

IRM PROCEDURAL UPDATE

DATE: 05/05/2025

NUMBER: ts-21-0525-3242

**SUBJECT: Form 172 Replaces Publication 536 for Tax Years After 2023;
Master File Verification - Unprocessed Amended Return Identified**

AFFECTED IRM(s)/SUBSECTION(s): 21.5.9

CHANGE(s):

IRM 21.5.9.1.6 Added the acronym EUP, Employee User Portal.

(1) The following table includes common acronyms utilized in the carryback program. This is not all inclusive.

Acronym	Definition
AGI	Adjusted Gross Income
AM	Accounts Management
AMT	Alternative Minimum Tax
BMF	Business Master File
BMFOL	Business Master File On-line
BS	Blocking Series
CFOL	Corporate File On-Line
CFWD	Carryforward
CII	Correspondence Imaging Inventory
CIS	Correspondence Imaging System
EIN	Employer Identification Number
EUP	Employee User Portal
FR	Filing Requirement
FTC	Foreign Tax Credit
ICFW	International Carryforward
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IMFOL	Individual Master File On-Line
IRNT	International Carryback Claim
ITCB	International Carryback Tentative Application
JCC	Joint Committee Case
MeF	Modernized e-File
MFT	Master File Tax
MTC	Minimum Tax Credit
NCL	Net Capital Loss
NIIT	Net Investment Income Tax

Any line marked with a # if for Official Use Only

NMF	Non-Master File
NOL	Net Operating Loss
NOLD	Net Operating Loss Deduction
PSC	Personal Service Corporation
RICS	Return Integrity and Compliance Services
RINT	Restricted Interest Carryback Claim
RIVO	Return Integrity Verification Operation
SRP	Shared Responsibility Payment
SSN	Social Security Number
TC	Transaction Code
TENT	Tentative Carryback Application
TPP	Taxpayer Protection Program
TXI	Taxable Income

(2) For additional information, see the ReferenceNet Legal and Tax Research Service page that provides an Acronym Database to research acronyms found within this IRM.

IRM 21.5.9.1.7 Added the Instructions for Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts and specified Publication 536 is applicable to tax year 2023 and earlier.

(1) The following list of publications provides additional instructions:

- Instructions for Form 172, *Net Operating Losses (NOLs) for Individuals, Estates, and Trusts*
- Publication 514, *Foreign Tax Credit for Individuals*
- Publication 536, *Net Operating Losses (NOLs) for Individuals, Estates, and Trusts* (tax years 2023 and earlier)
- Publication 225, *Farmer's Tax Guide*
- Publication 542, *Corporations*

Note: Additional publications are cited in the IRM where they are applicable to the issue covered.

(2) The following list of IRM references provides additional instructions:

- IRM 2.3, *IDRS Terminal Responses*
- IRM 2.4, *IDRS Terminal Input*
- IRM 3.13, *Campus Documents Services*
- IRM 11.3, *Disclosure of Official Information*
- IRM 13, *Taxpayer Advocate Service*
- IRM 20.1, *Penalty Handbook*
- IRM 20.2, *Interest*
- IRM 20.2.9, *Interest on Carryback of Net Operating Loss*

- IRM 21, *Customer Account Services*
- IRM 21.8.1, *IMF International Adjustments*
- IRM 21.8.2, *BMF International Adjustments*
- IRM 21.7.7, *Exempt Organizations and Tax Exempt Bonds*
- IRM 25.6, *Statute of Limitations*

IRM 21.5.9.2.1(4) Added Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts. Form 172 Part I replaces Form 1045 Schedule A and Form 172 Part II replaces Form 1045 Schedule B for tax years after 2023.

(4) Cases in CII that include Form 172 Part I or Form 1045 Schedule A - NOL (or an equivalent NOL computation) and Form 172 Part II or Form 1045 Schedule B - NOL Carryover (if the NOL is not fully absorbed in first carryback year) attached to a Form 1040-X or amended Form 1041 are worked under the category codes in paragraph 3 above.

