

IRM PROCEDURAL UPDATE

DATE: 07/23/2024

NUMBER: ts-21-0724-0863

SUBJECT: Procedures for Discrepancy Between IRS and SSA Self-Employment Income

AFFECTED IRM(s)/SUBSECTION(s): 21.6.4.4.14.4

CHANGE(s):

IRM 21.6.4.4.14.4 Added If/Then chart with specific directions when there is an IRS and SSA discrepancy on self-employment income.

(1) Data from adjustments to self-employment (SE) tax is sent to Social Security Administration (SSA) electronically. SSA notifies the Internal Revenue Service if there are discrepancies in adjustment data. Examples of possible discrepancies are:

- SE tax incorrectly computed on SE tax earnings limit, less the taxpayer's net profit, rather than on the net profit.
- SE tax reported on net earnings under \$400.
- Reportable tax year incorrect.
- Money amounts incorrect.
- Invalid, insufficient, or missing data.

(2) Taxpayers may contact the IRS due to a self-employment income discrepancy between the IRS and SSA records. If SSA does not have any or an incorrect amount of self-employment income for the taxpayer, the taxpayer must be able to provide proof of the income **and** proof of timely filing. A transcript of the year in question provides the required information. A tax return is "timely filed" for SSA purposes if it is filed within SSA's statute of limitations (i.e., 3 years, 3 months and 15 days after the close of the taxable year (April 15)) in which the self-employment income is reported. SSA's definition of "timely filed" is controlling when determining if an SE tax return is "timely filed" for SSA's purposes and not the IRS's definition of "timely filed". The taxpayer must contact SSA to correct their records.

If	Then
The taxpayer calls stating SSA does not have record of or has an incorrect amount of self-employment income reported for them for a specific tax year.	Research the tax year in question to determine whether the IRS records match the taxpayer's records. <ul style="list-style-type: none">• If the IRS figures match the taxpayer's and not SSA's, the taxpayer needs an Account Transcript or Record of Account (depending

	<p>on the year in question) to provide SSA with proof of the reported income and timely filing, Follow IRM 21.2.3.5.9.2, IMF Transcript Ordering, to provide the taxpayer with the best method of acquiring the transcript.</p> <ul style="list-style-type: none"> • If the IRS figures do not match the taxpayer's figures, advise the taxpayer verbally what IRS records show. If they request written documentation, follow IRM 21.2.3.5.9.2, IMF Transcript Ordering, to provide the taxpayer with the best method of acquiring the transcript.
<p>The taxpayer sends correspondence stating SSA does not have record of or has an incorrect amount of self-employment income reported for them for a specific tax year.</p>	<p>Research the tax year in question to determine whether the IRS records match the taxpayer's records.</p> <p>Follow IRM 21.2.3, Transcripts, and utilize the Transcript Delivery System (TDS) to send the taxpayer an Account Transcript or Record of Account (depending on the year in question). Correspond with the taxpayer advising them to contact SSA if there is a discrepancy between IRS and SSA records.</p>