

IRM PROCEDURAL UPDATE

DATE: 01/31/2025

NUMBER: ts-21-0125-0150

SUBJECT: Various Updates and Procedural Clarifications Including Clean Vehicle Credit; Withholding Tax Credit

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

CHANGE(s):

IRM 21.6.3.4.1.38.2 Added that taxpayers who no longer qualify for a Clean Vehicle Credit transferred to the dealer at time of sale, will be required to repay the advance.

(1) Taxpayers who incorrectly calculate or do not include a Form 8936, Schedule A, Clean Vehicle Credit Amount, when filing their original return may be issued a math error during original processing. Due to limitations with VIN validation, if there is a VIN mismatch or duplicate VIN, **and** it is a paper return or there are more than two VINs on a Mef return, the account will be reviewed by SBSE. If after review, SBSE determines the VIN is invalid, they remove the credit and issue a Letter 474C. The account will have a math error but not a Taxpayer Notice Codes (TPNC). See paragraph (2) below for account notations.

ERS assigns the following TPNCs for errors related to clean vehicle credits (CVC) identified during processing:

TPNC	Description
832	We didn't allow all or part of the amount claimed as Clean Vehicle Credits, Form 8936, on your return because the credit is limited to the total amount of your tentative tax liability.
833	We didn't allow all or part of the credit claimed as Clean Vehicle Credit on your return because one or more of the Vehicle Identification Number(s) (VIN) reported on Form 8936, Schedule A, Clean Vehicle Credit Amount, did not match our records.
835	We didn't allow the amount claimed as Clean Vehicle Credits amount on your tax return because Form 8936, Schedule A, was incomplete or not attached to your tax return.
836	We changed the amount claimed as Clean Vehicle Credit, Form 8936, on your tax return. The error was in the computation of the credit or in the transferring of the amount to your tax return.
837	We changed the amount claimed as Clean Vehicle Credit Amount Form 8936, Schedule A, on your tax return. The error in part II, Credit Amount for Business/Investment Use Part of New Clean Vehicle, was in the computation of the credit or in the transferring of the amount.
838	We changed the amount claimed as Clean Vehicle Credit Amount Form

	8936, Schedule A, on your tax return. The error in Part III, Credit amount for Personal Use Part of New Clean Vehicle, was in the computation of the credit or in the transferring of the amount.
839	We changed the amount claimed as Clean Vehicle Credit Amount from Form 8936, Schedule A, on your tax return. The error in Part IV, Credit Amount for Previously Owned Clean Vehicle, was in the computation of the credit or the transferring of the amount.
841	We changed the amount claimed as Clean Vehicle Credit Amount Form 8936, Schedule A, on your return. The Placed in Service Date is not during the tax year of the return.
842	We changed the amount claimed as Clean Vehicle Credit Amount Form 8936, Schedule A, on your tax return. The error on Form 8936, Schedule A, is due to the computation of the credit exceeding the maximum vehicle credit amount allowed.
843	We changed the amount claimed as Clean Vehicle Credit. You figured or transferred your Form 8936, Clean Vehicle Credits, amount incorrectly to Form 3800.
248	We adjusted the tax on your return because you either calculated or transferred the amount of Additional Taxes from Schedule 2, Part I incorrectly.

(2) Original tax returns claiming CVC are screened prior to posting to Master File. If the return meets the criteria for review, a TC 971 AC 831 with MISC: CVC posts to the tax module. A TC 570 generates and a -R freeze holds the entire overpayment. See IRM 21.5.6.4.35, -R Freeze, for more information.

Reminder: If the tax module contains a control in Monitor (M) status, do **not** send a 4442/e-4442 to the open control. Advise the taxpayer the return is still being reviewed and they will receive their refund or a letter once the review has been completed.

(3) If the taxpayer contacts the IRS regarding a CVC math error (either a TPNC or Letter 474C response issued by SBSE), follow procedures in IRM 21.5.4.4, Math Error Procedures Processing. If the math error is specifically related to the vehicle's VIN, verify the VIN provided via the VIN Lookup Tool. See IRM 21.6.3.4.1.38.3(2), Form 8936, Clean Vehicle Credits - Adjusting the Account.