Note: Individuals filing Form 1040-X, *Amended U.S. Individual Income Tax Return*, and Estates and Trusts filing an amended Form 1041, *U.S. Income Tax Return for Estates and Trusts*, are required to include Form 172 Part I or Form 1045 Schedule A - NOL computation (or an equivalent NOL computation) and Form 172 Part II or Form 1045 Schedule B - NOL Carryover (if the NOL is not fully absorbed in first carryback year), when filing a tentative carryback application or carryback claim on an amended return.

Caution: Form 172 or Form 1045 Schedule A - NOL and Form 1045 Schedule B - NOL Carryover can also be attached to carryforward claims. Refer to IRM 21.5.9.2.2, *Identifying Carryforward Claims*, to determine if the case should be reassigned.

IRM 21.5.9.4.5(2) Added instruction to research IDRS, CII, and the Employee User Portal (EUP) for an unprocessed amended return when the beginning figures on a carryback claim or application do not match posted Master File data. Included an If/And/Then table with processing guidance for a few specific scenarios that might result in a beginning figure mismatch. Moved information from paragraph 2 about rejecting an application or claim to new paragraph 3.

(2) If the beginning figures on the claim or application do not match posted Master File data (Adjusted Gross Income (AGI), Taxable Income (TXI), tax, refundable credits), research IDRS, CII, and the Employee User Portal (EUP) to determine if there is an unprocessed amended or superseding return (TC 976). If an unprocessed amended return is identified, follow the table below.

If	And	Then
An unprocessed amended return was selected for examination (tax period contains a TC 420 Source Code 30).	The ending figures on the unprocessed amended return match the beginning figures on the most recent claim or application.	Accept the ending figures on the unprocessed amended return as the starting figures for the most recent claim or application being considered.
An unprocessed amended return was previously rejected due to a beginning figure mismatch for tax .	Account research and taxpayer documentation show the mismatch is due to a transcription error or processing issue and... An assessment cannot be input to correct the tax (ASED is expired) . Reminder: Follow normal procedures to correct the tax when the ASED is not expired .	Elevate the case to the Carryback HQ Analyst through your local P&A Analyst.
An unprocessed amended return is assigned to another employee.	You're unable to contact the person who has control of the case.	Take over the control base and leave a CII case message. Refer to IRM 21.5.9.5.1(4), <i>Controlling and Monitoring Carryback Cases</i> .

(3) If the beginning figure mismatch cannot be resolved after following the table above, see IRM 21.5.9.4.3, *Rejecting Unprocessable Carryback Applications/Claims*, for procedures to reject the application/claim to the taxpayer. Inform the taxpayer what our figures show, and have the taxpayer explain the difference.

IRM 21.5.9.4.7 Added instruction to see IRM 21.5.9.4.5 when the beginning figures on a carryback claim or application do not match posted Master File data. Added Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts. Form 172 Part I replaces Form 1045 Schedule A and Form 172 Part II replaces Form 1045 Schedule B for tax years after 2023.

(1) There is no tolerance for Master File verification. Verify the loss, Net Operating Loss (NOL), Net Capital Loss (NCL), credit carryback and gain year returns against posted data on Master File for each tax period. If the beginning figures on the claim or application do not match posted Master File data (Adjusted Gross Income (AGI), Taxable Income (TXI), tax, refundable credits), see IRM 21.5.9.4.5, *Master File Verification - Incorrectly Calculated Carryback Applications/Claims*. Also see

Paragraph (6) below for procedures when the loss year, on a TENT, has not posted to Master File.

Caution: Be alert to taxpayers filing applications or claims for carryback that also include a general tax increase or decrease. Separate adjustments are required in these situations (TC 290/TC 291 for the general tax adjustment and TC 295/TC 299 for the carryback adjustment). See IRM 21.5.9.5.6, *Multiple Adjustments*, for instructions when multiple adjustments are required.

Note: Refer to the table in Paragraph (9) below for Master File verification of NOLs filed for Form 1120-C, *U.S. Income Tax Return for Cooperative Associations*, and life subgroup NOLs on Form 1120-L, *U.S. Life Insurance Company Income Tax Return*, involving a Life/Non-Life group filing a consolidated Form 1120.

