-C or Line 13 of Form 5884-D and continue processing per procedures in IRM 21.7.2.5.15.3, <i>Processing Guidelines Specific to Form 5884-C</i> or IRM 21.7.2.5.15.4, <i>Processing Guidelines Specific to Form 5884-D</i> , as appropriate. |

**IRM 21.7.2.5.15.11 Renumbered subsection. Clarified adjustment procedures for credit reversal requests on Forms 5884-C and 5884-D and associated penalty and interest adjustments.**

(1) In some rare instances, eligible employers may report a balance due on line 12 of Form 5884-C or line 13 of Form 5884-D.

(2) These cases require special handling due to programming limitations associated with use of CRN 290 to administer this credit.

**Caution:** An unpostable will result if a CRN 290 credit reversal is input for more than the net posted CRN 290 credit on a tax module.

(3) After considering all verification requirements in either (as appropriate) IRM 21.7.2.5.15.3, *Processing Guidelines Specific to Form 5884-C*, or IRM 21.7.2.5.15.4, *Processing Guidelines Specific to Form 5884-D*, follow the procedures provided in the table below to process a Form 5884-C showing an amount due on line 12 or a Form 5884-D showing an amount due on Line 13.

| If                                                                                                                                                                                                                         | Then                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The amount reported due on line 12 of Form 5884-C or line 13 of Form 5884-D is <b>less than or equal</b> to the net previously posted CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed. | Input a CRN 290 transaction to reverse the amount reported on line 12 of Form 5884-C or line 13 of Form 5884-D. See (4) and (5) below for required actions with regards to penalties and interest.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| The amount reported due on line 12 of Form 5884-C or line 13 of Form 5884-D is <b>more</b> than the net previously posted (non-zero) CRN 290 credit on the tax period for which the Form 5884-C or Form 5884-D was filed.  | <ol style="list-style-type: none"> <li>1. Input a TC 290 \$.00 with a CRN 290 transaction to fully reverse the net posted (non-zero) CRN 290 on the tax period for which the Form 5884-C or Form 5884-D was filed. See (4), (5), and (6) below for required actions with regards to penalties and interest.</li> <li>2. Determine the remaining amount of credit reversal to be addressed by subtracting the amount reversed in step 1) from the amount shown on line 12 of Form 5884-C or line 13 of Form 5884-D.</li> <li>3. Address the remaining amount of credit to be reversed by following the procedures provided in the next row of this table.</li> </ol>                                                      |
| There is no previously posted net CRN 290 credit on the period for which the Form 5884-C or Form 5884-D was filed                                                                                                          | <ol style="list-style-type: none"> <li>1. Review the employment tax accounts for the tax periods immediately preceding the tax period shown on the Form 5884-C or Form 5884-D. Locate the most recent tax period reflecting the allowance of a CRN 290 credit.</li> <li>2. Input a TC 290 \$.00 with a CRN 290 to reverse the previously posted credit allowance for the amount shown on line 12 of the Form 5884-C or line 13 of Form 5884-D. See (4) and (6) below for required actions with regards to penalties and interest.</li> </ol> <p><b>Exception:</b> If the amount on line 12 of Form 5884-C or line 13 of Form 5884-D exceeds the CRN credit allowed on the most recent tax period, reverse the entire</p> |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>posted CRN 290 on that most recent tax period.</p> <p><b>Note:</b> If the taxpayer paid the amount due on line 12 of Form 5884-C or line 13 of Form 5884-D, transfer credit as appropriate to the tax period in which the CRN 290 credit reversal was actually made.</p> <p>3. If the full amount reported on line 12 of Form 5884-C or line 13 of Form 5884-D has not been fully accounted for by credit reversal(s), repeat steps 1) and 2) until the full amount reported on line 12 of Form 5884-C or line 13 of Form 5884-D has been accounted for by credit reversals.</p> |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**(4) Special FTP penalty and underpayment interest procedures when reversing CRN 290 credits:** Due to systemic limitations associated with use of CRN 290 for administering this credit, the computer is generally unable to accurately calculate the FTP penalty or underpayment interest when CRN 290 credits are reversed in part or whole. See (3) and (5) in IRM 21.7.2.5.15.5 *CRN 290 Impact on Penalties and Interest*. The special procedures in the tables in (5) and (6) below **must** be followed when reversing CRN 290 credits as per the guidance in (3) above.

