

IRM PROCEDURAL UPDATE

DATE: 04/23/2025

NUMBER: ts-25-0425-0465

SUBJECT: Automated Questionable Credit Program

AFFECTED IRM(s)/SUBSECTION(s): 25.25.7

CHANGE(s):

IRM 25.25.7.2(2) - Adding procedures for 971 AC 122 MISC 7W and 7W1.

(2) AQC Inventory Types fall into one of two categories:

- Questionable wage and/or withholding - AQC16, AQC17, AQC25, AQC26, AQC6X, AQC02, OCSE18, AQC55, 7N2, 7Q
- Questionable credits - GATT11, AOTC25 - AOTC29, AQC7F, AQC7T, 7G1, 7G2, 7H1, 7H2, 7H3, 7N, 7R1, 7R2, 7R4, 7Z1-6, PTC191, PTC195.

Note: Accounts containing 971 AC 122 MISC 7W and 7W1 with a subsequent 971 AC 122 MISC with a listed AQC Inventory Type as described below, will be worked in AQC.

IRM 25.25.7.2(3) - Adding AQC inventories types 7Z (1-6).

(3) In the table below is the inventory description and AQC Segment Code for each AQC Inventory Type. The inventory types describe below include their sub rules unless otherwise stated (i.e., 7A includes 7A1, 7A2, 7A3, etc.):

Note: If the module contains multiple TC 971 AC 122, work the case based on the AQC Inventory Type of the latest TC 971 AC 122.

Inventory Type	Inventory Description	AQC Segment Code
AQC16	• Pre-refund returns where all wages and withholding have been verified bad with refundable credits. Note: The Recovery Rebate Credit (RRC) will be allowed if claimed on these returns. However, if CC TXMODA contains a TC 971 AC 122 MISC DDB Rule 7R Sub-rules 1,2, or 4, the RRC should also be disallowed for a full refund disallowance.	16
AQC17	• Pre-refund returns with partially verified good and partially verified bad wages and/or withholding with	17

	refundable credits. These are returns where the refund is only partially disallowed. Note: If CC TXMODA contains a TC 971 AC 122 MISC DDB Rule 7R Sub-rules 1,2, or 4, the RRC should also be disallowed.	
AQC25	Pre-refund returns where all wages and withholding have been verified bad with refundable credits originally meeting Exam criteria, rerouted to AQC based on no other compliance flags. These are returns where the refund could be fully or partially disallowed. Note: If the return claimed the RRC and CC TXMODA does not contain a TC 971 AC 122 MISC DDB Rule 7R Sub- rules 1,2, or 4, the RRC should be allowed as a partial refund.	25
AQC26	Pre-refund returns with partially verified good and partially verified bad wages and/or withholding with refundable credits originally meeting Exam criteria, rerouted to AQC based on no other compliance flags. These are returns where the refund is only partially disallowed. Note: If CC TXMODA contains a TC 971 AC 122 MISC DDB Rule 7R Sub-rules 1,2, or 4, the RRC should also be disallowed.	26
AQC6X	Pre-refund Form 1040-X, Amended U.S. Individual Income Tax Return, that has been previously adjusted but the wages and/or withholding could not be verified within tolerance by Submission Processing (SP) or Accounts Management (AM) and the account contains prior Return Integrity Verification Operations (RIVO) involvement: including returns with or without refundable credits. These are returns where the refund could be fully or partially disallowed.	6X
AQC02	Pre-refund returns with partially verified good and partially verified bad wages and/or withholding and the return does not contain refundable credits. These are returns where the refund could be fully or partially disallowed.	02
GATT11	Pre-refund Prisoner returns with verified wages and withholding, with or without Sch C or HSH income, with refundable credits that are not allowable based on income earned while an inmate at the penal institution, see IRM 25.25.9.4, General Agreement on Tariffs and Trade (GATT) Returns, for more information.	11

	Reminder: Full year prisoner claiming Filing Status 2, Married filing joint, and the income is being claimed by both Full year prisoner and non prisoner taxpayer, or income is only being claimed by the non prisoner taxpayer, do not treat as GATT11. Caution: If the taxpayer is claiming the Refundable Child Tax Credit in 2021, include Inventory Type 7G2 required documents in the proposed changes.	
OCSE18	Post-refund returns with a TOP offset that has been recovered (TC 898) through the External Leads program from the Office of Child Support Enforcement (OCSE) with some partially verified good and partially verified bad wages and/or withholding and with refundable credits. These are returns where the refund is only partially disallowed.	18
AOTC26	Pre-refund returns claiming the American Opportunity Tax Credit (AOTC) that “broke” a Dependent Database (DDB) Rule 7. - AOTC26 - Claimed Social Security Benefits with withholding and AOTC. - AOTC27 - Claimed Social Security Benefits without withholding with AOTC only. - AOTC28 - 30+ years old with AOTC only. - AOTC29 - High risk preparer with AOTC. - AOTC25- Claimed AOTC with no prior Form 1098-T and under the age of 14.	7A
AOTC27		7B
AOTC28		7C
AOTC29		7D
AOTC25		7E
7F1	Pre-refund returns claiming the Additional Child Tax Credit (ACTC) on Form 1040-SS, U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico, or Form 1040-PR, U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico, (Puerto Rico version), that “broke” the DDB Rule 7.	7F

	Note: This inventory type will only be for tax years prior to 2021.	
7G1	Post-refund return claiming EITC without a qualifying child, the taxpayer was between the age of 19 - 23 as of December 31, 2021, qualified homeless/former foster youth box on line 27a of Form 1040 is not checked, and 1098-T shows at least a half-time student. Note: This inventory type will only be for tax year 2021 returns.	G1
7G2	Pre-refund return for a full year prisoner claiming Refundable Child Tax Credit (RCTC). Note: Command Code (CC) TXMODA identifies these cases with a TC 971 AC 122 MISC DDB Rule 7G2. Note: This inventory type will only be for tax year 2021 returns. Caution: If the taxpayer is claiming Earned Income Tax Credit in 2021, include Inventory Type GATT11 required documents in the proposed changes.	G2
7H1	Pre-refund return for non-resident aliens claiming American Opportunity Tax Credit (AOTC).	H1
7H2	Pre-refund return for a bona fide resident of Puerto Rico claiming Earned Income Tax Credit (EITC) or American Opportunity Tax Credit (AOTC).	H2
7H3	Pre-refund return for a bona fide resident of a US Territory or Freely Associated State claiming Earned Income Tax Credit (EITC), Additional Child Tax Credit (ACTC), or American Opportunity Tax Credit (AOTC).	H3
7N1	Pre-refund returns claiming the Additional Child Tax Credit (ACTC) on Form 1040-NR, U.S. Nonresident Alien Income Tax Return, from an ineligible country.	N1
7N2	Pre-refund Form 1040-NR, U.S. Nonresident Alien Income Tax Return, with verified bad wages and/or withholding.	N2
7Q	Pre-refund Form 1040-SS, U.S. Self-Employment Tax Return, or Form 1040-PR, Declaración de Impuestos Federal sobre el Trabajo por Cuenta Propia, with verified bad Social Security, Medicare, and Additional Medicare taxes reported on Part II, line 2, to calculate	7Q

	the Additional Child Tax Credit (ACTC).	
7R1	Pre-refund return for a bona fide resident of Puerto Rico claiming a Recovery Rebate Credit (RRC) that already received the Economic Impact Payment (EIP) paid by the PR Hacienda and is not eligible for the RRC - Broke DDB Rule 7R Sub-rule 1. Note: Command Code (CC) TXMODA identifies these cases with a TC 971 AC 122 MISC DDB Rule 7R1.	R1
7R2	Pre-refund return for a bona fide resident of one of the Freely Associated States (FAS) of the Republic of Palau, Republic of Marshall Islands or the Federated States of Micronesia claiming an RRC that already received the EIP paid by their Territory and is not eligible for the RRC - Broke DDB Rule 7R Sub-rule 2. Note: Command Code (CC) TXMODA identifies these cases with a TC 971 AC 122 MISC DDB Rule 7R2.	R2
7R4	Pre-refund return claiming the RRC and the taxpayer's citizenship is in question - Broke the DDB Rule 7R Sub-rule 4. Note: Command Code (CC) TXMODA identifies these cases with a TC 971 AC 122 MISC DDB Rule 7R4. Note: This inventory type will not be selected for tax year 2021 tax returns. Caution: These cases could also have ACTC and Earned Income Tax Credit (EITC) claimed. If so, they meet AQC7T criteria, and the credits must be included in the proposed changes.	R4
7T1 7T2 7T3	Pre-refund returns claiming the Earned Income Tax Credit (EITC) and the taxpayer's (primary or secondary) citizenship is in question, that "broke" the DDB Rule 7. Caution: Tax year 2020 returns could have Recovery Rebate Credit (RRC) claimed. If so, they meet AQC 7R4 criteria, and the credit must be included in the proposed changes.	7T
7T4	Pre-refund returns claiming the ACTC and the qualifying child's citizenship is in question, that "broke" the DDB Rule 7. Note: The taxpayer and spouse, if filing jointly, require a valid TIN issued on or before the due date of the return (including extensions). See IRM 21.6.3.4.1.24, Child Tax Credit (CTC),	7T

	for more information.	
	Caution: Tax year 2020 returns could have Recovery Rebate Credit (RRC) claimed. If so, they meet AQC 7R4 criteria, and the credit must be included in the proposed changes.	
7Z1 7Z2 7Z3 7Z4 7Z5 7Z6	- Pre-refund returns for processing year 2024 claiming the IRC 1341 Claim of Right. see IRM 4.19.14.22(1), Claim of Right - IRC 1341, Repayment of Income Previously Reported, Credit. - IRC 1341 Credit is claimed on one or both lines of Schedule 3, line 13b or Schedule 3, line 13z with a variation of Claim of Right or IRC 1341 literals in the text.	7Z
PTC191	Pre-refund returns claiming the PTC with verified income below 100% of the Federal Poverty Level and Exchange data shows no record of Advanced Premium Tax Credit received.	91
PTC195	Pre-refund returns claiming the PTC with no record of enrollment in a Qualified Health Plan purchased through an Exchange.	95
AQC55	Pre-refund returns that are Statute Imminent or Statute Expired.	55
AQCHQ	Returns that require special handling referred to AQC for treatment. This inventory type is used only when directed by RIVPM Headquarters analyst.	HQ

IRM 25.25.7.2.1 - Updating procedures when working taxpayer responses.

IRM 25.25.7.2.1 - Procedural update for income verification.

IRM 25.25.7.2.1 - Adding AQC inventories 7Z (1-6).

(1) The table below is the required documentation to substantiate the taxpayer's claim for refund. The inventory types describe below include their sub rules unless otherwise stated (i.e., 7A includes 7A1, 7A2, 7A3, etc.) The taxpayer must provide at least one of the listed documents unless otherwise stated:

Reminder: When working correspondence, please refer back to the appropriate IRM to continue working the taxpayers response.

Caution: Copies of a Form W-2, Wage and Tax Statement, are **not** to be used as a substitute for the required documentation below. However, Form W-2 may contain a "work assumed" Social Security Number (SSN) for returns filed using an Individual Taxpayer Identification Number (ITIN) that may assist with research in SSA ORS or CC IRPTR to the verify wages and/or withholding. See IRM 25.25.3.13, Updating Individual Taxpayer Identification Number (ITIN) Income Documents (IDOCs), for further guidance.