If	Then
VIN is valid	Adjust the account following IRM 21.5.4.4.4, Math Error Substantiated Protest Processing.
VIN is invalid - phone call	Explain the reason for the math error and provide the taxpayer with the VIN qualifications from IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications. If the taxpayer still requests an abatement, follow procedures in IRM 21.5.4.4.5, Math Error Unsubstantiated Protest Processing.
VIN is invalid - correspondence	Follow procedures in IRM 21.5.4.4.5, Math Error Unsubstantiated Protest Processing.

(4) Beginning January 1, 2024, taxpayers may elect to transfer the entirety of their allowable new or previously-owned clean vehicle credit to a registered dealer to reduce the cost of a new or previously-owned clean vehicle. The election will be reflected on the taxpayers' 2024 tax module and reconciled on their tax year 2024 return filed in processing year 2025.

- A taxpayer may make no more than two transfer elections per taxable year (two transfers of the new clean vehicle (30D) credit or one 30D credit and one previously-owned clean vehicle (25E) credit). These limitations do not apply to the number of CVCs claimed on their return.
- For previously-owned clean vehicles (25E), each individual may only claim (by credit transfer or on their return) one 25E CVC during any three-year period.

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

IRM 21.6.3.4.1.38.3 Added information about updated VIN/TIN lookup tool for clean vehicles.

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

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

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

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

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

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

The tool will respond as indicated below.

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

After clicking on a valid TIN, the tool will open a page with the following:

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

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

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

Exception: #

[REDACTED]

Note: #

[REDACTED]

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

Row Number	If	And	Then
1	VIN(s) were not claimed on original return	# [REDACTED] #	# [REDACTED] #
2	VIN(s) are valid and were not claimed on original return	The vehicle and taxpayer meet all qualifications for the credit. See IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications.	Allow credit
3	VIN(s) were claimed on original return but not allowed	The vehicle and taxpayer now meet all qualifications for the credit. See IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications.	Allow credit
4	VIN(s) are missing on Form 8936 Schedule A	Taxpayer claims CVC.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.4.1, Setting the Initial Math Error Action.
5	VIN(s) are not valid	Taxpayer claims CVC.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.4.1, Setting the Initial Math Error Action.
6	VIN(s) are valid and match original return VIN(s)	CVC allowed for same VIN(s) on original return.	Recompute the tax liability on the amended return and deny the credit following math error procedures in IRM 21.5.4.4.1, Setting the Initial Math Error Action.
7	VIN(s) are valid and were not claimed on original return	Prior year and current year modified adjusted gross income (MAGI) are greater than the	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the

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

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	account contains an unreversed TC 971 AC 831 with MISC CVC (indicating the original return is still pending prepayment compliance review).		
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(4) To allow the credit:

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

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

IRM 21.6.3.4.2.2 Updated referral category in Paragraph 13 subsection B to "RIVO - ITIN Only - Wage/WH Verification".

(13) A taxpayer not eligible for an SSN must use an ITIN when filing their return. The taxpayer provides an SSN to the employer to obtain employment. Thus, the employer withholds income tax on the taxpayer's wages under the SSN the taxpayer provided, and any Form W-2 or Form 1099 filed with the IRS contains the SSN.

Note: For inquiries about Form 1042-S, see IRM 21.8.1.12.14, 180-Day Interest Free Period for Chapter 3 and Chapter 4 Withholding or Withholding on section 1446.

- a. When the taxpayer files their return and claims the credit for income tax withheld, the taxpayer must demonstrate they truly earned wages for which the withholding credit is being claimed before the IRS can allow the credit. The taxpayer can provide documentation such as Form W-2, Form 1099, a pay stub, earnings statement, or a statement from their employer to verify the amount of federal income tax withheld.
- b. When an ITIN taxpayer files an amended or supplemental return and the additional income and/or withholding is reported under an SSN, or when the name on the return doesn't match the name on the W-2, if you are able to verify the wages and withholding have been reported using CC IRPTR (under the ITIN or SSN), allow the income and withholding.
If the wages and withholding cannot be verified on current year returns prior to IRPTR being fully loaded, document the CII case information on an e-4442, Inquiry Referral (by selecting the AMS category "RIVO - ITIN Only - Wage/WH Verification") and route to Return Integrity Verification Operations (RIVO). Suspend the CII case. Within 30 days, RIVO verifies the income and

withholding, adds history to AMS stating "income verified good" or "unable to verify income", and updates the IDRS control base activity to alert the employee RIVO's process is complete. Allow or disallow the claim based on RIVO's response, or based on IRPTR for prior years, see IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. If you have not received a response from RIVO (and the information is still not available on CC IRPTR), after 60 days, resuspend your case and send another e-4442.