(2) Always math verify the taxpayer's NOL computation (e.g., Form 172 Part I, Form 1045, Schedule A, or an equivalent worksheet).

(3) If the tax decrease is greater than tolerance, you must math verify every gain year. Review and math verify all revised gain year forms and schedules used to figure the tax and credits. This includes changes to the AGI (Adjusted Gross Income) (due to the NOL amount, revised taxable social security benefits, etc.) and TXI (Taxable Income) (based on changes to exemptions and itemized deductions). See IRM 21.5.9.5.10.6.1, *Computing the IMF Carryback Net Operating Loss Deduction (NOLD)* for instructions on computing the net operating loss deduction (NOLD) for IMF (Individual Master File) claims. See IRM 21.5.9.5.10.6.2, *Computing the Carryback BMF Net Operating Loss Deduction (NOLD)*, for instructions on computing the NOLD for BMF (Business Master File) claims. See, IRM 21.5.9.5.10.5, *Carryback Net Operating Loss (NOL) Affecting Alternative Minimum Tax (AMT)*, for information on carrybacks and alternative minimum tax.

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(4) If there is a discrepancy with the taxpayer's figures, make corrections and notify the taxpayer of the change. In some cases, the claim will have to be rejected for the taxpayer to make the corrections, such as when several complex computations must be revised. #

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(5) A TENT can be processed, whether or not the loss year return has posted to Master File.

(6) While it is not necessary for the loss year return to be posted to Master File at the time the TENT is processed, it must have been filed on or before the date the TENT was filed, per IRC 6411(a). If the loss year return has not posted to Master File, do the following:

- a. Check all relevant command codes for evidence of a filed return, e.g., BMFOL (Business Master File On-line), IMFOL (Individual Master File On-line), FFINQ (IMF), TRDBV, ENMOD (for evidence of a rejected TC 150), etc. If evidence of a filed return is found, follow the instructions in the table below.
- b. If evidence of a filed loss year return is not found, check the date on line 2b of the TENT (Form 1139 or Form 1045).

1) If the date entered on line 2b indicates that a return has been filed, follow the instructions in the table below.

2) If the TENT has a future date entered on line 2b or the date is blank, reject the application and advise the taxpayer the TENT can be resubmitted once the loss year return has been filed. See IRM 21.5.9.4.3, *Rejecting Unprocessable Carryback Applications/Claims*, for additional information.

If	And	Then
Loss year has posted	The combined tax decrease is under math verification tolerance	Input TC 295, blocking series 91/ blocking series 92 on each applicable gain year. Input TC 290 for .00 on the loss year return: 1. Use blocking series 05 for IMF (Individual Master File) tax class 2, and blocking series 15 for BMF, except Form 1041. 2. Use blocking series 17 for Form 1041. 3. Mark the application as "VERIFIED." Exception: If working a CII case, update the loss year IDRS control base activity to VERIFIED and close the base, instead of inputting a TC 290.00, since there is nothing to send to Files.
Loss year has posted	The combined tax decrease is over math verification tolerance and the carryback application can be math verified from attached forms	Input TC 295, blocking series 91/ blocking series 92 on each application gain year. Input TC 290 for .00 on the loss year return. 1. Use blocking series 05 for IMF tax class 2, and blocking series 15 for BMF, except Form 1041. 2. Use blocking series 17 for Form 1041. 3. Mark the application as" VERIFIED."