Inventory Type(s)	Required Documentation
AQC16 AQC17 AQC25 AQC26 AQC6X AQC02 OCSE18 AQC55	The following documents can substantiate wages and withholding claimed: Reminder: Income documents must be verified per IRM 25.25.7.4.6 (5) Taxpayer Disagreed Response Procedures, to substantiate the refund. • Copies of periodic pay statements or check stubs that clearly identify the dates of employment, the gross income received and the withholding. • A letter from the employer, on company letterhead or stationery, showing the dates of employment, the gross amount of wages paid and the withholding. The following documents can only substantiate wages claimed: • Bank statements showing payroll deposits that include the taxpayer's name, bank's name and phone number, and a contact person or address of the bank. • Copies of check images from the bank or deposit slips showing payroll deposits that include the taxpayer's name and the bank's name. Caution: For tax year 2020 and 2021, a taxpayer can elect to use their TY 2019 earned income (PYEI) to calculate the EITC or ACTC. See IRM 4.19.14.6.7, Prior Year Earned Income, for more information.
GATT11	• Letter from the Prison, parole officer or other government entity showing dates of incarceration. See IRM 25.25.2-6, IDRS COMMAND CODE FTBOL SCREEN, for more information on Prisoner incarceration and release dates. Note: # [REDACTED] [REDACTED] [REDACTED] [REDACTED]

	incarceration were less than 6 months. Note: # [REDACTED] #
7H1	• Mortgage or rent documents, tax returns filed with your country of residence, utility bills, a letter from a health care provider, social service agency, placement agency official, landlord or property manager.
7H2	• Travel documents or a list of travel dates, mortgage or rent documents, utility bills, school records, and a letter on official letterhead from a health care provider, a social service agency, placement agency official, landlord or property manager.
7H3	• Travel documents or a list of travel dates, mortgage or rent documents, utility bills, school records, and a letter on official letterhead from a health care provider, a social service agency, placement agency official, landlord or property manager.
7N1	• Mortgage or rent documents, tax returns filed with your country of residence, utility bills, a letter from a health care provider, social service agency, placement agency official, landlord or property manager.
7N2	• Copies of periodic pay statements or check stubs that clearly identify the dates of employment, the gross income received and the withholding. • A letter from the employer, on company letterhead or stationery, showing the dates of employment, the gross amount of wages paid and the withholding. • Bank statements showing payroll deposits that include the taxpayer's name, bank's name and phone number, and a contact person or address of the bank. • Copies of check images from the bank or deposit slips showing payroll deposits that include the taxpayer's name and the bank's name.
7Q	• Copies of periodic pay statements or check stubs that clearly identify the dates of employment, the gross income received and the withholding. • A letter from the employer, on company letterhead or stationery, showing the dates of employment, the gross amount of wages paid and the withholding. Reminder: The credit being reviewed is the Additional Child Tax Credit, not the withholding.
7R1	• Copy of an unexpired U.S. Driver's License with the taxpayer's name and U.S. address dated on or before 12/31/2020.

	• Copy of medical records showing the taxpayer's name, U.S. address and dated after 12/31/2019 and before 01/01/2021. • Copy of U.S. Voters Registration Card showing the taxpayer's name, U.S. address and issued after 12/31/2019 and before 01/01/2021. • For U.S. residents members of the U.S. Armed Forces stationed in Puerto Rico only - Documentation showing record of military service or military orders during the year in question. Note: If CC IRPTR shows a branch of the military as the payer (i.e., Defense Finance and Accounting Service (DFAS), U.S. Coast Guard, etc.), allow the claim. No other documents are required.
7R2	• Copy of an unexpired U.S. Driver's License with the taxpayer's name and U.S. address dated on or before 12/31/2020. • Copy of medical records showing the taxpayer's name, U.S. address and dated after 12/31/2019 and before 01/01/2021. • Copy of U.S. Voters Registration Card showing the taxpayer's name, U.S. address and issued after 12/31/2019 and before 01/01/2021.
7R4	• A copy of the Social Security cards for the primary and secondary taxpayers, as well as Qualifying Children that does not contain a legend "Not Valid for Employment", or evidence that the card holder became a citizen or permanent resident by the due date of the return, including extensions. See Exhibit 4.19.14-1, Examples of Acceptable Documentation for EITC Claims (not all-inclusive), for acceptable citizenship documents. See Pub 519, page 21, U.S. Tax Guide for Aliens, for other requirements or IRM 4.19.14.16, Recovery Rebate Credit (RRC).
7T1 7T2 7T3	• A copy of the Social Security card for the primary and secondary, if filing joint, that does not contain the legend "Not Valid for Employment", or evidence that the card holder became a citizen or permanent resident by the due date of the return, including extensions. See Exhibit 4.19.14-1, Examples of Acceptable Documentation for EITC Claims (not all-inclusive), for acceptable citizenship documents. Note: Pub 972, Child Tax Credit and Credit for Other Dependents, was discontinued for TY 2021.
7T4	• A copy of the Social Security card for the qualifying children listed on Schedule 8812 that does not contain the legend "Not Valid for Employment", or evidence that the qualifying child became a citizen or permanent resident by the due date of the return, including extensions. See Exhibit 4.19.14-1, Examples of Acceptable Documentation for EITC Claims (not all-inclusive), for acceptable citizenship documents.

7Z1	Copies of bills, notices, or similar documents showing the amount(s) required to be repaid.
7Z2	
7Z3	
7Z4	
7Z5	
7Z6	
PTC91 (PTC191)	- Form 1095-A, Health Insurance Marketplace Statement, showing the Advanced Premium Tax Credit was received. - Documentation proving enrollment in the marketplace and premium payments, invoices, or statements from the insurance providers that include the names of those covered by the benefits and dates of coverage, also showing the Advanced Premium Tax Credit was received. Note: # [REDACTED] # Caution: Form 1095-B, Health Coverage, and Form 1095-C, Employer-Provided Health Insurance Offer and Coverage, are not acceptable documents.
PTC95 (PTC195)	- Form 1095-A, Health Insurance Marketplace Statement - Documentation proving enrollment in the marketplace and premium payments, invoices, or statements from the insurance providers that include the names of those covered by the benefits and dates of coverage. Note: # [REDACTED] # Caution: Form 1095-B, Health Coverage, and Form 1095-C, Employer-Provided Health Insurance Offer and Coverage, are not acceptable documents.
AQCHQ	Various documents, to be specified by RIVPM Headquarters analyst upon assignment.

IRM 25.25.7.3(1) - Adding Category Code AQC3.

(1) Automated Questionable Credit (AQC) cases that cannot be worked systemically through the AQC.net tool are identified with Category Code "AQC2" or **AQC3** and may require a manual letter. AQC Tax Examiners (TEs) will be responsible for researching the account, determining the required documentation for each credit claimed and taking the correct actions based on their research.

Note: If the account has a Category Code "QRPA" and requires a manual letter as stated in IRM 25.25.7.13, Manual Referrals and AQC.net Tool Rejects, update the "QRPA" control base to "AQC2".

IRM 25.25.7.3(3) - Revising RIVO Release Plan procedures.

IRM 25.25.7.3(3) - Adding -E freeze procedures meeting Cross Functional Freeze Cleanup Criteria.

IRM 25.25.7.3(3) - Adding procedures for STARS dispositions.

(3) If any of the following criteria are met, release the refund, no manual letter is required for these cases:

- AQC cases that are part of a RIVO implemented Release Plan, can be identified with a STARS disposition of **WL** and **Surveyed** in the AQC database with the following note: **RELEASE PLAN-DUE TO WORKLOAD**.
- Accounts where the income or withholding are verifiable within tolerance per IRM 25.25.2.3, Command Code (CC) IRPTR Return Verification During the Screening Process, including income with a combination of Schedule C, HSH or K1 income.

Exception: This excludes 7F, 7R, 7T, and GATT inventory types.

- Accounts with **only** Schedule C, HSH or K-1 income.

Exception: This excludes 7F, 7R, 7T, and GATT inventory types.

- Accounts where the changes to income or credits would result in a refund equal to or greater than originally claimed.

Exception: Do not release the refund for cases with an open "ATAO" assigned to an AQC or RIVO TE. Close the "AQC2" control and take no further actions. The TE assigned to the "ATAO" control will resolve the case.

Take the following actions to release the refund:

- Input a TC 290 for .00 with no source document, use RC 085, SC 0 and PC 8 as necessary. Do not input an AMD-CLMS-DT.

Exception: For deceased taxpayer see IRM 25.25.13.10, Manual Refund Criteria for Return Integrity Verification Operations.

- If there is an -E freeze on the module due to TC 810 with a Responsibility Code 3, input TC 811 for zero (.00) with a posting delay code of 2 to release the freeze and issue any remaining refund.

Exception: #

[REDACTED]

- For current year returns, "Refile" in EFDS.
- Update the EFDS or STARS disposition to **DL**. Use the appropriate standard note as outlined in Exhibit 25.25.13-1, STARS Delete Reasons.

Reminder: Cases that are disposition in STARS to "WL" should not be updated to "DL"

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- Update AQC database , using "SURVEYED" as the closing. Enter zero as the protected dollar amount.
- Close all RIVO control bases.

IRM 25.25.7.3(8) - Correcting AQC Letter Paragraphs and Paragraphs Fill In Guide [hyperlink](#).

IRM 25.25.7.3(8) - Adding -E freeze procedures meeting Cross Functional Freeze Cleanup Criteria.

(8) Take the following account actions and issue the Letter 4800C, Questionable Credit 30 Day Contact Letter:

Reminder: For AQC Inventory Types and Segment Codes see IRM 25.25.7.2, Automated Questionable Credit (AQC) Inventory Types. For a list of required documentation based on the AQC Inventory Type, see IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation. See AQC Letter Paragraphs and Paragraphs Fill-in Guide, for appropriate letter paragraphs.

Note: AQC cases are generally pre-refund but can be post refund or balance due. When needed, special instructions are outlined for accounts meeting post-refund or balance due conditions.

- Research the account for a posted or pending 971 AC 122, 128 or 140. If none are present, input a 971 AC 140 with the applicable AQC Segment Code in the MISC field.
- Input a TC 570 if there is not a -E, -R, or -K freeze posted or pending.
- Reverse any offsets as necessary. See IRM 21.4.6.5, Refund Offset Procedures, for more information.

Exception: Do not bring back any offsets for Shared Responsibility Payment or on post-refund cases.

- Research account for -O freeze. Ensure the special paragraph is used in the initial contact letter during the disaster relief period, see AQC Letters Paragraphs and Paragraphs Fill-ins Guide. Update the **AQC2** Activity Code with **SCMMDDYYYY**, where “SC” is the AQC Segment Code and MMDDYYYY is the disaster relief end date.

Exception: #



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- Research the AQC Inventory Type and compute the new tax and credit amounts based on the inventory descriptions. Use the AMS worksheets or xMend tool to calculate the proposed changes and create a PDF document. Upload the PDF document to the AQC SharePoint.

Note: Do not include an increase to refundable credFits in the proposed changes. If the proposed change results in an increase to refundable credits, leave the credit amounts as originally claimed by the taxpayer.

Caution: Do not change the amount of Schedule C, HSH, or K-1 income when computing the proposal amount.

- Determine the required documentation based on the AQC Inventory Type and issue the 4800C with the applicable paragraphs.

Reminder: Include Documentation Upload Tool (DUT) paragraph for all AQC inventory types.

Note: When corresponding on a decedent account, correct name formatting is required. See IRM 21.3.3.4.16.5, Corresponding on a Deceased or Legally Disabled Taxpayer’s Account, and IRM 21.3.3.4.17.6, Deceased Taxpayer Correspondence, Joint Return Filed, for more information.

- Update the "AQC2" control base using the following format:
CXX,SCMMDDYYYY,M,AQC2
*
XX = AQC2 control number
SC = AQC Segment Code
MMDDYYYY= the current date plus 46 calendar days (61 days for outside the U.S.)
- Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit (AQC) Database.

IRM 25.25.7.3.1(4) - Adding AQC 7Z procedures and AQC6X rejection criteria.

(4) Use the following chart for the correct treatment.

Note: The amended return is considered "adjusted" if the AM/SP originator only inputs a TC 290 for .00.

