

IRM PROCEDURAL UPDATE

DATE: 08/14/2024

NUMBER: ts-03-0824-0917

SUBJECT: Reason Codes

AFFECTED IRM(s)/SUBSECTION(s): 3.11.6

CHANGE(s):

IRM 3.11.6.14.1.1.3(2) (3), Unemployment Compensation Exclusion (UCE) - Tax Year 2020 Only (Line 1) - Updated linked references. SERP Feedback #22176.

(2) See IRM 21.6.6.2.48, Unemployment Compensation Exclusion due to American Rescue Plan Act (ARPA) of 2021, for qualifications, MAGI calculation, and systemic recovery information. For additional information, see IRS Statement - American Rescue Plan Act of 2021 Internal Revenue Service.

Note: If instructed to forward to the AM HQ Analyst take the following action:

1. Give the case to your lead.
2. The lead must follow normal procedures to refer the case to HQ and suspend the case for 30-days to allow time for the UCE issue to be addressed.
3. At the end of the suspense period process the case as normal. If the UCE issue hasn't been addressed, follow the instructions in the previous step.

(3) Follow IRM 21.6.6.2.48.1, Account Adjustments for the UCE, when adjusting the UCE.

IRM 3.11.6.15.5(3), Reason Codes (RC) - Updated the Form 8936 reason codes. SERP Feedback #22177.

(3) The reason code table below, lists the common reason codes used in Submission Processing and the line reference number.

Reason Code	Adjustment Item
001	Change Filing Status to Single.
002	Change Filing Status to Married Filing Jointly.
003	Change Filing Status to Married Filing Separate.
004	Change Filing Status to Head of Household.
005	Change Filing Status to Qualifying Surviving Spouse with dependent Child(ren).

007	<p>Income For Wages, Salaries, Tips, Etc.</p> <ul style="list-style-type: none"> • Bonus (W-2/Wage related) • Dependent Care Benefits • Disability • Employer Provided Education Asst. (IRC 127) • Form Wages • Grant (Form W-2) • Scholarship (Form W-2) • Third-Party Sick Pay • Salary Deferrals
008	<p>Interest And/or Dividend Income</p> <ul style="list-style-type: none"> • Form 1099-DIV, Dividends and Distributions • Form 1099-INT, Interest Income • Form 1099-OID, Original Issue Discount • Form 8815, Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989 • Schedule B, Interest and Ordinary Dividends • Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc. • Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc. • Schedule K-1 (Form 1120-S), Shareholder's Share of Income, Deductions, Credits, etc.
012	<p>Business Income (Or Loss)</p> <ul style="list-style-type: none"> • Form 1099-K, Payment Card and Third Party Network Transactions • Form 6198, At-Risk Limitations • Schedule C, Profit or Loss From Business (Sole Proprietorship)
013	<p>Investment Gain (Or Loss)</p> <ul style="list-style-type: none"> • Cost Basis • Form 1099-B, Proceeds From Broker and Barter Exchange Transactions • Form 1099-S, Proceeds From Real Estate Transactions • Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains • Form 4684, Casualties and Thefts • Form 6252, Installment Sale Income • Form 4797, Sales of Business Property • Form 44952, Investment Interest Expense Deduction • Form 8824, Like Kind Exchanges • Sale of Home (non-military)

	<ul style="list-style-type: none"> • Schedule D, Capital Gains and Losses • Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc. • Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc. • Schedule K-1 (Form 1120-S), Shareholder's Share of Income, Deductions, Credits, etc.
016	<p>Pensions and Annuities</p> <ul style="list-style-type: none"> • 401(K) • 403(b) • Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. • Form RRB-1099-R • Form 5329, Additional Taxes on Qualified Plans (including IRAs) and other Tax-Favored Accounts • Form 8606, Nondeductible IRAs • IRA Distribution
018	<p>Schedule E Income (Or Loss)</p> <ul style="list-style-type: none"> • Farm Rental • Form 1099-MISC, Miscellaneous Information • Form 4835, Farm Rental Income and Expenses • Form 4952, Investment Interest Expense Deduction • Form 6198, At-Risk Limitations • Form 1099-K, Payment Card and Third Party Network Transactions
019	Schedule F, Profit or Loss From Farming
020	<p>Unemployment Compensation</p> <ul style="list-style-type: none"> • Form 1099-G, Certain Government Payments • Unemployment Compensation Exclusion (UCE)
021	<p>Other Income</p> <ul style="list-style-type: none"> • 2014-7 Income exclusion for qualified Medicaid waiver payments or difficulty of care payments • Alaska Permanent Fund • Alimony Received • Awards • Employee Stock Ownership Plan (ESOP) • Form 1099-A, Acquisition or Abandonment of Secured Property • Form 1099-C, Cancellation of Debt • Form 1099-G, Certain Government Payments • Form 1099-MISC, Miscellaneous Information