(5) Apply the following special procedures for FTP penalty and underpayment interest when reversing a CRN 290 on the **same** tax period for which the Form 5884-C or Form 5884-D was filed:

| If                                                                                                   | And | Then                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------------------------|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The CRN 290 amount to be reversed has been paid by the time the adjustment is being input            |     | Input the appropriate CRN 290 reversal with a TC 270 for \$.00 and close the case. Accurate underpayment interest will be systemically generated with the adjustment.                                                                                                                                  |
| The CRN 290 amount to be reversed has <b>not</b> been paid by the time the adjustment is being input |     | <ol style="list-style-type: none"> <li>1. Input the appropriate CRN 290 reversal with a TC 270 for \$.00. Accurate underpayment interest will be systemically generated with the adjustment.</li> <li>2. Suspend the case for 60 days and monitor the account for the posting of a payment.</li> </ol> |



|                                                                            |                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                            |                                                                                                                                                | 3. Continue processing the case as per the guidance in the last three rows of this table.                                                                                                                                                                                                                                                                                                                                            |
| The case was suspended as per instructions in the second row of this table | Payment is received within 21 days (10 days for amounts of \$100,000 or more) # [REDACTED] # of the 23c date for the adjustment                | No additional penalties or interest are due. Close the case.                                                                                                                                                                                                                                                                                                                                                                         |
| The case was suspended as per instructions in the second row of this table | Payment is received but <b>not within</b> 21 days (10 days for amounts of \$100,000 or more) # [REDACTED] # of the 23c date for the adjustment | <ol style="list-style-type: none"> <li>1. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the date of payment.</li> <li>2. Input an adjustment with a TC 270 using the amounts computed in step 1). Accurate underpayment interest will be systemically generated with the adjustment.</li> <li>3. Close the case.</li> </ol>                                               |
| The case was suspended as per instructions in the second row of this table | Payment is not received by the close of the 60 day suspense period.                                                                            | <ol style="list-style-type: none"> <li>1. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the 23c date for the adjustment to be input in step 2) below.</li> <li>2. Input an adjustment with a TC 270 using the amount computed in step 1) above. Accurate underpayment interest will be systemically generated with the adjustment.</li> <li>3. Close the case.</li> </ol> |

(6) Apply the following special procedures for FTP penalty and underpayment interest when reversing a CRN 290 on a tax period **earlier than** the tax period for which the Form 5884-C or Form 5884-D was filed:

| If          | And | Then                        |
|-------------|-----|-----------------------------|
| The CRN 290 |     | 1. Compute the underpayment |

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|                                                                                                      |                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| amount to be reversed has been paid by the time the adjustment is being input                        |                                                                                                                                                         | <p>interest due on the amount of the credit reversal from the return due date of the tax period for which the Form 5884-C or Form 5884-D was filed to the date of payment.</p> <ol style="list-style-type: none"> <li>Input the appropriate CRN 290 reversal with a TC 340 for the amount computed in step 1) and a TC 270 for \$.00.</li> <li>Close the case.</li> </ol>                                                                                                                                                                                                               |
| The CRN 290 amount to be reversed has <b>not</b> been paid by the time the adjustment is being input |                                                                                                                                                         | <ol style="list-style-type: none"> <li>Compute the underpayment interest due on the amount of the credit reversal from the return due date of the tax period for which the Form 5884-C or Form 5884-D was filed to the 23c date of your adjustment.</li> <li>Input the appropriate CRN 290 reversal with a TC 340 for the amount computed in step 1) and a TC 270 for \$.00.</li> <li>Suspend the case for 60 days and monitor for the account for the posting of a payment.</li> <li>Continue processing the case as per the guidance in the last three rows of this table.</li> </ol> |
| The case was suspended as per instructions in the second row of this table                           | Payment is received within 21 days (10 business days for amounts of \$100,000 or more) # [REDACTED] # of the 23c date for the adjustment                | No additional penalties or interest are due. Close the case.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| The case was suspended as per instructions in the second row of this table                           | Payment is received but <b>not within</b> 21 days (10 business days for amounts of \$100,000 or more) # [REDACTED] # of the 23c date for the adjustment | <ol style="list-style-type: none"> <li>Compute additional interest due on the amount of the CRN 290 credit reversal <b>and</b> the previously input TC 340 amount from the 23c date of the previous adjustment to the date of payment.</li> <li>Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the</li> </ol>                                                                                                                                                                                                                                            |