Note: Do not request verification of income and/or withholding allowed during original processing.

IRM 21.6.3.4.2.2 Removed verbiage "on the amended return" from paragraph 10, first bullet.

(10) If the withholding exceeds the threshold in (9) **AND** documentation (paper or electronic copy of income documents (W-2, 1099, etc), is not available, **OR** the withholding associated with social security (SSA) benefits or other types of income is questionable (regardless of the tolerance in (9)), use CC IRPTR, or the Transcript Delivery System (TDS), to access a summary of the Information Returns Master File data extracted from Forms W-2/W-2G and Forms 1099.

Exception: RICS identifies potential withholding mismatches on electronically filed amended return with a TC 971 AC 123 MISC 1040X INC MISMATCH. In this case, IRP data is the only acceptable substantiation for withholding increases. Only allow up to the amount of withholding shown on CC IRPTR.

- If the withholding is substantiated and all the income is reported, allow the withholding, up to the amount requested. When allowing withholding based on CC IRPTR, see IRM 21.5.1.4.12, Tolerances, paragraph 1 (NOTE), for questionable responses.
- If the withholding is not substantiated or the income is not reported, "no consider" the claim following procedures in IRM 21.5.3.4.6.3, No Consideration Procedures.
- If the withholding is only partially substantiated, see IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.
- If the taxpayer reports income resulting in a tax increase and additional withholding is not verifiable, follow procedures in IRM 21.5.3.4.1.1, Tax Increase and Credit Increase Processing. For electronically filed amended returns with a TC 971 AC 123 MISC 1040X INC MISMATCH on the account, if the taxpayer responds with a paper copy of the income document (W-2, 1099, etc.), it can be used as substantiation.

IRM 21.6.3.4.2.2.1 Added instruction to input a TC 170 for zero (.00) when decreasing withholding and/or transferring timely payments from the module and tax is also being adjusted when there is not a Computer Condition Code (CCC) "P" present.

(1) Check for possible estimated tax (ES) penalty changes. (Refer to IRM 20.1.3, Estimated Tax Penalties)

If	And	Then
TC 176/177 is on the module	N/A	the ES penalty is systemically recomputed Reminder: Priority Code 8 is not required.
TC 170/171 is on the module	Document Locator Number (DLN) doc code is 17, 18, 24, 47, 51, 52 or 54	<ul style="list-style-type: none"> Manually recompute and adjust the ES penalty as necessary. Refer to IRM 20.1.3.2.2, Manual Penalty Adjustments. Priority Code 8 is not required if a TC 170 or TC 171 is input. Priority Code 8 is required if the ES penalty is not being adjusted.
TC 170 is on the module	Has the same DLN as the TC 150 (DLN doc code is not 17, 18, 24, 47, 51, 52, or 54)	<p>The ES penalty systemically recomputes but is adjusted only if # [REDACTED] # .</p> <p>Reminder: Use of Priority Code 8 is not required.</p>

Note: Input a TC 170 for zero (.00) when decreasing withholding and/or transferring timely payments from the module and tax is also being adjusted when there is not a Computer Condition Code (CCC) "P" present.

(2) Input an adjustment to allow the W/H credit using:

- a. TC 290 .00, if no tax change is required.
- b. CRN 806 to increase the posted credit, or CRN 807 with a minus (-) to decrease the posted credit.

Note: If decreasing the withholding because the taxpayer overstated their federal income tax withholding credit on a previously filed return or claim for refund, see IRM 21.4.5.5.3, Category B Erroneous Refunds, to ensure using a TC 807 is correct.

- c. RC 051 with the applicable source code and blocking series.

IRM 21.6.3.4.2.4 Added link to IRM 21.8.2.7, Visa Holders - General in paragraph 6 for visa holders who are exempt from FICA tax.

(6) If FICA taxes were withheld when the taxpayer is not liable for FICA tax, see IRM 21.7.2.4.4.4.2, Excess Social Security and Medicare Tax Withheld - Employee Claims for Refund.

Note: If the taxpayer is a visa holder, and exempt from FICA, see IRM 21.8.2.7, Visa Holders - General, and its subsections for more information.

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

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

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

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

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

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

disability). Refer to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.

- # [REDACTED]