		Exception: If working a CII case, update the loss year IDRS control base activity to "VERIFIED and close the base, instead of inputting a TC 290.00, since there is nothing to send to Files."
Loss year has not posted	The combined tax decrease is either under or over math verification tolerance, and the carryback application can be math verified from attached forms	1. Input TC 295, blocking series 91/blocking series 92 on each applicable gain year. 2. Input TC 930, Document Locator Number (DLN) Code 85 on the loss year return, have the push code document returned to you for Master File verification and attach the push code document to the return. Exception: If working a CII case, input TC 930 push code without printing anything from CII. Include in the push code remarks the CII ID number and "NSD Image retained in CII. "See IRM 21.5.1.5.7, <i>CII Push Codes</i>, for additional information. 3. Upon receipt of the push code documentation follow procedures in Paragraph (7) below. 4. If the loss year return does not post within 20 cycles of the TC 930 posting cycle, TC 932 generates along with a CP 98/CP 198 which is returned to the requesting employee for immediate follow-up with the taxpayer. See IRM 21.5.1.5.7, <i>CII Push Codes</i>, if working a CII case. 5. If a push code cannot be utilized as outlined in IRM 21.5.1.4.4.3, <i>Inappropriate Use of TC 930 Push Code</i>, follow procedures in IRM 21.5.9.5.1, <i>Controlling and Monitoring Carryback Cases</i>, (8) and document CII that the case is being monitored for the posting of the original loss year return. Once the new case is opened, the following actions are to be taken: ○ Update the case history status code to "M" on IDRS. ○ Monitor the account weekly for up to 20 cycles for posting of the loss year return. ○ If the loss year return posts within the 20 cycles, notate CII that the loss year return has posted, verify the application and close the case. ○ If the loss year return does not post within

		20 cycles, follow the guidelines in IRM 21.5.9.5.16.5, <i>Reassessing Carryback Applications</i>. Reminder: Once the push code or the loss year return posts, you must verify the posted IDRS or Master File loss year return information against the before carryback information included on the TENT.
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(7) When the TENT loss year push code documents are received from Files, follow the instructions in the table below to per verification:

Reminder: Verification must be completed **prior** to forwarding any TENT to Examination. See IRM 21.5.9.5.16.4, *Carryback Application with Examination Criteria*. Once verification has been completed, follow guidance in IRM 21.5.9.5.16.4 (2) for referral of Joint Committee Cases (JCC).

If	And	Then
Push code documents are received with the original return	The information supports the figures on the application (TC 150 posted)	Refile the documents using TC 290.00 blocking series 00.
Push code documents are received without the original return	The information can be verified from CFOL (TC 150 posted)	Refile the application using TC 290.00. Use blocking series 05 for IMF and blocking series 15 for BMF and blocking series 17 for Form 1041. Exception: If working a CII case, open and close an IDRS control base indicating "VERIFIED," instead of inputting a TC 290.00, since there is nothing to refile.
Push code documents are received with or without the original return	Information cannot be verified from CFOL (TC 150 posted, but figures don't match)	See IRM 21.5.9.5.16.5, <i>Reassessing Carryback Applications</i> , for reassessment procedures.
Push code documents are received	The loss year return has not been received (TC 150 not posted)	See IRM 21.5.9.5.16.5, <i>Reassessing Carryback Applications</i>, for reassessment procedures. Caution: Be aware that the original loss year return may have been scanned to CII with the TENT and may need to be printed and sent for processing.

(8) To process a RINT, the loss year return must be posted on Master File or CFOL. Follow the instructions in the table below when processing a RINT:

If	Then
Loss year has posted and the claim can be verified from posted data	1. Input TC 299, blocking series, 91/blocking series 92 on each applicable gain year for which a claim is filed. 2. Input one TC 971, Action Code 091 on the loss year. Use only the earliest gain year as (XREF-TX-PRD). Use the received date as the transaction date.
Loss year has posted and the claim cannot be verified	See IRM 21.5.9.4.5, <i>Master File Verification - Incorrectly Calculated Carryback Applications/Claims</i> , for instructions.

(9) Refer to the table below for Master File verification of NOLs filed for Form 1120-C, *U.S. Income Tax Return for Cooperative Associations*, and life subgroup NOLs on Form 1120-L, *U.S. Life Insurance Company Income Tax Return*, involving a Life/Non-Life group filing a consolidated Form 1120.

