

IRM PROCEDURAL UPDATE

DATE: 05/23/2025

NUMBER: ts-21-0525-3335

SUBJECT: Credits Updates and Clarifications

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

CHANGE(s):

IRM 21.6.3.4.2.3 Updated note in paragraph 2 to state if paid in full by January 31 or the Monday after if it falls on holiday.

(2) ES payments are submitted with Form 1040-ES. Payment due dates for a calendar year return (unless the due date falls on a Saturday, Sunday, legal holiday, or as otherwise extended) are:

- April 15
- June 15
- September 15
- January 15 of the following year

Note: If the tax return is filed and remaining tax due paid by January 31 (or the Monday following, if January 31 falls on a weekend), the taxpayer doesn't need to make the January 15 payment.

IRM 21.6.3.4.2.12.5.1 Updated note in paragraph that we can correct the taxpayers MAGI.

(1) A loose Form 1095-A and/or Form 8962 received in Accounts Management may be a response to a Letter 12C, an attempt to claim a credit or report additional tax owed, or as an attachment to the taxpayer's return.

(2) When a loose Form 1095-A and/or Form 8962 is received and a return has **not posted**, refer to the following table:

If	Then
The return is in ERS suspense (status 2XX/3XX/4XX) and ERS requested the Form 1095-A and/or Form 8962 (as shown on CC ENMOD, Letter 12C, paragraphs 4, 5, 6, 7, 8, 9, a, b, c, or d).	Fax the Form 1095-A and/or Form 8962 to the ERS campus, see IRM 21.4.1.4.1.2.6, Error Resolution System (ERS) Status Codes, for ERS status codes and for fax numbers.
The return is not in ERS suspense, or ERS	See IRM 21.5.1.4.4, Processing of

did not request the Form 1095-A and/or Form 8962	Loose Forms or Schedules
--	--------------------------

(3) When a loose Form 1095-A and/or Form 8962 is received and a return **has posted**, refer to the following table:

If	Then
Compliance activity on the module	See IRM 21.5.6.4.10, -E Freeze, and IRM 21.5.10.4.1.2, Compliance Refund Hold Projects.
You can determine that no adjustment is necessary, such as a Form 8962 is on file and the data matches.	Add a case note to identify the loose form.
An adjustment is needed (data doesn't match) and sufficient information is available. Note: Form 8962 cannot be "dummied". If a taxpayer lived in Alaska or Hawaii at any time during the year, they can use the FPL table with the higher dollar amounts. They must indicate which Federal Poverty Line (FPL) table applies. We cannot determine which FPL table applies. We cannot determine the dependent's MAGI, but we can update Form 8962 and correct the taxpayer's MAGI based on account figures.	See IRM 21.6.3.4.2.12.5, Premium Tax Credit Notice / Letter Responses. Reminder: If the account contains an I- freeze, be sure to follow procedures found in IRM 21.5.6.4.17, I- Freeze, for updating the return processable date.
You are unable to determine an adjustment is needed, or an adjustment is needed but sufficient information is not available to make the adjustment (such as only Part I completed)	Advise the taxpayer that a Form 1040-X and/or completed Form 8962 is required to change the original return.

Note: A Form 1095-A marked as Void means the form is no longer valid. The taxpayer is not liable for any APTC originally reported on the form, nor are they eligible for any credit for data originally reported. The taxpayer does not need to submit Form 8962 to update the account. See IRM 21.5.6, Freeze Code Procedures, to address any freezes that are related to the missing form (e.g., Letter 12C sent for missing Form 8962).

IRM 21.6.3.4.2.12.6.1 Updated paragraph 3 with additional scenarios.

(3) When a third-party data discrepancy is identified:

1. Compare the AVS data to CC IRPOL or Form 1095-A, if attached. If the Form 1095-A is hand-written, use CC IRPOL data.
If CC IRPOL or Form 1095-A data matches the taxpayer's figures, run the calculator again without CDR validation.

If CC IRPOL data matches AVS, or doesn't match but is different than the taxpayer's figures, or when there is no Form 1095-A and no CC IRPOL data, continue with 2.

If multiple policies are shown in AVS policy details, address each one.

2. Determine if correspondence was previously sent addressing the issue, such as a Letter 12C or Letter 178C.

If correspondence was previously sent, follow the incomplete or no response procedures below.

If correspondence was not sent, send Letter 178C or Letter 324C, using the ACA paragraphs, and suspend the case for 40 days.

IRM 21.6.3.4.2.14 Added link to IRM 25.6.1.10, Claims, Abatements and Refunds, to IRM 21.6.3.4.2.14, Recovery Rebate Credit (RRC), that normal statute procedures apply to all RRC scenarios.

(1) Taxpayers who didn't receive the Economic Impact Payments (EIP), or received less than entitled to, as shown in IRM 21.6.3.4.2.13, Economic Impact Payments, may qualify for the Recovery Rebate Credit (RRC). RRC is a refundable credit on the tax year 2020 / 2021 return and is based on the following:

Legislation	Credit amount	Applicable posting tax year
The Coronavirus Aid, Relief and Economic Security (CARES) Act IRC 6428	The sum of \$1,200 (\$2,400 if married filing jointly), plus an additional \$500 for each qualifying child.	2020 Fiscal year filers (202101 - 202111)
The Consolidated Appropriation Act, 2021 IRC 6428A	The sum of \$600 (\$1,200 if married filing jointly), plus an additional \$600 for each qualifying child.	2020 Fiscal year filers (202101 - 202111)
American Rescue Plan Act of 2021 IRC 6428B	The sum of \$1,400 (\$2,800 if married filing jointly), plus an additional \$1,400 for each qualifying dependent.	2021 Fiscal year filers (202201 - 202211)

Note: Credit may be reduced based on income limitations.