If	Then
AQC 6X and the account has not been adjusted to the amended return or the amended return contains only Schedule C, HSH or K-1 income or there are no RIVO markers present on the account. or Rule 7Z inventory type where the account has been adjusted to the amended return but did not address the IRC 1341 credit.	- Reject back to the originator by closing the "AQC2" control. - Open a new control back to the originator using the following format "C#,1040XRJCT,A,XRET XXXXXXXXXX,*" XXXXXXXXXX= IDRS number of the ACTION-EMP from the "AQC2" control. - If rejecting back to AM/SP originator for incorrect adjustment leave AMS notes explaining the reason for the rejection. - If the return is in the Scheme Tracking and Referral System (STARS), update to CATG 5 disposition "CL". - Ensure all RIVO control bases are closed. - Update the AQC database case status, using "rejected" as the closing disposition, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Enter zero as the protected dollar amount.
AQC6X and the account has previous	Do not send an initial contact letter.

RIVO involvement and the corrected income and withholding claimed on the amended return, verifies within tolerance per IRM 25.25.3.4, Income Verification using Command Code (CC) IRPTR. Note: Math verify the adjusted Earned Income Tax Credit (EITC) and Additional Child Tax Credit (ACTC) are accurate based on the adjustments to income. If the EITC or ACTC are not correct, reject the case back to the AM/SP originator following the box above.	• Input a TC 290 for .00 with no source document, RC "085" and PC "8" to release the refund. Do not input an AMD-CLMS-DT. • Leave AMS notes explaining the reason for the rejection. • If the return is in the Scheme Tracking and Referral System (STARS), update to CATG 5 disposition "DL". Use the appropriate standard note as outlined in Exhibit 25.25.13-1, STARS Delete Reasons. • Ensure all RIVO control bases are closed. • Update the AQC database case status, using "surveyed" as the closing disposition, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Enter zero as the protected dollar amount.
AQC6X and no previous AQC letters have been issued and the corrected income or withholding claimed on the amended return, does not verify within tolerance per IRM 25.25.3.4, Income Verification using Command Code (CC) IRPTR.	• See IRM 25.25.7.3, Automated Questionable Credit (AQC) Manual Case Processing, to send an initial contact letter.

IRM 25.25.7.4(3) - Adding Letter 474C, Math Error Explained.

(3) AQC issues the following letters:

- Letter 4800C, Questionable Credit 30 Day Contact Letter.
- Letter 3219C, Statutory Notice of Deficiency.
- Letter 105C, Claim Disallowed.
- Letter 106C, Claim Partially Disallowed.
- Letter 131C, Information Insufficient or Incomplete for Processing Inquiry.
- Letter 89C, Amended Return Required to Correct Account.
- Letter 86C, Referring Taxpayer Inquiry/Forms to Another Office.
- Letter 474C, Math Error Explained (IMF).

IRM 25.25.7.4.2(2) - Revising RIVO Release Plan procedures.

IRM 25.25.7.4.2(2) (2) - Adding -L rejection reason criteria.
IRM 25.25.7.4.2(2) (4) - Adding 474C procedures.

(2) All AQC cases that are part of a RIVO Implemented Release Plan, can be identified with a STARS disposition of **WL** and **Surveyed** in the AQC database with the following note: **RELEASE PLAN-DUE TO WORKLOAD**. The cases are in the process of being released. No referrals or other contact should be issued on the "Release Plan" cases. For all other cases, follow the procedures below:

Exception: If the case is part of the RIVO Implemented Release Plan and has an open ATAO control, employees will need to conduct research and manually release refund on these cases. See IRM 25.25.7.3, Automated Questionable Credit (AQC) Manual Case Processing, for more information.

If	Then
1 If TC 922 is present and the last Process Code is 30,34,54,55,57-60,75, 77-79,81,95,96 (with an open control to AUR employee), 97-99.	• Update the return disposition in EFDS or STARS to "CAT 5 CL" and add notes. • Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS), to specify the AQC case has been rejected and referred to AUR. • Ensure all RIVO control bases are closed. • Update the AQC database case status to "Rejected," Reject Reason to "TC 922- Referred to AUR" and the Reject Date with the date of rejection, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Enter zero as the protected dollar amount.
2 There is a - L freeze condition on the account.	• Review CC AMDISA to determine the status of the Examination (Exam) case. Route the response to Exam, per the AIMS Status Code and the QRP Source and Project Code. See IRM 4.19.14.9.2, QRP Source Code and Project Codes, and My SB/SE Employee Group Code for more guidance and routing information. • Update the return disposition in EFDS or STARS to "CAT 5 CL" and add notes. • Input/Update AMS notes per IRM

	21.2.2.4.5, Account Management Services (AMS), to specify the AQC case has been rejected and referred to Exam. • Ensure all RIVO control bases are closed. • Update the AQC database case status to “Rejected,” Select Reject Reason “L freeze greater than status 08”, Reminder: Select the above Reject Reason for all -L freeze conditions regardless of the ADMIS status code. note and the Reject Date with the date of rejection, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Enter zero as the protected dollar amount.
3 There is an -A freeze, a TC 971 action code (AC) 120 or TC 971 (AC) 010, or a control base with category code XRET, TPRQ, MEFPS, MEFS, MEFA, MEFC, MEFR, MEFI, DUPF, IDT1, IDT3, XRET, MXEN, IDS1, IDT6, IDT8, IDS9, SCRM, and SSNA2 or assigned to another area.	• Research the case. The correspondence may be in response to the AQC letter. • If the correspondence or amended return is related to the AQC issue; add notes to AMS (e.g., “amended return, ok to adjust”, “PTC amounts differ from reported amounts”, etc.). See IRM 21.2.2.4.5(10), Accounts Management Services (AMS) for additional information. • Update the return disposition in EFDS or STARS to “CAT 5 CL” and add notes. • Ensure all RIVO control bases are closed. • Update the AQC database case status to “Rejected,” Reject Reason to “A- Reject code AFRZ” and the Reject Date with the date of rejection, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Enter zero as the protected dollar amount.
4 If a Form 1040-X, Amended U.S.	• Verify the income and federal withholding reported on the amended

Individual Tax Return, is received; there is NO -A freeze, and the response is requesting a change other than the proposal. Exception: If the Form 1040X is in response to a Letter 474C follow IRM 25.25.7.4.8 Taxpayer Responses to 474C Letter.	return per IRM 25.25.3.2, Verification of Income. Reminder: Do not send an unverifiable Form 1040-X, Amended U.S. Individual Tax Return, to SP or ICT. For unverifiable Form 1040-X, Amended U.S. Individual Tax Return, see Taxpayer Disagreed Response Procedures. • If there is no identity theft marker (TC 971 AC 501 or TC 971 AC 506) for any tax period on CC ENMOD, route the amended return or Form 1040-X, Amended U.S. Individual Tax Return, and envelope to the Submission Processing (SP) Batching Function per Exhibit 3.10.72-11. Edit the RIVO stamp or "RIVO REV" in the upper left margin of the return prior to sending to SP. If there is an identity theft marker (TC 971 AC 501 or TC 971 AC 506) for any tax period, fax the amended return or Form 1040-X, Amended U.S. Individual Tax Return, and envelope to the Image Control Team (ICT) using the RICS IVO AR Adjustment Request Form and include the verified income/withholding information on the routing form. Edit the RIVO stamp or "IVO REV" and "IDT" in the upper left margin of the return prior to sending to ICT. • Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS). • Update the return disposition in EFDS or STARS to "CAT 5 CL" and add notes. • Ensure all RIVO control bases are closed. • Update the AQC database case status to "Rejected", Reject Reason to "Form 1040-X received-forwarded to AM", and the Reject Date with the date of rejection, see Exhibit 25.25.7-
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	3, Definitions for Automated Questionable Credit Database. Enter zero as the protected dollar amount.
5 If a Form 1040-X, Amended U.S. Individual Tax Return is received; there is no -A freeze and addresses the proposed changes. Exception: If response is received after 105C/106C has been issued follow procedures in box below.	Follow IRM 25.25.7.4.5, Taxpayer Agreed Response Procedures, or IRM 25.25.7.4.6, Taxpayer Disagreed Response Procedures.
6 Response is to Letter 105C, Claim Disallowed or Letter 106C, Claim Partially Disallowed.	Follow IRM 21.5.3.4.6.2, Appeals and Responses to Letter 105C and Letter 106C
7 If response shows the taxpayer is deceased and a refund needs to be released and the return was filed by someone other than the surviving spouse. Otherwise, process following normal procedures.	Follow IRM 25.25.13.10, Manual Refund Criteria for Return Integrity Verification Operations.
8 Correspondence received from a taxpayer that cannot be subsequently located by the Tax Examiner assigned to the AQCX control.	- Send Letter 131C, Information Insufficient or Incomplete for Processing Inquiry, to request the correspondence be resent by the taxpayer. Please see the RIVO Portal for Letter 131C information. - Update the "AQC2" control activity code to the suspense expiration date, "SCMMDDYYYY" (SC = AQC Segment Code, see IRM 25.25.7.2, Automated Questionable Credit (AQC) Inventory Types, and MMDDYYYY = the current date plus 46 calendar days or plus 61 days if outside the U.S.). - Close the AQCX control. Note: Letter 131C must only be sent to the taxpayer after all options to locate the correspondence have been exhausted and managerial approval has been obtained.
9 None of the conditions above are met.	Follow procedures in the subsections based on the response or inquiry type:

	• IRM 25.25.7.4.3, Taxpayer Inquiries via e-Form 4442 or Operation Assistance Requests (OARS) • IRM 25.25.7.4.5, Taxpayer Agreed Response Procedures • IRM 25.25.7.4.6, Taxpayer Disagreed Response Procedures • IRM 25.25.7.4.7, Taxpayer Claiming Identity Theft Response Procedures
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IRM 25.25.7.4.3(2) - Adding procedures for OARS and no Letter 474C issued.

(2) If an OAR is received and the taxpayer has **not** been issued a Letter 474C please request supporting documentation as listed under AQC 7Z (1-6) inventories in IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation

IRM 25.25.7.4.3(3) - Adding AQC2, AQC6X and AQC6XATAO rejection criteria.

(3) If an e-Form 4442 or an OAR is received and **NO** AQC correspondence (e.g., Letter 4800C, Questionable Credit 30 Day Contact Letter, Letter 3219C, Statutory Notice of Deficiency) has been sent, and there are **NO** AQC open indicators (e.g., transaction code (TC) 971 action code (AC) 122, TC 971 AC 140, TC 971 AC 128 with MISC Field "AQCPTC191" or "AQCPTC195", or DDB Rule 7 inventory types), **reject** the case as not meeting AQC criteria.

Exception: Do **NOT** reject accounts with an open category code "AQC2" assigned to IDRS number 1487877777 and activity code "AQC6X" or "AQC6XATAO", see IRM 25.25.7.3.1 Automated Questionable Credit (AQC) 6X procedures.

IRM 25.25.7.4.3(4) (2) - Adding procedures for 7Z inventories.

IRM 25.25.7.4.3(4) (3) - Adding -E freeze procedures meeting Cross Functional Freeze Cleanup Criteria.

(4) Follow the chart below for the correct actions:

Reminder: TC 971 AC 122 with a MISC field of "7S", "7S1", "7V", or "7W1" are not AQC cases unless a subsequent TC 971 AC 122 posts with another AQC Inventory type in the MISC Field. If there is RIVO involvement, the case must be referred to the correct queue, see IRM 25.25.13-5, RIVO Form 4442 Queues.