If the Taxpayer Files	And	Then
Form 1120-C Income: • Patronage • Nonpatronage Note: Patronage-sourced NOLs cannot be used to reduce nonpatronage-sourced taxable income.	The NOL being carried back does not match the NOL posted to Master File Note: The consolidated patronage/nonpatronage income should match Master File.	Verify the NOL being carried back agrees with the NOL on Form 1120-C Schedule G Line 10.
Form 1120-L Income: • Life Subgroup • Non-Life Subgroup Note: Life subgroup losses should be considered separately from the income or losses of the non-life subgroup.	The NOL being carried back does not match the NOL posted to Master File Note: The consolidated life subgroup/non-life subgroup taxable income should match Master File.	Verify the NOL being carried back matches the Life Subgroup Proforma Form 1120-L Refer to IRM 21.5.9.5.10.8.4, <i>Carryback Net Operating Loss Incurred by Life Insurance Companies - CARES Act</i> , for additional information.

IRM 21.5.9.5.5(1) Added Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts. Form 172 Part I replaces Form 1045 Schedule A and Form 172 Part II replaces Form 1045 Schedule B for tax years after 2023.

(1) Follow the guidelines in the table below for input of TC 295/TC 299 adjustment. Also, review the following IRM sections before making a carryback adjustment.

- See IRM 21.5.9.5.17.1, *Carryback Claim Processing and Filing Requirements*, for information on transaction codes and blocking series for RINTs.
- See IRM 21.5.9.5.16.2, *Carryback Application Transaction codes, Blocking Series, and CII Requirements*, for information on transaction codes and blocking series for TENTs.
- See IRM 21.5.9.4.7, *Carryback Tolerances - Master File Verification, Math Verification, TENT/RINT Processing, Push Codes*, for information on tolerances, math verification, Master File verification, and loss year posting requirements for TENTs and RINTs.

Caution: See IRM 21.5.9.5.7.1, *Carryback Interest - Actions to Take on All Carryback Cases when Computer-Generated Refund will be Issued within 45 Days*, before inputting a carryback adjustment.

If	Then
Change to Adjusted Gross Income (AGI) is different from the change to Taxable Income (TXI)	Input both Reference Numbers 888 (AGI) and 886 (TXI). Note: For IMF Accounts, the AGI may be reduced below zero but the TXI is never reduced below zero.
Change to the AGI and TXI are identical	Input Reference Number 888 only.
Change only affects the AGI	Input Reference Number 888, and if needed, Reference Number 886 for zero.
Change to AGI will reduce the TXI to zero or less	Input Reference Number 888 only. (886 will be automatically updated to reduce the TXI to zero.)

Reminder: TC 888, AGI Item Reference Number, is only valid for IMF (Individual Master File) adjustments.

If	Then
Net Operating Loss (NOL) is not fully absorbed	• Taxpayers are instructed to reduce AGI by the entire amount of NOL available for that gain/carryback year, and recompute any income or deduction based on, or limited to, a percentage of the AGI. The appropriate amount should be shown on line 1 of Form 172 Part II or Form 1045, Schedule B, per IRC 172. • The recomputed AGI is further reduced by deductions and exemptions to determine the recomputed TXI. • AGI after carryback is shown on Form 1045, line 11. TXI after

	carryback is shown on Form 1045, line 15. The adjustment amounts are for the difference between the before and after carryback amounts. • Only the TXI is adjusted on BMF (Business Master File) Accounts. The TXI after carryback is shown on Form 1139, line 15. • The portion of the NOL that is not absorbed in the earliest year is then carried to the next carryback year, the AGI and TXI are recomputed, and so forth until the NOL is fully absorbed. If any NOL remains, it can generally be carried forward for up to 20 years. Caution: Do not adjust the AGI for any year in the carryback period where no NOL can be absorbed. Note: For IMF accounts, the AGI (TC 888 input) may be reduced below zero, but an attempt to reduce the TXI (TC 886 input) below zero will result in an unpostable condition.
NOL is fully absorbed	Taxpayers are instructed to subtract the NOL deduction from the AGI and recompute any income or deduction based on, or limited to, a percentage of the AGI. Reduce the AGI and TXI by the total change. Do not reduce the TXI below zero.

Caution: When using Reference Number 886, do not reduce taxable income to less than zero.