(2) For tax year 2020, taxpayers compute the RRC based on eligibility shown on their tax year 2020 return. RRC is reduced by the first and second EIPs. Any remaining credit is claimed on the tax year 2020 return. If the taxpayer was eligible for EIP 1 and/or 2 based on their 2018 or 2019 tax return, but the credit based on their 2020 tax return is less than the EIPs they received, no repayment is required. For tax year 2021, RRC is based on eligibility shown on their tax year 2021 return

and is reduced, but not below zero, by the third EIP. If the taxpayer was eligible for EIP 3 based on their 2019 / 2020 tax return, but the credit based on their 2021 tax return is less than the EIP they received, no repayment is required.

Example: A taxpayer received EIP 1 of \$1,700 based on their 2019 return filed as HOH with one qualifying child (QC). EIP 2 was issued for \$1,200. They filed their 2020 return as HOH with two QC. The taxpayer is entitled to \$1,100 for RRC. (\$500 + \$600 for the second QC.)

Example: A taxpayer received EIP 1 of \$3,400 based on their 2019 return filed as MFJ with two QC. EIP 2 was issued for \$2,400. They filed their 2020 return as MFJ with two QC but different from the two QC claimed on their 2019 return. The taxpayer is entitled to \$0 for RRC because the taxpayer received the maximum credit for two eligible individuals and two QC.

Example: A taxpayer received EIP 1 of \$2,900 based on their 2019 return filed as MFJ with one QC. EIP 2 was issued for \$1,800. They filed their 2020 return as HOH with one QC so the taxpayer should have received a total of \$2,900 (EIP 1 \$1,200 + \$500 and EIP 2 \$600 + \$600). The taxpayer's share of the EIP already received is \$2,350 (\$4,700/2). The taxpayer is entitled to Recovery Rebate Credit of \$550 on the 2020 return (\$2,900-\$2,350).

Example: A taxpayer received EIP 3 of \$4,200 in April of 2021 based on their 2019 return filed as MFJ with one QC. In June of 2021 they filed their 2020 return as MFJ with two QC. They were sent a "plus up" payment of \$1,400 for the additional child once their 2020 return posted. In March of 2022 they filed their 2021 tax return as MFJ with three QC. They are entitled to \$1,400 RRC for the third QC.

Example: A taxpayer received EIP 3 of \$2,800 in May 2021 based on their 2020 return filed as HOH with one QC. The taxpayer filed their 2021 return in March 2022 as Single with no QC. The taxpayer is entitled to \$0 Recovery Rebate Credit but does not owe back the \$1,400 EIP they received for the child claimed on their 2020 return.

(3) The refund is issued from the tax year 2020 / 2021 module. See IRM 21.6.3.4.2.14.1, Recovery Rebate Credit - Adjusting the Credit, for the transaction codes used to identify the payment.

(4) Eligibility for RRC is the same as EIP (unless specified). Refer to IRM 21.6.3.4.2.13, Economic Impact Payments, for eligibility criteria for each EIP. If using the table for RRC eligibility, make sure to use the correct year when necessary (e.g., eligibility for RRC for a missing EIP 3 payment is based on 2021 AGI). If eligibility for RRC is not met, the taxpayer was issued and received (i.e., was not returned to the account) the full amount of EIP they were entitled to, or the full amount of RRC they were entitled to on either an original or amended return, refer to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.

Note: Eligibility for RRC is subject to normal statute procedures. See IRM 25.6.1.10, Claims, Abatements and Refunds.

Exception: Taxpayers must have a valid SSN assigned before the return due date, disaster return due date, or the extended due date, if an extension was filed. If a joint return is filed and only one spouse has a valid SSN, a partial credit is allowed.

(5) For taxpayers who do not have a filing requirement or would not normally need to file but may be eligible for the RRC, they **must** file a 2020 / 2021 tax return. Individuals who are e-filing only to claim the RRC should use the following for prior year AGI verification:

- If the Non-Filers tool was used to file a 2019 return to register for an EIP, "\$1" was entered as the prior year AGI verification.
- If they did not use the Non-Filers tool and did not file a return for 2019, or 2020 as applicable, then "\$0" was entered as the prior year AGI verification.

Note: If an EIP is returned and the taxpayer is now eligible for RRC but has not filed a return, advise the taxpayer they must file a tax return to claim the RRC. Advise the taxpayer normal Refund Statute Expiration Date (RSED) procedures apply. The RSED is generally three years from the Return Due Date (RDD) for prepaid credits if a return was filed, or two years from the payment date for other payments whichever is later. See IRM 25.6.1, Statute of Limitations Processes and Procedures, for further explanations.

The filing deadline to claim RRC if the taxpayer has not filed a return was May 17, 2024, for tax year 2020 and April 15, 2025 for tax year 2021.

(6) While the law allows RRC to offset, the IRS's policy is that RRC does not offset to an IRS debt, but does offset to non-tax debts. Some RRC offset in early March 2021 prior to the policy change. There is no recourse for those that did offset, unless injured spouse applies.

(7) Overpayment Interest - Unlike EIP refunds, where no interest was allowed, interest is paid on RRC refunds and/or offsets, when permitted under normal interest rules. See IRM 20.2.4, Overpayment Interest, for information.