If the taxpayer called and research shows:	Then
1 AQC open indicators on the account and no initial contact letter has been sent and the request is an OAR and there is no documentation available to substantiate the claim for refund.	- Initiate manual start procedures per IRM 25.25.7.3, Automated Questionable Credit (AQC) Manual Case Processing, and close the OAR. - Update EFDS notes. - Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS). Note: TAS may open another request once the taxpayer has received the notice and is allowed the allotted time to agree or disagree with proposed changes.
2 AQC open indicators on the account and no initial contact letter has been issued AND documentation is not available on CC IRPTR or the "required documentation" per IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation, to substantiate the claim for refund is not provided by the taxpayer. Exception: DDB Rule 7 inventory types (AOTC holds) should not be referred until after cycle 18 each year. AQC Inventory types 7Z should not be referred to AQC.net tool.	- If no AQC.net Tool rejection criteria are met per Exhibit 25.25.7-1, AQC.net Tool Inventory Reject Criteria, then place the required information (taxpayer identification number (TIN), tax period, name control, work type, etc.) on the "Refer to Tool" spreadsheet for initial case actions. - If AQC.net Tool rejection criteria are met per Exhibit 25.25.7-1, AQC.net Tool Inventory Reject Criteria, or the account contains an AQC.net tool reject control (XXREJECT), then initiate manual start procedures per IRM 25.25.7.3, Automated Questionable Credit (AQC) Manual Case Processing. - Update EFDS notes. - Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS), to include the specific documentation received and the reason(s) it did not substantiate the credit or refund claimed (e.g. Received copy of Form W-2, cannot be used per IRM 25.25.7.2.1, Automated Questionable Credit (AQC)

	Required Documentation. • Ensure all RIVO control bases are closed, if case is being placed on the "Refer to Tool" spreadsheet. • Close the e-4442 with note: "Return not substantiated, referred to have letter 4800C issued", or AQCX correspondence control with "UNSUBDOC". • Review IRM 21.5.1.4.10 Classified Waste, to determine if the documentation meets classified waste criteria. If the documentation does not meet classified waste criteria and needs to be associated with the return for audit trail purposes, complete Form 9856, Attachment Alert, to send the documentation to Files. Exception: For E-fax responses, mark the fax with a red "X", your Employee Identification Number and move it to your "Classified Waste" folder. Do not complete Form 9856. • Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.
3 AQC open indicators on the account and no initial contact letter has been issued AND documentation is available on CC IRPTR and/or the taxpayer has provided the required documentation per IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation, to substantiate the claim for refund. Note: See IRM 25.25.3, Revenue Protection Verification Procedures for Individual Masterfile Returns.	• Input TC 290 for .00 with no source document (NSD) for claims validated only using CC IRPTR or source document (SD) for claims validated using any documentation provided by the taxpayer to release the refund. Use RC "085" and PC "8" to provide the taxpayer with confirmation of the refund release. Do not input an AMD-CLMS-DT. • If there is an -E freeze on the module due to TC 810 with a Responsibility Code 3, input Transaction Code (TC) 811 for .00 with a Posting Delay Code '2' to

	release the freeze and issue any remaining refund. Exception: # [REDACTED] • Refile the return in EFDS for current year returns. • Update the EFDS or STARS disposition to DL. Use the appropriate standard note as outlined in Exhibit 25.25.13-1, STARS Delete Reasons. • Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS), to include the specific documentation received (e.g., Received copy of paystubs). • Ensure all RIVO control bases are closed. • Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Note: Cases that are released before any letter is sent to the taxpayer are closed as "surveyed" in the AQC database.
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IRM 25.25.7.4.5(6) - Adding -E freeze procedures meeting Cross Functional Freeze Cleanup Criteria.

(6) For taxpayer responses agreeing to the proposed changes follow the table below:

Note: When reducing or disallowing Earned Income Tax Credit, American Opportunity Tax Credit, or Child Tax Credit/Additional Child Tax Credit/Refundable Child Tax Credit, AQC TEs will use the following Reason Codes to place a recertification indicator on the Taxpayers account:

RC 175 for AQC disallowance adjustments of EITC

RC 178 for AQC disallowance adjustments of AOTC

RC 181 for AQC disallowance adjustments of CTC/ACTC/RCTC

Reminder: Taxpayers may submit documentation before the initial AQC letter is issued. If the response is due to guidance provided on the AQC-Toll Free line, treat the reply as a response to Letter 4800C, Questionable Credit 30 Day Contact Letter, when following procedures below.

If	Then
An agreed response to Letter 4800C is received but the letter was issued with an incorrect proposal for the Inventory Type	• Disregard the agreement to the incorrect proposal. • In your subsequent letter include an open paragraph stating: "We apologize, our previous proposal to change your tax return included an error. As a result of the error, we have disregarded your response to our previous notice. This notice includes the corrected tax computation and change to your tax." • Issue the subsequent letter (105C, 106C, or 3219C), follow IRM 25.25.7.6(3), No Response Received to Letter 4800C, and close the "AQCX" control.
An agreed response to letter 3219C is received but the letter was issued with an incorrect proposal for the Inventory Type	• Disregard the agreement to the incorrect proposal. • In your subsequent letter include an open paragraph stating: "We apologize, our previous proposal to change your tax return included an error. As a result of the error, we have disregarded your response to our previous notice. This notice includes the corrected tax computation and change to your tax." • Reissue the 3219C letter with the correct computations. Update the "AQC2" control activity code to the suspense expiration date, "SCMMDDYYYY" (SC = AQC Segment Code, see IRM 25.25.7.2, Automated Questionable Credit (AQC) Inventory Types, and MMDDYYYY = the current date plus 106 calendar days or plus 151 days if outside the U.S.)

	• Close the "AQCX" control.
An agreed response to Letter 4800C or Letter 3219C is received	• Adjust the account to the proposed changes, attaching the signed agreement as Source Document (SD). Use Hold Code "0" and source code "0". Do not input an AMD-CLMS-DT. • If there is an -E freeze on the module due to TC 810 with a Responsibility Code 3, input Transaction Code (TC) 811 for zero (.00) with a posting delay code of "2" to release the freeze and issue any remaining refund. Exception: #  • Update the Electronic Fraud Detection System (EFDS) notes. • Update the return in the Scheme Tracking and Referral System (STARS) to "QL". • Input/Update Account Management Services (AMS) notes per IRM 21.2.2.4.5, Account Management Services (AMS). • Ensure all Return Integrity Verification Operations (RIVO) control bases are closed. • Update the Automated Questionable Credit (AQC) database as required. Include the dollar amount protected.

IRM 25.25.7.4.6(5) - Updating and adding additional income verification procedures to include Letter 6255C, Third Party Contact letter.

(5) For inventory types that involve **questionable wages and/or withholding** additional research is required to validate the income document(s) received (e.g., paystubs, letter from employer/payer, etc), see IRM 25.25.3.4, Income Verification using Command Code (CC) IRPTR for additional information. Use the following table to verify the taxpayer's documentation.

Reminder: #

Caution: #

If IRPTR data is available for the tax year in question. Note: If the submitted income documents are not within tolerance, treat the response as unsubstantiated.	• Research the EIN using CC BMFOLP for payroll payments to determine if data is valid on CC IRPTR. • If payroll payments have been submitted and are within tolerance, treat the response as substantiated. • If no payroll payments have been submitted then follow procedures in box 3 below to issue the Letter 6225C, Third Party Notification.
If NO IRPTR data is available for the tax year in question, but prior year IRPTR data shows reported income documents from the same employer.	• Research the EIN using CC BMFOLP for prior year(s) payroll payments. • If payroll payments have been submitted and are within tolerance, treat the response as substantiated • If no payroll payments have been submitted then follow procedures in box 3 below to issue the Letter 6225C, Third Party Notification letter.
If NO IRPTR data is available for the tax year in question and NO prior year IRPTR data with reported income documents from the same employer.	• Third Party Contact is necessary. Send Letter 6255C Third Party Contact, refer to IRM 25.25.3.9 (3) Manual Verification Procedures and AQC Letter Paragraphs and Paragraphs Fill-ins Guide. • Update the AQC(X) control activity code using the following format; CXX,6255CMMDD,M,AQC(X), *, MM =

	Month and DD = 60 day suspense date. Once third party contact has been completed follow paragraph 6 for resolution.
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IRM 25.25.7.4.6(6) - Adding -E freeze procedures meeting Cross Functional Freeze Cleanup Criteria.

IRM 25.25.7.4.6(6) - Clarifying procedures for Full Year Prisoner FS2 returns.

IRM 25.25.7.4.6(6) - Adding Third Party Contact procedures.

(6) For disagreed taxpayer responses that are determined substantiated or unsubstantiated, follow the table below:

Note: When reducing or disallowing Earned Income Tax Credit, American Opportunity Tax Credit, or Child Tax Credit/Additional Child Tax Credit/Refundable Child Tax Credit, AQC TEs will use the following Reason Codes to place a recertification indicator on the Taxpayers account:

RC 175 for AQC disallowance adjustments of EITC

RC 178 for AQC disallowance adjustments of AOTC

RC 181 for AQC disallowance adjustments of CTC/ACTC/RCTC

Reminder: Taxpayers may submit documentation before the initial AQC letter is issued. If the response is due to guidance provided on the AQC-Toll Free line, treat the reply as a response to Letter 4800C, Questionable Credit 30 Day Contact Letter, when following procedures below.

If	Then
A substantiated response is received. Exception: If research shows the taxpayer is a full year prisoner per CC FTBOLP, and the original inventory type is for questionable wages and/or withholding, then follow the instructions in the box below.	- Input a Transaction Code (TC) 290 for zero (.00) using the documents provided as the Source Document (SD) to release the refund. Use Reason Code (RC) "085" and Priority Code (PC) "8", to provide the taxpayer with confirmation of the refund release. Do not input an AMD-CLMS-DT. - If there is an -E freeze on the module due to TC 810 with a Responsibility Code 3, input TC 811 for zero (.00) with a posting delay code of 2 to release the freeze and issue any remaining refund. Exception: # [REDACTED]

	Reminder: If there is an I- freeze on the account, attributed to missing documentation, ensure that the correct return processable date is input on the adjustment. If the original figures were correct and no documents were missing use the original received date of the return. • For current year returns "Refile" the return in EFDS. • If the return is in the Scheme Tracking and Referral System (STARS), update the disposition to "DL" to have the return deleted from STARS. Update STARS or EFDS notes, when a return is being deleted from STARS, see Exhibit 25.25.13-1, STARS Delete Reasons. • Input/Update Account Management Services (AMS) notes per IRM 21.2.2.4.5, Account Management Services (AMS), to include the specific documentation received (e.g., Received copy of paystubs). • Ensure all Return Integrity Verification Operations (RIVO) control bases are closed. • Update the Automated Questionable Credit (AQC) database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Enter zero as the protected dollar amount.
The taxpayer's response is substantiated for an inventory type with questionable wages and/or withholding, and the taxpayer was a full year prisoner. Caution: Full year prisoner claiming Filing Status 2,	The case must be worked as inventory type GATT11. • Input TC 972 AC 140/122 to reverse the prior inventory type. • Input a new TC 971 AC 140 MISC "GATT". • Send a request to your local AQC database Administrator to update the work type to "GATT11", per local procedures.