|                                                                            |                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                            |                                                                     | <p>previous adjustment to the date of payment.</p> <ol style="list-style-type: none"> <li>3. Input an adjustment with a TC 340 and TC 270 using the amounts computed in steps 1) and 2).</li> <li>4. Close the case.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                    |
| The case was suspended as per instructions in the second row of this table | Payment is not received by the close of the 60 day suspense period. | <ol style="list-style-type: none"> <li>1. Compute additional interest due on the amount of the CRN 290 credit reversal <b>and</b> the previously input TC 340 amount from the 23c date of the previous adjustment to the 23c date for the adjustment to be input in step 3 below.</li> <li>2. Compute FTP on the amount of the CRN 290 credit reversal from the 23c date of the previous adjustment to the 23c date for the adjustment to be input in step 3 below.</li> <li>3. Input an adjustment with a TC 340 and TC 270 using the amounts computed in steps 1) and 2).</li> <li>4. Close the case.</li> </ol> |

**Caution:** The guidance in the table above is specific to CRN 290 adjustment situations. Keep in mind when restricting penalties and/or interest that it may be necessary to recompute and adjust penalty and/or interest on the full tax module depending on the account situation.

(7) The following examples are provided to illustrate the application of the procedures discussed in the table above.

**Example:** The IRS receives a Form 5884-C for the second quarter of 2024 on September 16, 2024 along with a payment of \$200 which is posted to the second quarter of 2024. The Form 5884-C reports a balance owed of \$200 on line 12. The taxpayer is a quarterly Form 941 filer and previously claimed a CRN 290 credit of \$450 on the second quarter of 2024. To record the \$200 owed in this example, a CRN 290 reversal transaction for \$200 would be input to the second quarter of 2024. No FTP penalty would be owed because the amount due was paid before the credit reversal was made, so a TC 270 for \$.00 must be input to prevent the computer from charging the penalty from the second quarter due date to the date of payment. The computer will accurately compute underpayment interest in this example from July 31, 2024 (the second quarter due date) to September 16, 2024 (date of payment)

and issue a bill for the correct amount due. The CRN 290 and TC 270 transactions must be input with the same ADJ54.

**Example:** The IRS receives a Form 5884-C for the third quarter of 2024 on November 15, 2024 along with a payment of \$500 which is posted to the third quarter of 2024. The Form 5884-C reports a balance owed of \$500 on line 12. The taxpayer is a quarterly Form 941 filer has not claimed a CRN 290 credit on the third quarter of 2024. The taxpayer has and claimed a CRN 290 credit of \$900 on the second quarter of 2024 and a CRN 290 credit of \$750 on the first quarter of 2023. To record the \$500 owed in this example, a CRN 290 reversal transaction for \$500 would be input to the second quarter of 2024 and the \$500 payment would be transferred from the third quarter to the second quarter. No FTP penalty would be owed because the amount due was paid before the credit reversal was made, so a TC 270 for \$.00 must be input to prevent the computer from charging the penalty from the second quarter due date to the date of payment. Underpayment interest must be manually computed and assessed with a TC 340 on the \$500 credit reversal from October 31, 2024 (the third quarter due date) to the November 15, 2024 payment date and manually assessed with a TC 340. The CRN 290, TC 270, and TC 340 transactions must be input with the same ADJ54 on the second quarter account.

**Example:** The IRS receives a Form 5884-C for the fourth quarter of 2024 on February 17, 2022 without payment. The Form 5884-C reports a balance owed of \$1,200 on line 12. The taxpayer is a quarterly Form 941 filer and has not claimed a CRN 290 credit on the fourth quarter of 2024. The taxpayer has claimed a CRN 290 credit of \$2,500 on the third quarter of 2024 and a CRN 290 credit of \$750 on the first quarter of 2024. To record the \$1,200 owed in this example, a CRN 290 reversal transaction for \$1,200 would be input to the third quarter of 2024. The case is worked on March 9, 2022, so the adjustment will carry a 23c date of April 4, 2022. Because the amount due for the credit reversal was not paid by the time the adjustment is being made, the CRN 290 reversal adjustment will be input with a TC 270 for .00 and a TC 340 for the amount of interest calculated as due from January 31, 2022 to April 4, 2022. The case is then suspended for 60 days (counting days from March 9, 2022). On April 20, 2022, the case is reviewed and it is seen that a payment for the CRN 290 reversal and underpayment interest assessed with TC 340 posted to the account on April 11, 2022. Since payment was received within 21 days of the 23c date (notice date) # [REDACTED] #, no additional penalty or interest would be due and the case would be closed with no additional action.

