

IRM PROCEDURAL UPDATE

DATE: 10/03/2024

NUMBER: ts-03-1024-0998

SUBJECT: Error Code 163

AFFECTED IRM(S)/SUBSECTION(S): 3.12.251

CHANGE(S):

IRM 3.12.251.29.28(1) (2) - Corrected the Title for Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation.

(1) **Fields Displayed**

| Field Designator | Field Title |
|-------------------------|---|
| 01TXP | Tax Period |
| 2301E | Form 8826, Disabled Access Credit |
| 2301J | Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation |
| 2301K | Form 8882, Credit for Employer-Provided Childcare Facilities and Services |

(2) **Invalid Condition** - Error Code 163 generates when:

- Field 2301E - Form 3800, Part III, Line 1e (Form 8826, Disabled Access Credit) is # [REDACTED] # .
- Field 2301J - Form 3800, Part III, Line 1j (Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation) is # [REDACTED] #
- Field 2301K - Form 3800, Part III, Line 1k (Form 8882, Credit for Employer-Provided Childcare Facilities and Services) is # [REDACTED] #

IRM 3.12.251.29.28(3) a - Revised Correction Procedures for Form 1120 Error Code 163 - Form 3800 Credit Limits.

(3) **Correction Procedures:**

- a. When there is a credit claimed of # [REDACTED] # that should be or is claimed on the Form 3800, all pages of the Form 3800 must be present.

Any line marked with a # if for Official Use Only

Code and Edit will correspond if missing. If there is no indication that Code and Edit has corresponded, then issue Letter 118C. For more guidance refer, see IRM 3.12.251.29.37, Error Code 178 - General Business Credit Math Error.

- b. Correct coding and transcription errors and misplaced entries.
- c. Assign TPNC 08 or 09 as appropriate.

| TPNC | Explanation |
|------|--|
| 08 | The credit claimed was more than the law allows. |
| 09 | We found an error in the computation of your deductions. |

IRM 3.12.251.35.21.26(1) (2) (3) - Added new Correction Procedures for Form 1120-C Error Code 163 - Form 3800 Credit Limits. Procedures include workaround instruction until ERS programming can be corrected.

(1) Fields Displayed

| Field Designator | Field Title |
|------------------|---|
| 01TXP | Tax Period |
| 2301E | Form 8826, Disabled Access Credit |
| 2301J | Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation |
| 2301K | Form 8882, Credit for Employer-Provided Childcare Facilities and Services |

(2) Invalid Condition

- Field 2301E - Form 3800, Part III, Line 1e (Form 8826, Disabled Access Credit) is # [REDACTED] # .
- Field 2301J - Form 3800, Part III, Line 1j (Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation) is # [REDACTED] # .
- Field 2301K - Form 3800, Part III, Line 1k (Form 8882, Credit for Employer-Provided Childcare Facilities and Services) is # [REDACTED] # .

(3) Correction Procedures:

- a. Correct coding and transcription errors and misplaced entries.
- b. When there is a credit claimed of # [REDACTED] # that should be or is claimed on the Form 3800, all pages of the Form 3800 must be present. Code and Edit will correspond if missing. If there is no indication that Code and Edit has corresponded, then issue Letter 118C. For more guidance, see IRM 3.12.251.29.37, Error Code 178 - General Business Credit Math Error.

- c. GTSEC 23 and review the entries in Field 2301E (Form 8826), Field 2301J (Form 8881) and/or Field 2301K (Form 8882) to determine which field has a credit present that is more than the amount allowed. See the Invalid Condition above for the credit limitation on each form type (Form 8826, Form 8881, or Form 8882).
- d. Reduce the credit to the allowable amount. Send Letter 3833C to inform the taxpayer of the credit limitation. Use Paragraph "G" and notate the specific form type (ie. Form 8826, Form 8881, or Form 8882) in Fill-in "12", the original credit amount in Fill-in "13", and the changed credit value in Fill-in "14".

IRM 3.12.251.36.18.22(1) (2) (3) - Added new Correction Procedures for Form 1120-F Error Code 163 - Form 3800 Credit Limits. Procedures include workaround instruction until ERS programming can be corrected.

(1) Fields Displayed

| Field Designator | Field Title |
|------------------|-----------------------------------|
| 01TXP | Tax Period |
| 2301E | Form 8826, Disabled Access Credit |

(2) Invalid Condition

- Field 2301E - Form 3800, Part III, Line 1e (Form 8826, Disabled Access Credit) is # [REDACTED] # .
- Field 2301J - Form 3800, Part III, Line 1j (Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation) is # [REDACTED] # .
- Field 2301K - Form 3800, Part III, Line 1k (Form 8882, Credit for Employer-Provided Childcare Facilities and Services) is # [REDACTED] # .