Married filing joint, and the income is being claimed by both Full year prisoner and non prisoner taxpayer, or income is only being claimed by the non prisoner taxpayer, do not treat as GATT11.	• Add an AQC database note "Wages and withholding substantiated - TP full-time prisoner - change to GATT". • If the response is to Letter 4800C, close the "AQCX" control and issue the subsequent letter (105C, 106C or 3219C), follow IRM 25.25.7.6, No Response Received to Letter 4800C. • If the response is to a Letter 3219C, close the "AQCX" control and follow IRM 25.25.7.7, No Response Received to Letter 3219C (Notice of Deficiency). Note: A new Letter 3219C is not necessary. Allow the wages and withholding, but remove the refundable credits as outlined in IRM 25.25.9.4, General Agreement on Tariffs and Trade (GATT) Returns.
An unsubstantiated response is received. Reminder: Third Party contact must be made prior to issuing the subsequent letter when unable to verify questionable wages and withholding inventory types, as stated in paragraph 5.	• If the response is to Letter 4800C, close the "AQCX" control using activity codes "30UNSUBDOC" and issue the subsequent letter following IRM 25.25.7.6(3), No Response Received to Letter 4800C, • If the response is to 3219C, close the "AQCX" control using activity code "90UNSUBDOC" and follow IRM 25.25.7.7, No Response Received to Letter 3219C (Notice of Deficiency). Caution: If the suspense time frame has not expired, monitor the account and take actions once expired. • Input/Update Account Management Services (AMS) notes per IRM 21.2.2.4.5, Account Management Services (AMS), to include the specific documentation received (e.g., Received unsubstantiated copy of paystubs). • Determine if the documentation meets classified waste criteria, see IRM 21.5.1.4.10, Classified Waste. If the documentation does not meet classified waste criteria and needs to be associated with the return for audit trail purposes, complete Form 9856, Attachment Alert, to send the documentation to Files. Exception: For E-fax responses, mark the fax with a red "X", your Employee

	Identification Number and move it to your "Classified Waste" folder. Do not complete Form 9856.
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IRM 25.25.7.4.7(2) - Adding link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

(2) If the return meets criteria for Category (CAT) 7 Disposition (Disp) "**S1**" or "**SB**", then the account will be resolved using the Return Integrity and Compliance Services (RICS) IDT Tool, take the following actions:

- Update the Scheme Tracking and Referral System (STARS) to CAT 7 Disp "S1" or "SB", respectively.
- Place the reply in the holding bin (documentation will be attached to original return).
- Update the Electronic Fraud Detection System (EFDS) notes as applicable. For Premium Tax Credit (PTC) cases input "PTC addressed".
- Input/Update Account Management Services (AMS) notes per IRM 21.2.2.4.5, Account Management Services (AMS).
- Close both the correspondence and "QRPA" or "AQC2" IDRS controls with "IDTCORR" as the activity code.
- Close all RIVO controls.
- Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.

IRM 25.25.7.4.7(3) - Adding link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

(3) If the return meets criteria CAT 7 Disp "**S2**", "**GB**", or "**BG**", take the following actions:

Note: For "GB", if the taxpayer's good return is not attached to the correspondence, review IDRS for a posted TC 976.

- **Do not** update the Scheme Tracking and Referral System (STARS), the IDT TE will update accordingly after the account is resolved.
- Place the reply in the bin labeled "S2", "GB", or "BG", respectively, for the IDT TE to resolve the account.
- Update EFDS notes as applicable. For PTC cases input "PTC addressed".
- Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS).
- Update the "AQCX" IDRS control with "IDTS2", "IDTGB" or "IDTBG", respectively, and re-assign to IDRS number "1484022222".
- Close the "QRPA" or "AQC2" control using activity code "IDTCORR".
- Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.

IRM 25.25.7.4.8 - New section that contains procedures for handling Letter 474C, Math Error Explained (IMF), Taxpayer Responses.

Taxpayer Responses to 474C Letter

(1) #

[REDACTED]

(2) Taxpayers can claim IRC 1341 Claim of Right, if a taxpayer claimed income and paid tax on that income in a prior year because they had a right to that income, but the income had to later be repaid (i.e., taxpayer never should have claimed it or paid tax on it), then the taxpayer can in certain circumstances claim a credit for the tax previously assessed on that income they had to repay. See IRM 25.25.7.2.1, Automated Questionable Credit Required Documentation, for substantiating documentation.

(3) Use the table below to resolve Letter 474C, responses.

Reminder: These accounts will have a RIVO disallowance adjustment, if there is an additional adjustment from a amended return or Form 1040X, that is received with an AQC6X control and the adjustment did not address the IRC 1341 Claim of Right credit IRM 25.25.7.3.1 Automated Questionable Credit (AQC)6X Procedures to reject back to the originator.

The taxpayer disagrees with the disallowance and no documentation was provided to substantiate the credit.	• Treat the response as a no consideration see IRM 21.5.3.4.6.3, No Consideration procedures. Include enclosure Form 14823 Supporting Documents to Prove Your Claim of Right Credit Internal Revenue Code (IRC) Section 1341. • Close the "AQCX" control as ""UNSUBDOC". • Ensure all Return Integrity Verification Operations (RIVO) control bases are closed. • Input/Update Account Management (AMS) notes IRM 21.2.2.4.5, Account Management Services (AMS), as applicable. • Update the Automated Questionable
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	(AQC) database case status as "Closed", see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.
The taxpayer disagrees with the disallowance and includes documentation that substantiates the credit. Note: The response may include an amended return or Form 1040X, Amended U.S. Individual Tax Return, to reduce the IRC 1341 credit. Review Form 1040X if the taxpayer is adding additional items or decreasing the original credit, refer to box 3 below.	• Reverse the prior adjustment. Add hold code (HC) "0" source code (SC) "1" reason code (RC) "061" priority code (PC) "8" and add TC 170 to the adjustment. • Close the "AQCX" control. Ensure all Return Integrity Verification Operations (RIVO) control bases are closed. • Input/Update Account Management (AMS) notes per IRM 21.2.2.4.5 Account Management Services (AMS), as applicable. • Update the Automated Questionable (AQC) database case status as "Closed", see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.
If the taxpayer disagrees with the disallowance and provides an amended return or Form 1040X, Amended U.S. Individual Tax Return, stating the amount for which they are eligible is different from the amount claimed on their original return. Reminder: The response must include supporting documentation to substantiate the credit. If no supporting documentation is received refer to box 1 above.	• Verify the submitted supporting documentation. • If there is no identity theft marker (TC 971 AC 501 or TC 971 AC 506) for any tax period on CC ENMOD, route the amended return or Form 1040X, Amended U.S. Individual Tax Return, and envelope to the Submission Processing (SP) Batching Function per Exhibit 3.10.72-11 • Edit the RIVO stamp or "RIVO REV" in the upper left margin of the return prior to sending to SP. If there is an identity theft marker (TC 971 AC 501 or TC 971 AC 506) for any tax period, fax the amended return or Form 1040X, Amended U.S. Individual Tax Return, and envelope to the Image Control Team (ICT) using

	the Adjustment Request and notating in the Additional Information box that the credit was substantiated. • Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS) • Update the return disposition in EFDS or STARS to "CATG5 CL" and add notes. • Ensure all RIVO control bases are closed. • Update AQC database case status to "Rejected", Reject Reason to "Form 1040-X received-forwarded to AM", and the Reject Date with the date of rejection, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Enter zero as the protected dollar amount.
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IRM 25.25.7.5(3) (1) - Adding link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

IRM 25.25.7.5(3) (2) - Adding link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

IRM 25.25.7.5(3) (3) - Adding link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

(3) Use the table below to resolve unclaimed or undeliverable correspondence returned to the IRS:

Note: Do not remail the notice if the ASED has expired. Follow procedures bellow to complete Form 9856, Attachment Alert, and then follow IRM 25.25.7.11, Automated Questionable Credit (AQC) Statute Imminent / Statute Expired Cases.

Reminder: When corresponding on a decedent account, correct name formatting is required. See IRM 21.3.3.4.16.5, Corresponding on a Deceased or Legally Disabled Taxpayer's Account, and IRM 21.3.3.4.16.6, Deceased Taxpayer Correspondence, Joint Return Filed, for more information.

If	Then
1 The taxpayer's name printed on the correspondence is an exact match to the name printed on the	• Update the taxpayer's address on IDRS to the "yellow label" address. • Remail the returned correspondence to the taxpayer's updated mailing address.

“yellow label”. Or Only the last name on the “yellow label” is an exact match, the first name is similar to the name on IDRS, and IRS records do not show any other taxpayers with a similar first name and the exact same last name at the same address. Note: The taxpayer’s address on IDRS will likely differ from the “yellow label” address.	• Update the QRPA/AQC2 control activity code to the new suspense expiration date - “SCMMDDYYYY” (SC = AQC Segment Code, see IRM 25.25.7.2, Automated Questionable Credit (AQC) Inventory Types, and MMDDYYYY = the current date plus 106 calendar days (plus 151 calendar days for outside U.S.). • Input IDRS history item: “H, UNDLTR2TP” to show the correspondence was remailed to the taxpayer. • Update AQC database case status and select “yes” under the Undeliverable dropdown, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.
2 There is no “yellow label” on the envelope but a new address is shown on the envelope. Or The scenarios in box 1 do not apply and you can locate a new address for the taxpayer through IDRS research (e.g., CCs IRPTR, INOLES, etc.)	• Send Letter 2788C, Undeliverable Mail - New Address Verification, to the new address. Use the required paragraphs, attach the original returned correspondence and enclose Form 5703, IDRS Letter Enclosure, and Form 8822, Change of Address. • Do not update the address on IDRS. • Update the QRPA/AQC2 control activity code to the new suspense expiration date “SCMMDDYYYY” (SC = AQC Segment Code, see IRM 25.25.7.2, Automated Questionable Credit (AQC) Inventory Types, and MMDDYYYY = the current date plus 106 calendar days (plus 151 calendar days for outside U.S.). • Input IDRS history item: “H, UNDLTR2TP” to show the correspondence was remailed to the taxpayer. • Update AQC database case status and select “yes” under the Undeliverable dropdown, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.
3 The scenarios in Boxes 1 & 2 above do not apply or	• If the case was already worked in AQC (defaulted), complete Form 9856, Attachment Alert, to send the correspondence to Files, and use the DLN of the TC 29X adjustment. • If the case has not been worked in AQC

The correspondence was returned by the USPS as unclaimed or refused.	(defaulted), follow procedures in IRM 25.25.7.7, No Response Received to Letter 3219C (Notice of Deficiency), and use the DLN of the posted adjustment to complete Form 9856, Attachment Alert. Reminder: Allow the suspense time frame to expired before defaulting. • Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS), detailing the research taken to locate a new address for the taxpayer. • Input IDRS history item: “H,ADDRNOTFND” for undeliverable, or “H,3219UNCLMD” for unclaimed or refused. • Update AQC database case status and select “yes” under the Undeliverable dropdown, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.
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IRM 25.25.7.6(3) - Adding -E freeze procedures meeting Cross Functional Freeze Cleanup Criteria and link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

(3) Follow the chart below to take the correct actions.

Reminder: Research account for a -O freeze. **Do not** send Disallowance or Notice of Deficiency Letters during the disaster relief period. **Do not** Disallow or Default an account during the disaster relief period, unless agreed to by the taxpayer. Include Documentation Tool (DUT) paragraph for all AQC inventory types.

Note: When reducing or disallowing Earned Income Tax Credit, American Opportunity Tax Credit, or Child Tax Credit/Additional Child Tax Credit/Refundable Child Tax Credit, AQC TEs will use the following Reason Codes to place a recertification indicator on the Taxpayers account:
RC 175 for AQC disallowance adjustments of EITC
RC 178 for AQC disallowance adjustments of AOTC
RC 181 for AQC disallowance adjustments of CTC/ACTC/RCTC

If	Then
The case is pre-refund and the adjustment will result	• For partial disallowances, only one adjustment is needed. Input a Non Source Document (NSD) adjustment

in a Negative Deficiency or The case is pre-refund and will only adjust the federal tax withholding	based on the Inventory Type, use Hold Code (HC) 3, and Blocking Series (BS) "00", for electronically filed returns or "18" for paper filed returns. Exception: #  # - For full disallowances, two adjustments are needed. Input a first adjustment 290 .00, NSD, reason codes of disallowed item(s), HC 4 and BS "99", for electronically filed returns or "98" for paper filed returns. Input a second adjustment based on the Inventory Type, use NSD, HC 4, BS 05 and appropriate reason codes. - Send a Letter 105C, Claim Disallowed, or Letter 106C, Claim Partially Disallowed, with the required paragraphs. - Input/Update AMS notes per IRM 21.2.2.4.5, Accounts Management Services (AMS), to show why the case was defaulted. - Close all Return Integrity Verification Operations (RIVO) control bases. - Update the Automated Questionable Credit (AQC) database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Include the dollar amount protected. - Update the Scheme Tracking and Referral System (STARS) to disposition "QL" and leave notes.
The case is pre-refund and the proposal will not result in a Negative Deficiency. or The case is Post-refund.	- Send Letter 3219C, Statutory Notice of Deficiency, with the required paragraphs. Reminder: If the first computation was incorrect recompute and upload the corrected computation to the AQC SharePoint. - Update the "AQC2" control activity code to the suspense expiration date "SCMMDDYYYY" (SC = AQC Segment Code, see IRM 25.25.7.2, Automated

	Questionable Credit (AQC) Inventory Types, and MMDDYYYY = the current date plus 106 calendar days or plus 151 days for outside U.S.). • Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.
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IRM 25.25.7.7(1) - Adding -E freeze procedures meeting Cross Functional Freeze Cleanup Criteria and link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

(1) After the 106 day suspense period (151 days for outside the U.S.) has expired and no substantiated response was received from the taxpayer, take the following actions on the account:

Reminder: Research account for a -O freeze. Do Not send Disallowance or Notice of Deficiency Letters during the disaster relief period. Do Not Disallow or Default accounts during the disaster relief period, unless agreed to by the taxpayer.