	<ul style="list-style-type: none"> • Form 1099-NEC, Nonemployee Compensation • Form 8814, Parent's Election to Report Child's Interest and Dividends • Form W-2G, Certain Gambling Winnings • Gifts • Jury Duty Pay • Medical and Life Insurance Reimbursements • Prizes • Self-Employment Income (not reported on Schedule C, Schedule E or Schedule F) • State and Local Tax Refund • Taxable Coverdell Education Savings Account (ESA) • Taxable Scholarship / Grants (not reported on Form W-2) • Third-Party Sick Pay
025	<p>Amount Claimed As Payment Made To A Qualified Retirement Plan</p> <ul style="list-style-type: none"> • KEOGH • KPERS • SARSEP • SEP • SIMPLE
027	Additional tax on Early Withdrawal of Savings
029	<p>Taxable Social Security Benefits</p> <ul style="list-style-type: none"> • Form RRB-1099-R • Form SSA-1099 • Form SSA-1099-SM • SSA income for prior years
030	<p>Adjustments to Income</p> <ul style="list-style-type: none"> • Alimony Paid (without recipient's SSN) • Educator Expenses • Form 1098-E, Student Loan Interest Statement • Form 2106, Employee Business Expenses • Form 3903, Moving Expenses • Form 8917, Tuition and Fees Deduction • Military Family Relief Act • SE Tax (Deductible portion) • SE Health Insurance Deduction • Write-ins on Adjustments to Income <ul style="list-style-type: none"> - Attorney fees - Awards - Contributions by Chaplains - Contributions to Nonprofit Pension Plans - Expenses/Rental Personal Property

	<ul style="list-style-type: none"> - Jury Pay - Reforestation
033	<p>Additional Taxes From Form 4970, 4972 Or 8814</p> <ul style="list-style-type: none"> • Form 4970, Tax on Accumulation Distribution of Trusts • Form 4972, Tax on Lump-Sum Distributions • Form 8814, Parent's Election to Report Child's Interest and Dividends • Section 72(m)(5) Penalty
035	<p>Education Credits</p> <ul style="list-style-type: none"> • Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits)
036	<p>Tax Credits</p> <ul style="list-style-type: none"> • Non-refundable Child Tax Credit (CTC) • Form 2441, Child and Dependent Care Expenses • Form 3468, Investment Credit • Form 3800 General Business Credit • Form 5695, Residential Energy Credit • Form 5884, Work Opportunity Credit • Form 6478, Biofuel Producer Credit • Form 6765, Credit for Increasing Research Activities • Form 8396, Mortgage Interest Credit • Form 8586, Low Income Housing Credit • Form 8820, Orphan Drug Credit • Form 8826, Disabled Access Credit • Form 8834, Qualified Plug-in Electric and Electric Vehicle Credit • Form 8835, Renewable Electricity, Refined Coal, and Indian Coal Production Credit • Form 8864, Biodiesel and Renewable Diesels Fuels Credit • Form 8874, New Markets Credit • Form 8880, Credit for Qualified Retirement Savings Contributions • Form 8881, Credit for Small Employer Pension Plan Startup Costs and Auto-Enrollment • Form 8882, Credit for Employer Provided Childcare Facilities and Services • Form 8896, Low Sulfur Diesel Fuel Production Credit • Form 8900, Qualified Railroad Track Maintenance Credit • Form 8907, Non-conventional Source Fuel Credit • Form 8910, Alternative Motor Vehicle Credit • Form 8911, Alternative Fuel Vehicle Refueling Property Credit • Schedule 8812, Credits for Qualifying Children and Other Dependents • Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit

	(Including Qualified Two-Wheeled Plug-in Electric Vehicles) (Tax Year 2022 and prior)
043	Schedule D, Capital Gains and Losses, tax computation
044	Self-Employment Tax (Schedule SE, Self-Employment Tax)
045	Alternative Minimum Tax (Form 6251, Alternative Minimum Tax - Individuals)
046	Schedule J, Income Averaging For Farmers and Fishermen
048	Form 5329, Additional Tax on Early Distributions or Certain Distributions from Education Accounts <ul style="list-style-type: none"> Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
049	Total tax <ul style="list-style-type: none"> Other substantiated taxes on Form 1040-X Uncollected SS Tax / Medicare Tax (UT)
051	Total Federal Income Tax Withheld
053	Earned Income Tax Credit (Allowance/Increase/Decrease)
054	CP 09 or CP 27 Earned Income Credit Disallowed
055	Excess Social Security Tax Or RRTA Tax Withheld
057	Regulated Investment Company Credit <ul style="list-style-type: none"> Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains
061	Payments <ul style="list-style-type: none"> Additional Child Tax Credit (ACTC) Refundable Child Tax Credit (RCTC) - Tax Year 2021 only Form 4136, Credit for Federal Tax Paid on Fuels Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals Schedule 8812, Credits for Qualifying Children and Other Dependents Schedule 8812, Additional Child Tax Credit (TY 2020 and prior)
065	Penalty Charge <ul style="list-style-type: none"> Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts
076	Schedule A, Itemized Deductions
092	Standard Deduction
096	Tax Relief Credit

	<ul style="list-style-type: none"> • Recovery Rebate Credit (RRC)
099	Miscellaneous Account Information <ul style="list-style-type: none"> • Any reason not listed • Unexplained Form 1099 income • When instructed by a specific IRM
106	Refundable Education Credit <ul style="list-style-type: none"> • Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits)
173	Credit for Other Dependents
221	Advance CTC Repayment computer. Valid for tax period 202112 – 202211 adjustments input with IRN 818 to MFT 30.
233	Form 8936, Clean Vehicle Credits (Tax Year 2023 and later)

Text Only Link

REASON CODE CHART

Filing Status Changes	Adjusted Gross Income (continued)
001 Change to Single 002 Change to Married Filing Jointly 003 Change to Married Filing Separately 004 Change to Head of Household 005 Change to Qualifying Surviving Spouse	020 Unemployment Compensation (Fm 1099-G) Unemployment Compensation Exclusion (UCE),
Adjusted Gross Income	021 Other Income Alaska Permanent Fund Alimony Received Awards ESOP Fm 1040 Fm 1099-A (Acquisition or Abandonment of Secured Property) Fm 1099-C (Cancellation of Debt) Fm 1099-G (State Income Tax Refund) Fm 1099-MISC Fm 1099-NEC Fm 8814 Fm W-2G (Gambling Winnings) Gifts Jury Duty Pay Medical & Life Insurance Reimbursements Prizes Self-Employment Income (not on Sch C, E, or F) State and Local Tax Refund Taxable Coverdell ESA Taxable Scholarships/Grants not reported on Fm W-2 Third Party Sick Pay
007 Wages, Salaries, Tips Bonus (Fm W-2 / Wage Related) Dependent Care Benefits Disability Employer Provided Education Asst. (IRC 127) Fm W-2 Wages Grant Salary Deferrals Scholarship Third Party Sick Pay	025 Qualified Retirement Plan Payments KEOGH KPERS SARSEP SEP SIMPLE
008 Interest / Dividend Income Fm 1099-INT / DIV / OID Fm 8815 Sch B Sch K-1 Interest	027 Penalty on Early Withdrawal of Savings
012 Business Income (or Loss) Fm 1099-K Fm 6198 (for Sch C support) Sch C	029 Taxable Social Security Benefits Fm RRB-1099 Fm SSA-1099 Income reported on Fm 1040, line 20b
013 Investment Income (Gain or Loss) Cost basis Fm 1099B / 1099S Fm 2439 Capital Gain Income Fm 4684 (for Sch D support) Fm 4797 Sale of Business Property Fm 4952 (for Sch D support) Fm 6252 (for Sch D support) Fm 8824 (for Sch D support) Sale of Home (non-military) Sch D Sch K-1 Capital Gain Income (for Sch D support)	030 Adjustments to Income Alimony Paid (without recipient's TIN present) Educator Expenses Fm 1098-E (Student Loan Interest) Fm 2106 Fm 3903, Moving Expenses Fm 8917, Tuition and Fees Deduction Jury Duty Pay Military Family Relief Act SE Tax (Deductible Part) SE Health Insurance Deduction
016 Pensions and Annuities 401(K) / 403(b) Income Added Disability retirement including Veterans Admin Fm 1099-R (Dist Code 1 or 7 only) / RRB-1099-R Fm 5329 Fm 8606 IRA Distribution	099 Miscellaneous Account Information Any Reason Not Listed Social Security Benefits Unexplained 1099 Income
018 Schedule E Income (or Loss) Farm Rental Fm 1099-K Fm 1099-MISC (Rents / Royalties) Fm 4835 Fm 4952 (for Sch E support) Fm 6198 (for Sch E support) Fm 8582 Sch E (Partnerships, S Corp, Estates) Sch K-1 Partnership Income Trusts	
019 Farming Income (or Loss) Fm 1099-G/CCC-1099-G (agricultural payments) Fm 1099 PATR (for Sch F support) Fm 6198 (for Sch F support) Sch F	