(3) Correction Procedures:

- a. Correct coding and transcription errors and misplaced entries.
- b. When there is a credit claimed of # [REDACTED] # that should be or is claimed on the Form 3800, all pages of the Form 3800 must be present. Code and Edit will correspond if missing. If there is no indication that Code and Edit has corresponded, then correspond using Letter 118C. For more guidance, see IRM 3.12.251.29.37, Error Code 178 - General Business Credit Math Error.
- c. Field 2301J and Field 2301K do not display on Form 1120-F Error Code 163. GTSEC 23 and review the entries in Field 2301E (Form 8826), Field 2301J (Form 8881) and/or Field 2301K (Form 8882) to determine which field has a credit present that is more than the amount allowed. See the Invalid Condition above for the credit limitation on each form type (Form 8826, Form 8881, or Form 8882).

- d. Reduce the credit to the allowable amount. Send Letter 3833C to inform the taxpayer of the credit limitation. Use Paragraph "G" and notate the specific form type (i.e., Form 8826, Form 8881, or Form 8882) in Fill-in "12", the original credit amount in Fill-in "13", and the changed credit value in Fill-in "14".

IRM 3.12.251.38.17.20(1) (2) (3) - Added new Correction Procedures for Form 1120-L and Form 1120-PC Error Code 163 - Form 3800 Credit Limits. Procedures include workaround instruction until ERS programming can be corrected.

(1) Fields Displayed

| Field Designator | Field Title |
|-------------------------|---|
| 01TXP | Tax Period |
| 2301E | Form 8826, Disabled Access Credit |
| 2301J | Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation |
| 2301K | Form 8882, Credit for Employer-Provided Childcare Facilities and Services |

(2) Invalid Condition

- Field 2301E - Form 3800, Part III, Line 1e (Form 8826, Disabled Access Credit) is # [REDACTED] # .
- Field 2301J - Form 3800, Part III, Line 1j (Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation) is # [REDACTED] # .
- Field 2301K - Form 3800, Part III, Line 1k (Form 8882, Credit for Employer-Provided Childcare Facilities and Services) is # [REDACTED] # .

(3) Correction Procedures:

- Correct coding and transcription errors and misplaced entries.
- When there is a credit claimed of # [REDACTED] # that should be or is claimed on the Form 3800, all pages of the Form 3800 must be present. Code and Edit will correspond if missing. If there is no indication that Code and Edit has corresponded, then issue Letter 118C. For more guidance, see IRM 3.12.251.29.37, Error Code 178 - General Business Credit Math Error.
- GTSEC 23 and review the entries in Field 2301E (Form 8826), Field 2301J (Form 8881) and/or Field 2301K (Form 8882) to determine which field has a credit present that is more than the amount allowed. See the Invalid Condition above for the credit limitation on each form type (Form 8826, Form 8881, or Form 8882).

- d. Reduce the credit to the allowable amount. Send Letter 3833C to inform the taxpayer of the credit limitation. Use Paragraph "G" and notate the specific form type (ie. Form 8826, Form 8881, or Form 8882) in Fill-in "12", the original credit amount in Fill-in "13", and the changed credit value in Fill-in "14".

IRM 3.12.251.39.21.27(1) (2) (3) - Added new Correction Procedures for Form 1120-REIT and Form 1120-RIC Error Code 163 - Form 3800 Credit Limits. Procedures include workaround instruction until ERS programming can be corrected.

(1) Fields Displayed

| Field Designator | Field Title |
|-------------------------|---|
| 01TXP | Tax Period |
| 2301E | Form 8826, Disabled Access Credit |
| 2301J | Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation |
| 2301K | Form 8882, Credit for Employer-Provided Childcare Facilities and Services |

(2) Invalid Condition

- Field 2301E - Form 3800, Part III, Line 1e (Form 8826, Disabled Access Credit) is # [REDACTED] # .
- Field 2301J - Form 3800, Part III, Line 1j (Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation) is # [REDACTED] # .
- Field 2301K - Form 3800, Part III, Line 1k (Form 8882, Credit for Employer-Provided Childcare Facilities and Services) is # [REDACTED] # .

(3) Correction Procedures:

- Correct coding and transcription errors and misplaced entries.
- When there is a credit claimed of # [REDACTED] # that should be or is claimed on the Form 3800, all pages of the Form 3800 must be present. Code and Edit will correspond if missing. If there is no indication that Code and Edit has corresponded, then issue Letter 118C. For more guidance, see IRM 3.12.251.29.37, Error Code 178 - General Business Credit Math Error.
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- d. Reduce the credit to the allowable amount. Send Letter 3833C to inform the taxpayer of the credit limitation. Use Paragraph "G" and notate the specific form type (i.e., Form 8826, Form 8881, or Form 8882) in Fill-in "12", the original credit amount in Fill-in "13", and the changed credit value in Fill-in "14".