Note: When reducing or disallowing Earned Income Tax Credit, American Opportunity Tax Credit, or Child Tax Credit/Additional Child Tax Credit/Refundable Child Tax Credit, AQC TEs will use the following Reason Codes to place a recertification indicator on the Taxpayers account:

RC 175 for AQC disallowance adjustments of EITC

RC 178 for AQC disallowance adjustments of AOTC

RC 181 for AQC disallowance adjustments of CTC/ACTC/RCTC

If	Then
The case is Pre-refund.	- Input an adjustment as a Non-Source Document (NSD) to adjust the account based on the inventory type. Use Source Code (SC) "0" and Hold Code (HC) "0". Do not input an AMD-CLMS-DT. - If there is an -E freeze on the module due to TC 810 with a Responsibility Code 3, input Transaction Code (TC) 811 for .00 with a Posting Delay Code '2' to release the freeze and issue any remaining refund. Exception: # [REDACTED]

	• Input/Update Account Management Services (AMS) notes per IRM 21.2.2.4.5, Account Management Services (AMS), to show why the case was defaulted. • Close all Return Integrity Verification Operations (RIVO) control bases. • Update the Automated Questionable Credit (AQC) database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Include the dollar amount protected. • Update the return in the Scheme Tracking and Referral System (STARS) to "QL" and leave notes.
The case is Post-refund.	• Input an adjustment as a Non-Source Document (NSD) to adjust the account based on the inventory type. Use SC "0" and HC "0". Do not input an AMD-CLMS-DT. • Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS), to show the case was defaulted, because no substantiated response was received. • Close all RIVO control bases. • Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. Include the dollar amount protected. • Update the return in STARS to "QL" and leave notes.

IRM 25.25.7.8.1(2) - Removing duplicate sentences.

(2) Electronic Fraud Detection System (EFDS) Referrals with PTC.

Note: The PTC referrals listed below will only be worked during Contingency.

PTC Inventory Types	Description
(PTC12) - Dependent Database (DDB)- PTC-Error-Code (CD) 900	PTC claimed, where the taxpayer is considered a full year prisoner.
(PTC13) - DDB-PTC-Error-CD 900	PTC claimed on a joint return, where both taxpayers are considered full year prisoners.
(PTC18)- DDB-PTC-Error-CD 901	The taxpayer is under the age of 18 and there is a record of Advance Premium Tax Credit (APTC) paid that was not reported on the tax return. Caution! PTC may not have been claimed on the return.
(PTC20)-DDB-PTC-Error-CD 904	No income was reported on the tax return and there is a record of APTC paid that was not reported on the tax return. Caution! PTC may not have been claimed on the return.
(PTC65)-DDB-PTC-Error-CD-902	The taxpayer is over the age of 65 and there is a record of APTC paid that was not reported on the tax return. Caution!

PTC Inventory Types	Description
	PTC may not have been claimed on the return.
(PTC66)-DDB-PTC-Error-CD 903	A joint return, where both taxpayers are over the age of 65, and there is a record of APTC paid that was not reported on the tax return. Caution! PTC may not have been claimed on the return.

IRM 25.25.7.8.2 - Adding additional research procedures for PTC.

(1) Transaction Code (TC) 971/ Action Code (AC) 128 will generate the TC 810 freezing the "Exposure Amount" and setting the -E freeze.

(2) If the credit module balance exceeds the frozen amount, the excess amount will be released via TC 811 with the released amount in the memo money amount. See IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation, for required documentation to substantiate the claim.

IRM 25.25.7.8.3(6) - Adding -E freeze procedures meeting Cross Functional Freeze Cleanup Criteria.

(6) When adjusting an account with PTC and a -E Freeze, a TC 811 must be input for .00 with a posting delay of 2 to release any remaining refund and/or the freeze condition on the account.

Exception: #

[REDACTED]

IRM 25.25.7.9 - Restructured content to improve taxpayer's calling the AQC toll free line.

IRM 25.25.7.9(1) - Adding Letter 474Cas a taxpayer's response.

IRM 25.25.7.9(2) - Adding instructions for TAC assistors.

IRM 25.25.7.9(6) - Adding Category Code AQC3, AQC6X and AQC6ATAO.

IRM 25.25.7.9(7) - Updated Mail stop to Ogden Service Center.

IRM 25.25.7.9(8) - Adding procedures to for CSR/TAC to identify AQC correspondence received on the account.

IRM 25.25.7.9(9) - Adding procedures if taxpayer calls in response to a Letter 6255C, Third Party Notification.

IRM 25.25.7.9(10) - Adding procedures regarding AQC 7Z(1-6) inventories.

IRM 25.25.7.9(10) - Updating referral cycle date for AQC AOTC(25-29) inventories.

IRM 25.25.7.9(11) - Adding procedures for responses to Letter 474C.

IRM 25.25.7.9(12) - Adding procedures to identify AQC inventory types.

(1) Toll-Free Customer Service Representatives (CSRs) trained to work the Automated Questionable Credit (AQC) line should be able to answer most questions during the phone call on the AQC toll-free line. AQC toll-free line only answers questions related to Letter 3219C, Letter 4800C, Letter 105C, Letter 106C, Letter 474C issued by AQC or cases with AQC indicators as described in (3) below. The procedures in this section also apply to Taxpayer Assistance Center (TAC) assistors.

Reminder: Do not refer the taxpayer if the account has an AQC indicator but the original refund was released, regardless of whether an AQC letter was issued, additionally if the call has been misrouted please see IRM 21.5.6.4.35.3.1, -R Freeze Phone Procedures for Accounts With Return Integrity Verification Operations (RIVO) Involvement for more information. However, if you identify an Erroneous Refund, follow procedures in IRM 21.4.5.5, Erroneous Refund Categories and Procedures.

(2) Toll-Free CSRs and Taxpayer Assistance Center (TAC) assistors not designated to answer the AQC toll-free line provide the caller with the toll-free number 855-873-2100 and the hours of operation of Monday through Friday 7:00 am to 9:00 pm CST for questions related to AQC letters.

(3) CSRs designated to respond to AQC telephone inquiries should follow IRM 21.1.3.2.3, Required Taxpayer Authentication and if directed, IRM 21.1.3.2.4, Additional Taxpayer Authentication, to authenticate the caller. When transferring a caller to the Spanish speaking line use transfer IUP #1248.

(4) If the caller is responding to a balance due notice based on an assessment by AQC and agrees with the assessment, do not transfer the caller to the AQC line. Follow normal balance due procedures, see IRM 21.1.1.3.1, Accounts Management (AM) Customer Service Representative (CSR) Duties Handling Accounts with Balance Due / Missing Returns.

Note: No account adjustments will be made by Accounts Management CSRs if there are any AQC open indicators present. All account adjustments will be processed by the AQC teams only.

(5) All AQC toll-free calls require a history narrative on AMS. Input AMS history narrative and choose "Exam Assessment" as the issue description, see IRM 21.2.2.4.5, Account Management Services (AMS), for more information.

(6) The following are AQC indicators:

- TC 971 AC 140
- TC 971 AC 122

Reminder: TC 971 AC 122 with a MISC field of "7S", "7S1", "7V", or "7W"7W1 are not AQC cases unless a subsequent TC 971 AC 122 posts with another AQC Inventory type in the MISC Field.

- TC 971 AC 128 with specific MISC fields "AQCPTC191", "AQCPTC195" or "AQCPTC9XX", or
- Accounts with an open control category code "QRPA" **AQC2**, "AQC3", or with an open control to IDRS number 1487877777 with an activity field of emphasis **AQC6X** or **AQC6XATAO**.

(7) Responses to AQC letters should be submitted via the Documentation Upload Tool (DUT) at <https://www.irs.gov/reply>. The DUT is a fast and safe reply method where taxpayers can submit their response by simply scanning or taking a photograph of their signed letter, written statement or any supporting documentation, and completing the upload form. Taxpayer's must include their taxpayer identification number (TIN) and tax period on each page of their response.

Only if the taxpayer says they do not have internet access or they tried to access DUT but their browser is not supported, provide the option to respond via mail to Ogden Service Center, Mail Stop 9002, Ogden, UT 84201-0062, or fax to (855) 855-0616. The taxpayer should only respond by **one**, of the methods, multiple responses will delay case processing. If the taxpayer requests more time to respond, advise the taxpayer we are unable to extend the time frames, our review will continue until the documentation is received or the time frame on the notice expires.

(8) Received taxpayer responses in AQC can be identified by one of the following category codes:

- AQCD - AQC letter response disagreed
- AQCA - AQC letter response agreed
- AQCO - AQC letter response other
- AQCI - AQC letter response identity theft
- AQC1- Referred from Withholding Only Work (WOW)
- TWRO - Initiated electronic 4442

Review the account for any open AQC control with the following activity code;

- DCMMDDYYYY= DUT correspondence received

- ECMMDDYYYY= E-fax correspondence received
- PCMMDDYYYY= Paper correspondence received
- MMDDYYYY= Correspondence received date

If there is an open AQC control with one of the above activity codes and the taxpayer asks about the status of their response, advise the taxpayer we have received their correspondence and allow 120 days from the received date of their documentation to receive their refund or a letter. Advise the taxpayer they should **not** resubmit their response, this could cause more delays.

Exception: If there is no open control indicating that AQC has received a response and it is more than 60 days since the taxpayer sent their response, advise the taxpayer to resubmit their response and apologize for the inconvenience.

If it has been more than 120 days from the correspondence received date, and there is an open control indicating a response received and the AQC case has not been resolved, submit an Form 4442 to AQC using referral queue "RIVO - AQC". Advise the taxpayer to allow 60 days for a response and apologize for the delays. If an Form 4442, Inquiry Referral, was issued and the timeframe has passed, follow the procedures in IRM 21.1.3.18, Taxpayer Advocate Service (TAS) Guidelines, and advise the taxpayer you are referring their case to Taxpayer Advocate Service (TAS)

If the taxpayer has **new** supporting documentation that needs to be submitted please advise to use the DUT method as stated in above in paragraph 7.

(9) If the taxpayer is calling in reference to a Letter 6255C, Third-party Notification, advise this is a courtesy letter. If the taxpayer states they made a mistake on their return, advise them to file a Form 1040X, Amended return.

(10) If the taxpayer has **not** been issued or has **not** received a Letter 4800C or Letter 3219C (as shown on CC ENMOD), then research the account to determine the AQC inventory type per IRM 25.25.7.2, Automated Questionable Credit Inventory Types, inventory types can be identified in the MISC field of the TC 971 AC 122, 128 or 140. Determine the required documentation per IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation. Research available IRS systems such as Coverage Data Repository (CDR) or command code (CC) IRPOLA to verify Premium Tax Credit (PTC) amounts claimed, IRP/Market documents and CC IRPTR see IRM 25.25.3.4, Income Verification Using Command Code, for RIVO tolerances, to substantiate the refund.

Note: AQC inventory types 7Z1, 7Z2, 7Z3, 7Z4, 7Z5, and 7Z6 for processing year 2024 and will be issued a Letter 474C, Math Error Explained, in a batch process.