**Example:** The IRS receives a Form 5884-C for the fourth quarter of 2024 on January 25, 2022 along with a payment of \$700 which is posted to the fourth quarter of 2024. The Form 5884-C reports a balance owed of \$700 on line 12. The taxpayer is a quarterly Form 941 filer and has not claimed a CRN 290 credit on the fourth quarter of 2024. The taxpayer has claimed a CRN 290 credit of \$300 on the third quarter of 2024, a CRN 290 credit of \$500 on the second quarter of 2024, and a CRN 290 credit of \$200 on the first quarter of 2024. To record the \$700 owed in this example, a CRN 290 reversal transaction for \$300 would be input to the third quarter of 2024, \$300 of the payment dated January 25, 2022 on the fourth quarter would be transferred to the third quarter, and penalties and interest associated with this

portion of the credit reversal would be restricted to zero amounts (with a TC 270 \$.00 and TC 340 \$.00 on the same ADJ54 input as the CRN 290 credit reversal) since payment was received before the fourth quarter 2024 return due date of January 31, 2025. The remaining \$400 of the amount reported owed on Line 12 of Form 5884-C would be accounted for by inputting a CRN 290 reversal transaction for \$400 on the second quarter of 2024, transferring the remaining \$400 of the payment dated January 25, 2022 on the fourth quarter to the second quarter, and penalties and interest associated with this portion of the credit reversal would be restricted to zero amounts (with a TC 270 \$.00 and TC 340 \$.00 on the same ADJ54 input as the CRN 290 credit reversal) since payment was received before the fourth quarter 2024 return due date of January 31, 2025.

**Note:** Although the examples provided above reference instances of line 12 entries on Form 5884-C, the same principles illustrated also apply to similar instances of line 13 entries on Form 5884-D.

(8) Contact the IRM author through the Ogden Accounts Management Campus P&A Staff for guidance in the event that an unusual credit reversal situation is encountered which the special instructions provided above do not address.

**Example:** Cases involving partial payments, multiple payments or credit offsets may require additional guidance for correct penalty and interest computation.

#### **IRM 21.7.2.7.1(1) and (3) Updated IDRS number for ERC withdrawal cases holding wall.**

(1) Withdrawal requests submitted via the dedicated fax line (see (5) in IRM 21.7.2.7.7, *ERC Claim Withdrawal Program*) are delivered as electronic images to a shared drive. Ephesoft imaging software is then applied to create a new case in CII with Priority Code 2 and assigned to IDRS number **0430406002** for inventory control purposes. ERC claim withdrawal cases are controlled with case category 941X, 943X, 944X or CT1X as appropriate. Similarly, withdrawal cases identified in paper receipts are scanned by ICT to create new cases in CII coded as above.

(2) Generally, a TC 971 AC 010 will be generated when an ERC withdrawal case is established. If not already present in association with an open Form 94XX case, the generation of this transaction code sets either a -A or an E- freeze on the tax module which **must** be considered when closing ERC withdrawal cases:

- Procedures which follow for closing actions on accepted ERC withdrawal request cases include instructions on inputting transactions for releasing the -A or E- freeze as appropriate.
- For rejected or "no-considered" ERC withdrawal requests cases where there is still an open Form 94XX to be worked, the -A or E- freeze must remain on the account until the Form 94XX is worked. Accordingly, procedures which

follow for rejection of ERC withdrawal cases do not include instructions for releasing the -A or E- freeze.

- However, for rejected withdrawal request cases where there is no open Form 94XX to be worked (i.e., no Form 94XX on file or the Form 94XX associated with the ERC withdrawal request was previously resolved), the -A or E-freeze **must** be released when the ERC withdrawal case is closed via input of either a TC 290 .00 with Hold Code 4 (to release a -A freeze) or a TC 971 AC 002 (to release an E- freeze) with appropriate remarks corresponding to the rejection reason.

**Note:** See (13) in IRM 21.7.2.4.4, *Adjusted Employer's Federal Tax Return or Claim for Refund*, for more information on the setting and required release of -A and E-freezes in association with the processing of Forms 94XX.