IRM 21.5.9.5.10(11) Added Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts. Form 172 Part I replaces Form 1045 Schedule A and Form 172 Part II replaces Form 1045 Schedule B for tax years after 2023.

(11) Verify an individual taxpayer's NOL computation using Form 172 Part I or Form 1045, Schedule A. Any corrections or changes made to taxpayer figures must be either directly edited in CII or by attaching a "dummied" to the CII case.

IRM 21.5.9.5.10.4(6) Replaced Publication 536 with Instructions for Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts. The 2023 Publication 536 was the final revision. Information about net operating losses for individuals, estates, and trusts is now located in the Instructions for Form 172.

(6) If the taxpayer's spouse without the NOL is entitled to a refund:

- Do not allow a refund to the spouse not reporting the NOL, without a signed claim or application.
- Send a Letter 662C to notify the spouse not reporting the NOL that they may be entitled to a refund of their separate interest in the overpayment.

Note: The Instructions for Form 172, *Net Operating Losses (NOLs) for Individuals, Estates, and Trusts*, provides taxpayers with allocation instructions.

IRM 21.5.9.5.10.6.1(2) Added Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts. Form 172 Part I replaces Form 1045 Schedule A and Form 172 Part II replaces Form 1045 Schedule B for tax years after 2023.

(2) When the NOL is not fully absorbed, compute modified taxable income for each affected gain year. Modified taxable income determines how much NOL is absorbed in a gain year and how much remains to be carried to a later year.

- a. Start with the correct taxable income shown on the Master File (MF) rather than the income reported on taxpayer's return.
- b. Recompute the NOLD, disregarding NOLs for the loss year and subsequent years.
- c. Add back the Section 1202 exclusion.
- d. Add back the Domestic Production Activities Deduction (former section 199 and current section 199A(g)) and the Qualified Business Income Deduction (Section 199A).
- e. Add back the Net Capital Loss deduction from Schedule D, Form 1040.
- f. Recompute any income or deductions based on or limited to a percentage of the AGI.
- g. Add back the deduction for exemptions.
- h. Subtract the modified taxable income from the NOL to determine how much NOL may be carried to the next gain year.
- i. Repeat steps a through h until the loss is used, or until the carryover period expires.

Note: Verify taxpayer's NOL absorption computation using Form 172 Part II or Form 1045, Schedule B.

IRM 21.5.9.5.13(2) Added Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts. Form 172 Part I replaces Form 1045 Schedule A and Form 172 Part II replaces Form 1045 Schedule B for tax years after 2023.

(2) The estate, trust, or organization must compute the NOL on a separate schedule and attach it to the claim or application. (Generally, on Form 172 Part I or Schedule A, of Form 1045)

IRM 21.5.9.5.13.2(5) Added Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts. Form 172 Part I replaces Form 1045 Schedule A and Form 172 Part II replaces Form 1045 Schedule B for tax years after 2023.

(5) Treat the estate or trust as an individual when applying the NOLD to the carryback years and computing the "intervening year modifications." Use Form 172 Part II or Form 1045, Schedule B.

IRM 21.5.9.5.13.3(3) Added Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts. Form 172 Part I replaces Form 1045 Schedule A and Form 172 Part II replaces Form 1045 Schedule B for tax years after 2023. Replaced Publication 536 with Instructions for Form 172, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts. The 2023 Publication 536 was the final revision. Information about net operating losses for individuals, estates, and trusts is now located in the Instructions for Form 172.

(3) A trustee in bankruptcy or the debtor in possession may identify a Net Operating Loss (NOL) or unused credit when filing Form 1041 on behalf of the Bankruptcy Estate. The trustee or debtor must sign Form 1041 and attach a copy of the Form 1040 showing the estate's income, deductions, credits, etc. The trustee or debtor may file either Form 1045 or Form 1040-X (normally with Form 172 Part I or Schedule A of Form 1045 as a worksheet) to claim the carryback. See Instructions for Form 172, *Net Operating Losses (NOLs) for Individuals, Estates, and Trusts*.

Note: A separate carryback from the debtor's activities is carried back by the debtor in the same manner as any other individual.