If	Then
The IRS systems do not substantiate the refund claimed and it has been 60 days or	• Advise the taxpayer that they should receive a letter requesting

less since the TC 971 AC 122 or AC 140 posted	more documentation or their refund 60 days from the date of the TC 971 AC 122. • Provide the documentation required to substantiate the credit claimed on the original return, per IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation. • If they are unable to provide supporting documents, advise them to respond by explaining the issue and how they figured the amount. • Advise the taxpayer to respond as outlined in (7) above. • Advise the taxpayer to allow 120 days from the received date of their documentation to receive their refund or a letter.
The IRS systems do not substantiate the refund claimed and it has been more than 60 days since the TC 971 AC 122 or AC 140 posted Note: AQC inventory types AOTC25, AOTC26, AOTC27, AOTC28, and AOTC29 should not be referred until after cycle 19, if no letter has been sent, continue to follow bullet two.	• Initiate an e-Form 4442 to AQC using referral queue "RIVO - AQC". • Provide the documentation required to substantiate the credit claimed on the original return, per IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation. • If they are unable to provide supporting documents, advise them to respond by explaining the issue and how they figured the amount. • Advise the taxpayer to respond as outlined in (7) above. • Advise the taxpayer to allow 120 days from the received date of their documentation to receive their refund or a letter.
The IRS systems do substantiate the refund claimed and it has been 60 days or less since the TC 971 AC 122 or AC 140 posted	• Advise the TP no further actions are required and to allow the IRS 60 days from the date of the TC 971 AC 122 to resolve the account.

The IRS systems do substantiate the refund claimed and it has been more than 60 days since the TC 971 AC 122 or AC 140 posted	- Initiate an e-Form 4442 to AQC using referral queue "RIVO - AQC", notate what documents are available to substantiate the claim in the referral narrative (i.e., CC IRPTR, Marketplace, etc.). - Advise the taxpayer to allow 60 days for their refund.
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(11) If the taxpayer **received** a Letter 474C and **disagrees** or believes the disallowance was in error, advise them to read carefully the explanation for the disallowance in their Letter 474C and submit required documentation to claim the IRC 1341 credit amount for which they are eligible. If the amount for which they are eligible is different from the amount claimed on their original return, advise them to file an amended return. See Repayments section of Pub 525, Taxable and Nontaxable Income. See also Form Form 14823, Supporting Documents to Prove Your Claim of Right Credit Internal Revenue Code (IRC) Section 1341.

(12) If the taxpayer **received** a Letter 4800C or Letter 3219C and **disagrees** with the proposal, then research the account to determine the AQC inventory type per IRM 25.25.7.2, Automated Questionable Credit (AQC) Inventory Types. Inventory types are shown in the MISC field of the TC 971 AC 122, 128 or 140. Determine the required documentation for the inventory type per IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation. Research available IRS systems such as Coverage Data Repository (CDR) or command code (CC) IRPOLA to verify Premium Tax Credit (PTC) amounts claimed, IRP/Market documents and CC IRPTR see IRM 25.25.3.4, Income Verification Using Command Code, for RIVO tolerances, to substantiate the refund.

Note: For inventory type GATT11, if the taxpayer disagrees with the incarceration dates, they need to provide documentation showing their incarceration dates, such as a letter from the penal institution. If the taxpayer says they were never incarcerated, they need to sign the Letter 4800C or Letter 3219C or provide a written statement denying they were incarcerated and a copy of their driver's license.

If	Then
The IRS systems do not substantiate the refund claimed	- Advise the taxpayer to respond to the letter and include their supporting documentation. - If they are unable to provide supporting documents, advise them to respond by explaining the issue and how they figured the amount. - Advise the taxpayer to respond as outlined in (7) above. - Advise the taxpayer to allow 120 days from the received date of their documentation to

	receive their refund or another letter.
The IRS systems do substantiate the refund claimed	- Initiate an e-Form 4442 to AQC using referral queue "RIVO - AQC", notate what documents are available to substantiate the claim in the referral narrative (i.e., CC IRPTR, Marketplace, etc.). - Advise the taxpayer to allow 60 days for a response.

(13) If the taxpayer received a Letter 4800C or Letter 3219C and **agrees** with the proposal.

- Advise the taxpayer to sign the Letter 4800C on the "Response Form" and check "OPTION 1", or Letter 3219C under the "CONSENT TO ASSESSMENT AND COLLECTION" section. The response must be signed by both taxpayers, if joint.
- If the taxpayer is unable to sign due to misplaced or non-receipt of the letter, advise the taxpayer that the AQC process will continue and they will receive a subsequent letter to explain the proposed changes or balance due.

Note: A signed statement from the taxpayer is not considered an "agreed" response.

- Advise the taxpayer to respond as outlined in (7) above.
- If the result will be a refund, advise the taxpayer to allow 60 days from the date of response to receive the refund.
- If it has been more than 60 days since the date the response was received, and no refund has been issued. Initiate an e-Form 4442 to AQC using referral queue **RIVO - AQC**, and advise the taxpayer to allow 60 days for a response
- If the result will be a balance due, follow IRM 21.1.1.3.1, Accounts Management (AM) Customer Service Representative (CSR) Duties Handling Accounts with Balance Due / Missing Returns.

(14) If the taxpayer claims identity theft stating, for instance, **I didn't file this return** or a similar statement, regardless of whether an AQC letter was issued.

- Follow procedures in IRM 25.23.12.2, Identity Theft Telephone General Guidance, to advise the taxpayer how to submit an identity theft claim.
- Advise the taxpayer to submit a copy of their AQC letter or written statement explaining that no AQC letter was received, and Form 14039, Identity Theft Affidavit, as outlined in (7) above.

(15) If the taxpayer received a Letter 105C, Claim Disallowed, or Letter 106C, Claim Partially Disallowed, sent by AQC and **disagrees**, then research the account to determine the AQC inventory type per IRM 25.25.7.2, Automated Questionable Credit (AQC) Inventory Types. Inventory types are shown in the MISC field of the TC

971 AC 122, 128 or 140. Determine the required documentation for the AQC inventory type per IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation. Research available IRS systems such as Coverage Data Repository (CDR) or command code (CC) IRPOLA to verify Premium Tax Credit (PTC) amounts claimed, IRP/Market documents and CC IRPTR see IRM 25.25.3.4, Income Verification Using Command Code, for RIVO tolerances, to substantiate the refund.

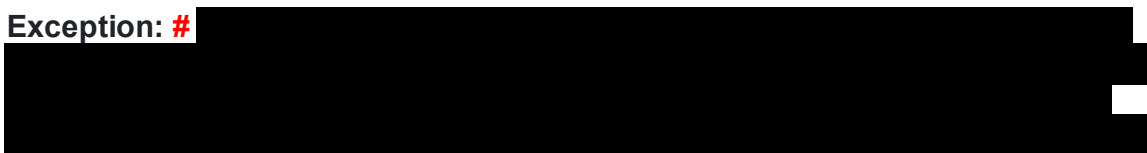
Note: If the taxpayer agrees with the disallowance or partial disallowance no further action is needed.

If	Then
The IRS systems do not substantiate the refund claimed and the taxpayer does have documentation not previously considered.	- Advise the taxpayer to respond as outlined in (7) above. - Advise the taxpayer to allow 120 days from the received date of their documentation to receive their refund or another letter.
The IRS systems do not substantiate the refund claimed and the taxpayer does not have other documentation.	Advise the taxpayer to follow the Appeals instructions in the Letter 105C or Letter 106C as directed. Note: See IRM 21.5.3.4.6.2, Appeals and Responses to Letter 105C and Letter 106C, for more information.
The IRS systems do substantiate the refund claimed (e.g., CC IRPTR documents available after the posting of the TC 971 AC 140 or AC 122).	- Initiate an e-Form 4442 to AQC using referral queue "RIVO - AQC", notate what documents are available to substantiate the claim in the referral narrative (i.e., CC IRPTR, Marketplace, etc.). - Advise the taxpayer to allow 60 days for a response.

IRM 25.25.7.10(1) - Adding -E freeze procedures meeting Cross Functional Freeze Cleanup Criteria.

(1) When Return Integrity and Compliance Services (RICS) is notified that a case has been docketed for Appeals, the following documentation must be collected and sent to the Office of Appeals within 10 days of the request.

Exception: #



- Modernized e-File (MeF), TRPRT or original filed paper document (Note: if original return must be requested send copy of CC ESTAB request. DO NOT wait for receipt of paper document).
- A redacted copy of the Certified Mail -Listing (CML). The CML will be kept within the Operation for three years.
- Copy of certified Letter 3219C, Statutory Notice of Deficiency, or Letter 105C, Claim Disallowed, from the Control D file.

Note: If you are unable to locate a copy of the AQC letter or it is not available, notate "SNOD not available" on the Form 3210, Document Transmittal. Refer to Document 12990 IRS Records Control Schedules (RCS) 29, Item 91 for the National Archives and Records Administration (NARA) approved Form 3210, Document Transmittal retention and disposition requirement.

- Any responses received from the taxpayer, if still available.
- Send Letter 86C, Referring Taxpayer Inquiry/Forms to Another Office, to notify the taxpayer their request has been forwarded to Appeals.
- Update the existing control, or open a new QRPA if one is not present, with activity code to "FWD2APPLS" and the status code M (Monitor) to reflect the documentation has been sent to Appeals.
- Monitor the account until the Appeals freeze posts before closing the monitoring control.

IRM 25.25.7.11(3) - Adding link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

(3) Use the following chart when working a response to Letter 3219C, Statutory Notice of Deficiency, or the suspense period has expired with no response:

If	Then
More than 90 days remain before the ASED expires	• For responses, follow procedures in IRM 25.25.7.4.2, Initial Taxpayer Response Processing. • For no response, follow procedures in IRM 25.25.7.7, No Response Received to Letter 3219C (Notice of Deficiency).
90 days or less remain before the ASED expires and there is a decrease in tax or decrease in	• For responses, follow procedures in IRM 25.25.7.4.2, Initial Taxpayer Response Processing. • For no response, follow procedures in IRM 25.25.7.7, No Response Received to Letter 3219C (Notice of Deficiency).

credits	
90 days or less remain before the ASED expires and there is an increase in tax or increase in credits	• Prompt assessment procedures must be followed due to the imminent ASED. • Send an email to RIVO Statute Team using email box # [REDACTED] # , with subject line "EXPEDITE for Quick Assessment". • The body of the email must include the TIN, tax period and DLN of the original return. Attach xClaim or AMS worksheet showing the adjustment. • Open a new control base C#,PROMT2STAT,MISC 1487755555,* • Close all other Return Integrity Verification Operations (RIVO) control bases. • Input/Update Account Management Services (AMS) per IRM 21.2.2.4.5, Account Management Services (AMS). • Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. • If still open in Scheme Tracking and Referral System (STARS), close disposition "QL".
The ASED has expired	Follow procedures in (4) below.

IRM 25.25.7.11(4) - Adding link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

(4) Use the following chart for AQC cases where the ASED has expired:

Reminder: Do not adjust tax or credits, other than withholding.