(3) Take the following actions when missed ERC claim withdrawal requests are identified in inventory:

- ERC claim withdrawal requests identified in CII electronic inventory are to be coded with **Priority Code 2**, case category **SPC6**, and reassigned to IDRS number **0430406002**.
- ERC claim withdrawal requests (**only**) identified in paper inventory are to be faxed to (855) 738-7609.

**IRM 21.7.2.7.10 Updated subsection with AUR contact information, added information regarding recognizing accounts with prior AUR adjustments, and provided information on when cases should be sent to Ogden Campus Exam/AUR.**

(1) SBSE operates a number of filters designed to identify accounts warranting additional scrutiny after COVID-19 related employment tax credits were allowed. For cases so identified, the IRS generally issues a "soft" contact letter requesting additional information to substantiate the previously allowed credit(s). Generally, the letters indicate the IRS may disallow/reverse the credits if sufficient supporting information is not received.

(2) Taxpayers receiving the letters from Ogden Campus Exam/AUR (OCEA) should respond to the fax or phone number provided in the letter.

| Letter                                                                   | Fax Number   | Phone Number                | Hours of Operation                                                                    |
|--------------------------------------------------------------------------|--------------|-----------------------------|---------------------------------------------------------------------------------------|
| 6327, 6328, 6348, 6378, 6379, 6362, 6362-A, 6507, 6530, 6531, 6552, 6554 | 855-246-4884 | Voice mail box 801-612-4558 | The taxpayer calling this number will receive a returned call within 5 business days. |



|             |              |                                                 |                                                  |
|-------------|--------------|-------------------------------------------------|--------------------------------------------------|
| 6577, 6577C | 855-246-4884 | Ogden Campus<br>Exam/AUR (OCEA)<br>844-854-0075 | Monday through Friday<br>12:00 PM to 4:00 PM ET. |
|-------------|--------------|-------------------------------------------------|--------------------------------------------------|

(3) The subsections which follow provide information for handling responses/inquiries received in AM for the following letters associated with these compliance workstreams:

| Letter                           | TXMOD May Reflect Activity Code                      |
|----------------------------------|------------------------------------------------------|
| Letter 6327                      | "TUCMPLT"                                            |
| Letter 6328                      | "COVIDTU"                                            |
| Letter 6348                      | "COVIDTU"                                            |
| Letter 6378                      | "WF4LTR6378", or<br>"WF5LTR6378", or<br>"WF6LTR6378" |
| Letter 6379                      | "WF4LTR6379", or<br>"WF5LTR6379", or<br>"WF6LTR6379" |
| Letter 6362, or<br>Letter 6362-A | "CVDGEMMDD"                                          |
| Letter 6507                      | "WF7SFL1I"                                           |
| Letter 6530                      | "18BRSBQ4"                                           |
| Letter 6531                      | "18BRSBQ2"                                           |
| Letter 6552                      | "ZEROFTDCVD"                                         |
| Letter 6554                      | "SFLCRDT22"                                          |
| Letter 6577                      | "ERCRCPTR"                                           |
| Letter 6577C                     | "ERCRCPTR"                                           |

**Note:** The letter issued is also generally recorded on ENMOD.

(4) Reversals of credits pursuant to these workstreams are completed with TC 29X adjustments via ADJ54. IDRS prefix numbers associated with the input of these adjustments may include "04606", "04636", "04634", "04693", **04835**, and **04697**. IDRS command code BMFOLA can be used to research the IDRS number of the employee who input the adjustment.

**Note:** SBSE initiated a programming request for validation of TC 971 closing code 804 for use in identifying adjustments they made/make pursuant to these workstreams. Tentatively, SBSE expects to initiate a recovery effort to enter the TC 971 transactions on all previously processed adjustment cases once functionality is delivered (currently expected to be operational in early July of 2024). This IRM will be updated with more information on this topic once the TC 971 closing code functionality has been delivered by IT.

(5) Transaction code (TC) 971 AC 804 is input to identify adjustments made pursuant to these workstreams. Programming for the TC 971 AC 804 was implemented in September of 2024. Adjustments input on accounts prior to this date

may not be coded with a TC 971 AC 804. SBSE has initiated a recovery effort to enter the TC 971 transactions on all previously processed adjustment cases. The MISC field of the TC 971 AC 804 will show “LXXXX Y MMYYYY” defined below:

- LXXXX – The letter or C letter sent to the taxpayer for the account.
- Y- If a Letter 6577 or Letter 6577C was issued, the paragraph or selective paragraph that was included in the letter or C letter.
- MMYYYY- The month and year the letter was issued to the taxpayer.