Figure 3.11.6-2
Adjustment Reason Code Chart

Text Only Link

REASON CODE CHART

Itemized & Standard Deduction	Other Taxes
076 Itemized Deductions / Schedule A Change from Standard Deduction to Sch A Foreign Income Tax (reported on Sch A) Fm 2106 (for Sch A support) Fm 4684 (for Sch A support) Fm 4952 (for Sch A support) Increase/Decrease to Itemized Deductions Phase-out of Itemized Deductions Sch A Sch K-1 (for Sch A support)	044 Self-Employment Tax (Sch SE) 048 Tax on Individual Retirement Arrangement (IRA) Fm 1099-R (Distribution Code 1) Fm 5329 Part I or II 122 Advance CTC Repayment computer Valid for tax period 202112 – 202211 adjustments input with IRN 818 to MFT 30.
092 Standard Deduction Change from Itemized to Standard Deduction Increase/Decrease to Standard Deduction Phase-out of Standard Deduction	Total Tax
Exemptions	033 Additional Taxes Fm 4970 (reported on Fm 1040) Sec. 72(m)(5) Penalty 049 Uncollected SS Tax / Medicare Tax (UT)
006 Total Exemption Amount (2017 and prior) Adding or removing exemptions claimed Fm 2120 Fm 8332 Increase/Decrease of Exemption Dollar Amount Claimed Phase-out of Exemption Amount	Federal Income Tax Withheld & Excess Social Security/RRTA Tax Withheld
Tax	051 Total Federal Income Tax Withheld 055 Excess Social Security or RRTA Tax Withheld
033 Additional Taxes Fm 4972 Fm 8814 043 Sch D Tax Computation* Indication of a revision to Sch D Tax Calculation Indication of a switch to Sch D Tax Calculation <small>*Includes Sch D, Sch D Worksheet, CGTW, & QDCGTW</small> 045 Alternative Minimum Tax (reported on Fm 6251) 046 Miscellaneous Account Information Sch J	Estimated Tax Payments
Non-Refundable Credits	061 Estimated Tax Payments
035 Education Credits (Fm 8863) 036 Non-Refundable Tax Credits Child Tax Credit - CTC Fm 2441 Fm 3800 (and Supporting Forms) Fm 5695 Fm 6478 Fm 6765 Fm 8396 Fm 8586 Fm 8609 Fm 8826 Fm 8834 Fm 8835 Fm 8864 Fm 8880 Fm 8907 Fm 8910 Fm 8936 (Tax year 2022 and prior)	Earned Income Tax Credit (EITC)
173 Credit for Other Dependents (ODC) 233 Clean Vehicle Credits (Fm 8936) (TY 2023 and later)	053 Earned Income Tax Credit (Sch EIC)
	Refundable Credits
	057 Regulated Investment Company Credit Fm 2439 Tax Paid 061 Payments and/or Credits Sch/Fm 8812 (Additional Child Tax Credit) Form 4136 (Credit for Federal Tax Paid on Fuels) Form 7202 (Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals) 096 Recovery Rebate Credit (RRC) 106 Refundable American Opportunity Credit (Fm 8863)
	Estimated Tax Penalty
	065 Change to Tax Penalty
	CP-08 Notices
	061 Additional Child Tax Credit
	CP-09 / CP-27 Notices
	017 and 053 Earned Income Tax Credit is allowed 054 Earned Income Tax Credit is disallowed

**Figure 3.11.6-3
Adjustment Reason Code Chart (continued)**

Editorial Changes - Fixed broken links and corrected typographical errors.