If	Then
The case results in a partial disallowance and only decreases withholding (does not result in a change to total tax or refundable credits)	• Adjust the account to allow the portion of the refund the taxpayer is entitled to based on the available account information (e.g., IRPTR, CDR data, etc.). • Use Hold (HC) "3", Blocking Series (BS) "00", for electronically filed returns or "18" for paper filed returns. • If the Letter 3219C was not previously issued, send Letter 106C, Claim Partially Disallowed, with the required paragraphs. • Input/Update Account Management Services (AMS) per IRM 21.2.2.4.5, Account Management Services (AMS). • Close all Return Integrity Verification Operations

	(RIVO) control bases. • Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. • If still open in Scheme Tracking and Referral System (STARS), close disposition "QL".
The case results in partial disallowance and results in a change to total tax or a decrease in credits	• Move the overpayment for the disallowed amounts to Excess Collections to decrease the module balance to the amount of the refund the taxpayer is entitled to using Form 8758, Excess Collections File Addition for each credit being moved. See Exhibit 25.25.13-2, Transferring Credits to Excess, for credit transfer ordering to Excess and IRM 3.12.37.34.2.1, Preparing Form 8758. Update the "AQC2" control with activity "87582EXCES", and "M" status to track the Form 8758 submission to Excess Collection. • If no open QRPA control, open one with activity "87582EXCES" and "M" status. • If the Letter 3219C was not previously issued, send Letter 106C, Claim Partially Disallowed, with the required paragraphs. • Monitor for posting of the disallowed amounts to Excess Collection. Exception: OARs Only: if TAS is requesting a manual refund please see IRM 25.25.13.10 (6), Manual Refund Criteria for Return Integrity Verification Operations • After amount(s) sent to Excess Collection have moved off the module, adjust the account to the correct figures based on the available account information (e.g., IRPTR, CDR data, etc.). • Input a Transaction Code (TC) 290 for .00 using HC "3", with the applicable reason codes, BS "00", for electronically filed returns or "18" for paper filed returns to release the remainder of the refund. • Continue to monitor the adjustment until the module is at a zero-balance ensuring the refund released. • Input/Update AMS per IRM 21.2.2.4.5, Account Management Services (AMS). • Close all RIVO control bases. • Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.

	• If still open in STARS, close disposition "QL".
The case results in a full disallowance	• If the Letter 3219C was not previously issued, send Letter 105C, Claim Disallowed, with the required paragraphs. • Input TC 290 for .00. Use the Reason Codes for the items being disallowed, HC "4", BS "99", for electronically filed returns or "98" for paper filed returns. • Move the disallowed credits to Excess Collections to reduce the module balance to zero (\$.00) using Form 8758, Excess Collections File Addition for each credit being moved. See Exhibit 25.25.13-2 See IRM 3.12.37.34.2.1, Preparing Form 8758. • Input/Update AMS per IRM 21.2.2.4.5, Account Management Services (AMS). • Close all RIVO control bases. • Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. • If still open in Scheme Tracking and Referral System (STARS), close disposition "QL".

IRM 25.25.7.12(2) - Adding procedures for duplicate correspondence and link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

(2) Review the taxpayer's correspondence, and follow the table below:

If	Then
The taxpayer did not provide the required documentation, per IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation, to substantiate the refund claimed on the original return, is not submitting substantiation as previously requested.	• Close the case as a "no consideration." Follow the procedures in IRM 21.5.3.4.6.3, No Consideration Procedures. Reminder: Do not send a Letter 916Con duplicate correspondence or previously adjusted Agreed • Close the "AQCX" control with "LPUNSUBDOC" in the activity code. Note: For previously adjusted Agreed cases or duplicate correspondence close the "AQCX" control. note with LPDUPEDOC

	- Review IRM 21.5.1.4.10, Classified Waste, to determine if the documentation meets classified waste criteria. If the documentation does not meet classified waste criteria and needs to be associated with the return for audit trail purposes, complete Form 9856, Attachment Alert, to send the documentation to Files. Exception: For E-fax responses, mark the fax with a red “X”, your Employee Identification Number and move it to your “Classified Waste” folder. Do not complete Form 9856. - Update the Electronic Fraud Detection System (EFDS) or Scheme Tracking and Referral System (STARS) notes. - Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS). - Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.
The taxpayer provided the required documentation, per IRM 25.25.7.2.1, Automated Questionable Credit (AQC) Required Documentation or additional information is found on CC IRPTR and it substantiates the refund claimed on the original return.	- Follow IRM 25.25.7.4.6 Taxpayer Disagreed Responses for verification procedures for documentation received. - Input an adjustment using the documents provided as a source document to reverse the previous adjustment. - Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS). - Update the EFDS or STARS disposition to “DL”. Use the appropriate standard note as outlined in Exhibit 25.25.13-1, STARS Delete Reasons. - Update the AQC database case status, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database.

IRM 25.25.7.13(1) (1) - Adding link to Exhibit 25.25.7-3 for Definitions Automated Questionable Database.

(1) Returns that cannot be worked via the AQC.net Tool or have been referred to the AQC process from External Leads or Manual Referral Process, will be assigned using a spreadsheet process and will be resolved following the chart below:

Note: Research account for -O freeze. **Do not** send disallowance during the disaster relief period. **Do not** disallow or default accounts during the disaster relief period, unless agreed to by the taxpayer. See for disaster locations.

If	Then
1 The account has an open control, or freeze code, or has been resolved by an outside RIVO.	• Update Electronic Fraud Detection System (EFDS) return notes. • If the return is in the Scheme Tracking and Referral System (STARS), update STARS to "CL". Update Category Code to "5". • Leave the AQC database case status as "Rejected" and select the reject reason, see Exhibit 25.25.7-3, Definitions for Automated Questionable Credit Database. • Close all RIVO control bases.
2 There is an open control to 1484077777, ATAO, or is already assigned to an AQC employee.	• Take no action on the account. • Do not update the AQC database. • Close the AQC Reject control as "CL2CORR" or "CL2EFAX", if closing to any type of correspondence.
3 The return information can be verified per Command Code (CC) IRPTR data or information in Contact Employer (CE), see IRM 25.25.3, Revenue Protection Verification Procedures for Individual Master File Returns and Does NOT require a Letter 4800C.	• Release the refund per IRM 25.25.13.9, Releasing the Refund. • "Refile" the return in EFDS. • Update the EFDS or STARS disposition to "DL". Use the appropriate standard note as outlined in Exhibit 25.25.13-1, STARS Delete Reasons. • Input/Update AMS notes per IRM 21.2.2.4.5, Account Management Services (AMS). • Close all RIVO control bases.
4	• Follow IRM 25.25.7.3, Automated

The return information cannot be verified per CC IRPTR data or CE, see IRM 25.25.3, Revenue Protection Verification Procedures for Individual Master File Returns and does require a Letter 4800C.	Questionable Credit (AQC) Manual Case Processing
5 The account return information cannot be verified per CC IRPTR data or CE, see IRM 25.25.3, Revenue Protection Verification Procedures for Individual Master File Returns, and has previously been issued a Letter 4800C.	Follow IRM 25.25.7.6, No Response Received to Letter 4800C
6 The account return information cannot be verified per CC IRPTR data or CE, see IRM 25.25.3, Revenue Protection Verification Procedures for Individual Master File Returns and has previously been issued a Letter 3219C.	Follow IRM 25.25.7.7, No Response Received to Letter 3219C (Notice of Deficiency).
7 The account information shows the taxpayer is claiming identity theft, such as notes in Accounts Management Services (AMS).	Follow IRM 25.25.7.4.7, Taxpayer Claiming Identity Theft Response Procedures.

Exhibit 25.25.7-1 - Adding restriction around tolerance information.

Only AQC inventory types AQC16, AQC17, AQC25, AQC26, GATT11, AOTC25, AOTC26, AOTC27, AOTC28, AOTC29, 7G2, PTC191 & PTC195 can be run systemically though the AQC.net Tool, all other inventory types require a manual start. Inventory run though the AQC.net tool may meet rejection criteria, to resolve cases meeting rejection criteria see IRM 25.25.7.13, Manual Referrals and AQC.net Tool Rejects. The table below describes the AQC.net Tool reject criteria:

IDRS Research	Rejection Criteria
CC TXMODA	- TC 150 has not posted. - TC 29X posted or pending. - TC 30X posted or pending. - TC 424, TC 425, or TC 420 posted or pending. - TC 740 or TC 841 with DLN julian date "999". - Any of the following freezes are present: A-, -A, B-, -B, D-, -D, E-, F-, -F (unless posted payment is for Automated Questionable Credit Program (AQC) case), G-, -G, I-, -I, K-, -K, -L, M-, -M, -N, -O, Q, -S, T-, -T, -U, U-, V-, -V, W-, -W, X-, -X, Y-, -Y, Z-, -Z Reminder: Although these cases are not worked by the

	AQC tools, they must be routed/resolved per IRM 21.5.6.4, Freeze Code Procedures, for resolution. Any open control with a Category Code other than "QRPA" or "AM01" through "AM09".
CC ENMOD	- TC 971 Action Code (AC) 136 referral to Exam. - TC 971 AC 501 Taxpayer identified IDT case. - TC 971 AC 506 IRS identified IDT case. - TC 971 AC 524 Locked taxpayer account. - TC 971 AC 525 is applied to the Social Security Number (SSN) owner when an Individual Taxpayer Identification Number (ITIN) taxpayer is using the Social Security Number (SSN) for employment.
CC UPTIN	Any Individual Master File (IMF) Unpostable Code, (unless due to AQC payment posting or assigned to AQC TE). See IRM 21.5.5.3.2, Researching Unpostables on IDRS, for more information.
For partials (AQC17 & AQC26), in addition to the criteria listed above	- TC 150 (original total tax) greater than zero (0). - Amended Form W-2 reported on command code (CC) IRPTR for the tax period in question. - Fraudulent Payer Taxpayer Identification Number (TIN) showing in CC IRPTR for the tax period in question. - Taxpayer using prior year income to compute current year Earned Income Tax Credit (EITC). - Returns claiming Schedule C losses. - Returns claiming Household Income (HSH). - TC 766 CRN 336 and CRN 173, returns claiming both the Additional Child Tax Credit (ACTC) and Credit for Other Dependent (ODC). - TC 766 CRN 262, returns claiming the refundable Premium Tax Credit (PTC). # [REDACTED] # [REDACTED] - TC 766 CRN 256, returns claiming Recovery Rebate Credit. - Returns claiming a refundable credit on Form 4136, Credit for Federal Tax Paid on Fuels. See Form 4136 for applicable CRNs. - Any tax return prior to tax year 2017.

Exhibit 25.25.7-2 - Changing title name and adding NR as a return disposition code.

Automated Questionable Credit (AQC) EFDS/STARS Return Disposition Status Codes

Return Disposition Code	Description
AQ	Accepted by Automated Questionable Credit (AQC)
BQ	Batch for AQC
CL	Closed (Account Settled)
CQ	Statute Imminent
DL	Removed from Scheme Tracking and Referral System (STARS)
MQ	AQC Manual Review
NR	Non-Referable Return Note: Incoming Rule 7Z Inventory will have a disposition of NR.
PQ	Pending referral to AQC
PT	Questionable Premium Tax Credit (In Process of fraud determination)
QL	Closed (Account Settled on AQC)
TT	Full year prisoner with verified good income and/ or withholding and a questionable refundable credit
WQ	Statute Expired
XQ	Rejected by AQC

Exhibit 25.25.7-3 - Adding Case status and definitions to the table.

Case Status	Definitions
New	No letters have been sent by Automated Questionable Credit (AQC) and no action has been taken on the account
Corr Received	Correspondence has been received in Automated Questionable Credit (AQC) program.
Late Reply	Automated Questionable Credit (AQC) late replies are replies that are received after the case has been closed.
Manual Start	Automated Questionable Credit (AQC) cases that cannot be worked systemically through the AQC.net tool.
Surveyed	Refund released before Automated Questionable Credit (AQC) letters have gone out.
Suspended	A letter has been sent out and waiting for response
Rejected	Someone outside of AQC has resolved the case or it has been referred to another area for resolution
Closed:	AQC has resolved the case
Types of	Definitions

Responses	
Agreed	Taxpayer responded to the AQC letter and agreed to the proposed changes
Disagreed Substantiated (No Change)	Taxpayer responded to the AQC letter and substantiated the original claim and the refund is released by AQC without an adjustment.
Disagreed Unsubstantiated	Taxpayer responded to the AQC letter and not able to substantiate the original claim.
ID Theft	Taxpayer responded to the AQC letter and claims to be a victim of identity theft.
Other	• The suspense timeframe has passed and the taxpayer has not responded to the AQC letter and a subsequent letter has been issued or the account has been adjusted to the proposed changes. • Taxpayer filed a petition in the United States Tax Court. • The taxpayer responds to the Letter 105C, Claim Disallowed, or Letter 106C, Claim Partially Disallowed. and is appealing the decision to disallowance the claim.