(6) Use the following table when working CII cases on accounts with prior non-examined adjustment input by Ogden Campus Exam/AUR (OCEA):

| If                                                                                  | And                                                 | Then                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The case is <b>correspondence only</b> disputing the prior adjustment input by OCEA |                                                     | <ul style="list-style-type: none"> <li>• Reroute the case to OCEA by sending an email to *SBSE OCEA CARES Referral</li> <li>• Include EIN, MFT, tax period, CII case ID number, IRS received date of CII case, and any other pertinent case information in the email. CC your manager and lead.</li> <li>• Close the CII case.</li> </ul>                                                                                                                                                                                                  |
| A Form 94XX is received                                                             | No adjustments to ERC, QSFL, or COBRA are requested | Follow normal procedures.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| A Form 94XX is received                                                             | The adjustment includes ERC, QSFL, or COBRA         | <p>Guidance is needed from Ogden Campus Exam/AUR (OCEA) prior to adjusting the account.</p> <ol style="list-style-type: none"> <li>1. Send an email to *SBSE OCEA CARES Referral, requesting guidance on actions to resolve the Form 94XX.</li> </ol> <p>Include the following information in the email:</p> <ul style="list-style-type: none"> <li>○ EIN, MFT, tax period, CII case ID number, IRS received date of CII case, and any other pertinent case information.</li> <li>○ On the subject line include the appropriate</li> </ul> |

|                                                                                                                                                                             |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                             |  | <p>COVID Credit type (CARES or ERC), BOD and CII case ID number. See note below for examples.</p> <ul style="list-style-type: none"> <li>○ CC your manager and lead.</li> </ul> <ol style="list-style-type: none"> <li>2. Open an OCEA IDRS control to 0463491457 with activity code "OCEAREF", status "A", category code "IRRQ".</li> <li>3. Input a STAUP if appropriate.</li> <li>4. Suspend the case for 30 days and update your activity code to "OCEAREFMMDD".</li> <li>5. When the reply is received take actions according to the reply.</li> <li>6. Attach a copy of the reply to the CII case.</li> </ol> <p><b>Note:</b> If a reply is not received within 30 days elevate the request through your P&amp;A analyst.</p> |
| All other cases not meeting the criteria in the rows above (i.e., credit transfer request, correspondence agreeing with the adjustment but providing missing Form W-2, etc) |  | Follow normal procedures.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

**Note:** OCEA has AMS access and can view CII documents.

**Note:** Examples for subject line of e-mail:

Replies to 6577 and 6577C - Subject: ERC Referral Accounts Management, LB, CISXXXXXX.

Replies to all other letters issued by OCEA - Subject: CARES Referral Accounts Management, SB, CISXXXXXX.

#### **IRM 21.7.2.7.10.9 Added new subsection with information about Letter 6577C and response handling.**

Letter 6577C Replies

(1) Letter 6577C is issued for six workstreams. The Letter 6577C template includes six selective paragraphs which correspond with the workstreams.

(2) Workstream name: **2021 ERC Ineligibility – 2021 Tax Period Exceeds the Form W-2 for Tax Year 2021.**

- Letter 6577C with selective paragraph B is sent to employers who claimed too much Employee Retention Credit (ERC) based on Form W-2 filed in 2021.
- Employers receiving Letter 6577C with paragraph B claimed ERC on a 2021 original or amended employment tax return but the amount of the ERC claimed exceeded the \$7,000 per employee limitation per employee per quarter.
- The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.
- Generally, any additional information the taxpayer provided in response to the letter is considered in determining the change made to their tax account.

**Note:** TXMOD may reflect Activity Code “ERC RCPTR”.

(3) Workstream name: **2021 ERC Ineligibility - Exceeds Computed ERC – Based on Employee Count**

- Letter 6577C with paragraph C is sent to employers who claimed more than the maximum allowable ERC credit per employee for 2021.
- Letter 6577C with paragraph C is sent to employers who claimed too much Employee Retention Credit (ERC) based on the number of employees reported on Line 1 of their employment tax return for 2021.
- The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.
- Generally, any additional information the taxpayer provided in response to the letter is considered in determining the change made to their tax account.

**Note:** TXMOD may reflect Activity Code “ERC RCPTR”.

(4) Workstream name: **2021 ERC Ineligibility - No Forms W-2 filed**

- Letter 6577C with paragraph H is sent to employers who claimed Employee Retention Credit (ERC) and/or Qualified Sick and Family Leave (QSFL) credit but no Form W-2 were issued.
- Employers receiving Letter 6577C with paragraph H for this workstream were deemed ineligible for the ERC credit and/or Qualified Sick and Family Leave (QSFL) credit because there were no Form W-2 issued for the tax periods the ERC was claimed.
- The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.
- Generally, any additional information the taxpayer provided in response to the letter is considered in determining the change made to their tax account.

**Note:** TXMOD may reflect Activity Code “ERC RCPTR”.

(5) Workstream name: **2021 ERC ineligibility – Business Established After the Period ERC Credits Claimed**

- Letter 6577C with paragraph I is sent to employers who claimed Employee Retention Credit (ERC) and/or Qualified Sick and Family Leave (QSFL) credit for a tax period prior to the date their business was established per our records.
- Employers receiving Letter 6577C with paragraph I claimed ERC and/or Qualified Sick and Family Leave (QSFL) credit prior to the business establishment date.
- The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.
- Generally, any additional information the taxpayer provided in response to the letter is considered in determining the change made to their tax account.

**Note:** TXMOD may reflect Activity Code “ERC RCPTR”.

(6) Workstream name: **2021 ERC ineligibility – No Net Payment Activity 2019-2022**

- Letter 6577C with paragraph O is sent to employers who claimed Employee Retention Credit (ERC) but did not have payment activity in 2019 to 2022.
- Employers receiving Letter 6577C with paragraph O is issued to taxpayers who claimed Employee Retention Credit (ERC) but did not have payment activity in 2019 to 2022.
- The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.
- Generally, any additional information the taxpayer provided in response to the letter is considered in determining the change made to their tax account.

**Note:** TXMOD may reflect Activity Code “ERC RCPTR”.

(7) Workstream name: **2021 ERC ineligibility – Fourth quarter 2021 over \$50,000 limit of ERC for a Recovery Startup Business (RSB)**

- Letter 6577C with paragraph R is sent to a recovery startup business (RSB) employer who claimed Employee Retention Credit (ERC) which exceeded the \$50,000 limit for the fourth quarter of 2021.
- Employers receiving Letter 6577C claimed ERC for a recovery startup business (RSB) who claimed Employee Retention Credit (ERC) over the \$50,000 limit for the fourth quarter of 2021.
- The incorrect credits claimed could include non-refundable and/or refundable portions of ERC.
- Generally, any additional information the taxpayer provided in response to the letter is considered in determining the change made to their tax account.

**Note:** TXMOD may reflect Activity Code “ERC RCPTR”.

(8) The following table provides guidance on handling common Letter 6577C response inquiries:

| If                                                                                                                                | Then                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Taxpayer is referring to a Letter 6577C they received (either before or after a credit reversal was completed on the tax account) | <ul style="list-style-type: none"><li>• Refer the taxpayer to the Letter 6577C for information on the change made to their account and how to resolve any concerns.</li><li>• As appropriate, share information provided in the applicable paragraph above to explain the change made to their account.</li></ul>                                                                                                                                                                                                                                                 |
| If the taxpayer is referring to a notice of adjustment or balance due notice                                                      | <ul style="list-style-type: none"><li>• Advise the taxpayer that they should have received Letter 6577C explaining the change made to their account and refer the taxpayer to the letter for information on the change made to their account and how to resolve any concerns.</li><li>• As appropriate, share information provided in the applicable paragraph above to explain the change made to their account.</li></ul>                                                                                                                                       |
| If the taxpayer disagrees with the letter or notice after the reason for the change to their account is explained                 | <ul style="list-style-type: none"><li>• Advise the taxpayer to respond as per the instructions in the Letter 6577C or notice they received.</li><li>• Advise the taxpayer the IRS will consider late submissions of information supporting the amounts claimed. Additional information should be submitted via the fax line identified in the letter.</li><li>• The taxpayer can also be referred to Publication 594, <i>The IRS Collection Process</i>.</li><li>• Advise the taxpayer they can also fully pay the account and file a claim for refund.</li></ul> |

**Reminder:** Response handling will generally benefit from accessing the Letter 6577C template for reference purposes, keeping in mind the use of the separate selective paragraphs for the related six workstreams.

**Note:** Inquiries where the taxpayer agrees with a credit reversal (proposed or posted) but has questions or concerns with paying amounts due are to be addressed, as appropriate, per usual handling guidance.