

**IRM PROCEDURAL UPDATE**

**DATE: 07/31/2024**

**NUMBER: ts-21-0724-0887**

**SUBJECT: Various Updates and Clarification of Clean Vehicle Credits;  
Withholding; Sick and Family Leave Credits**

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

**CHANGE(s):**

**IRM 21.6.3.4 Removed link to SERP alert from paragraph 12 since it has been rescinded.**

(12) # If [REDACTED]

- ! [REDACTED]
- ! [REDACTED]
- ! [REDACTED]

[REDACTED] #

**IRM 21.6.3.4.1.38.2 Clarified clean vehicle credits being reviewed by SBSE. Removed instruction to direct the taxpayer to contact the dealer for math errors, added that Letter 474C responses should be worked as math error responses and added a reminder not to send a 4442/e-4442 if there is a control in M status.**

(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.

(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

Any line marked with a # is for Official Use Only

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 21.5.4.5, 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 21.5.4.5.4, 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 21.5.4.5.5, Math Error Unsubstantiated Protest Processing.
VIN is invalid - correspondence	Follow procedures in IRM 21.5.4.5.5, 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.

**IRM 21.6.3.4.1.38.3 Removed the option to type in 6 characters and the wildcard to search for a VIN, clarified the response from the VIN Lookup Tool, removed reference to adjusting CVC with RC 036 and added a note that prior to May 2024, RC 036 was used for CVC adjustments.**

(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.

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

Use the VIN Lookup Tool on AMS to validate the VIN prior to determining the action to take on the account.

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

Input the full VIN of 17 characters (letters and numbers) to search for the VIN. The tool will respond as follows:

- If the VIN is valid, it will list the VIN under Results.
- If the VIN is not valid, it will say “VIN is invalid” in red right under the search bar. There will be nothing shown under Results.

**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	The vehicle and	Allow credit

Any line marked with a # is for Official Use Only

	claimed on original return but not allowed	taxpayer now meet all qualifications for the credit. See IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications.	
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 21.5.4.5.1, 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 21.5.4.5.1, 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 21.5.4.5.1, Setting the Initial Math Error Action.
7	VIN(s) are valid and were not claimed on original return	Prior year (PY) and current year (CY) modified adjusted gross income (MAGI) are greater than the maximum allowable. See IRM 21.6.3.4.1.38.1, Form 8936, Clean Vehicle Credits - Qualifications.	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in Letter 105C, "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 before 01/01/2023	Disallow claim per IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Include the following open paragraph in Letter 105C, "We cannot allow your claim for the clean vehicle credit because the vehicle's placed in service date is prior to January 1, 2023."

Any line marked with a # is for Official Use Only

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 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 Letter 105C, "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 account contains an unreversed TC 971 AC 831 with MISC CVC (indicating the original return is still pending prepayment compliance review).	Taxpayer claims CVC	# [REDACTED] #

(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.

Any line marked with a # is for Official Use Only

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

**IRM 21.6.3.4.2.2 Added TC 971 AC 123 MISC 1040X INVALID IDOC as a criteria for requiring IRP data to substantiate withholding and link to IRM 21.5.3.4.1.1, Tax Increase and Credit Increase Processing, in paragraph 10.**

(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 returns 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 on the amended return. 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.

(11) If the taxpayer is amending the income and or withholding and the tax module contains a TC 971 AC 123 MISC 1040X INVALID IDOC, see IRM 21.5.3.4.18.4, Electronically Filed Amended Returns with Potential Bogus EIN/False Income TC 971 AC 123.

**IRM 21.6.3.4.2.15 Updated to clarify taxpayers can only claim the credit for tax year 2022 on a Schedule H and to clarify the dates listed and number of days must match on Form 7202.**

## Form 7202, Credits for Sick Leave and Family Leave

(1) The Families First Coronavirus Response Act and American Rescue Plan Act provide eligible self-employed individuals and/or household employers credits for sick and family leave related to COVID-19. The credits apply to income that would have been earned, or leave taken, between April 1, 2020 and September 30, 2021.

(2) Self-employed individuals, who have self-employment income and report self-employment tax on Schedule SE, Self-Employment Tax, can claim the refundable credit on Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, while household employers can claim the nonrefundable / refundable credits on Schedule H, Household Employment Taxes. Taxpayers claiming credits for qualified sick and family leave wages on a Schedule H do **not** complete Form 7202. For household employers filing Schedule H, follow procedures in IRM 21.6.4.4.8.5.3, Credits for Qualified Sick and Family Leave Wages.

(3) An individual must be self-employed to claim the credit. To be an eligible self-employed person, the taxpayer must have:

- carried on a trade or business within the meaning of IRC 1402.
- been eligible, if they were employed by someone else, to receive qualified sick leave wages under the Emergency Paid Sick Leave Act or qualified family leave wages under the Emergency Family and Medical Leave Expansion Act.

(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

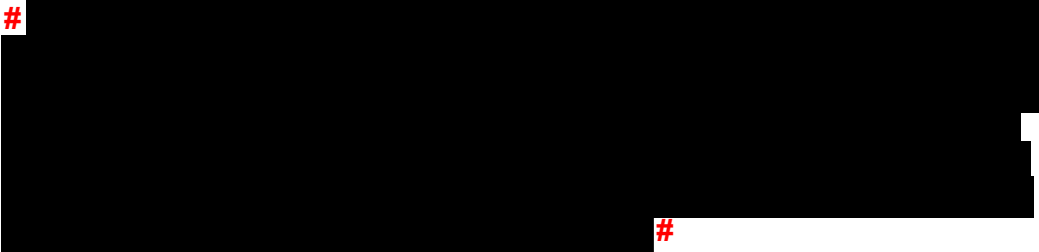


income, or days and follow IRM 21.5.4.5.1, Setting the Initial Math Error Action.

- 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, or for the incorrect year (e.g., a 2021 Form 7202 attached to a 2022 or 2023 tax return). Refer to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures.

- #  #

(5) Taxpayers may elect to use prior year net earnings from self-employment on Form 7202, Credit for Sick Leave and Family Leave for Certain Self-Employed Individuals, if they are greater than current year net earnings from self-employment. To make this election for tax year 2020, taxpayers enter the larger of their 2019 or 2020 self-employment income on line 7 or line 26 of their 2020 Form 7202. For tax year 2021, taxpayers enter their prior year self-employment income on line, 7a, 26a, 41a or 60a and check the box below indicating it is prior-year self-employment income.

**Note:** If the net self-employment earnings reported on line 7 or 26 (2020) or 7a, 26a, 41a, or 60a (2021) does not match the current year return, check the prior year self-employment net earnings to determine if the taxpayer elected to use the prior year earnings to figure the credit.

(6) If none of the scenarios in (4) apply, and the amended return appears frivolous (Social Media Promotion Scheme), see IRM 21.6.3.4 (12), Credits Procedures.

(7) If there is a TC 810 RC 4 (-E freeze) on the module and the taxpayer files an amended return to remove the credit, see IRM 21.5.6.4.10(4), -E Freeze.

(8) When adjusting the credit:

- Use CRN 299 for leave taken April 1, 2020 - March 31, 2021.

Any line marked with a # is for Official Use Only

- Use CRN 271 for leave taken April 1, 2021 - September 30, 2021.
- Use RC 061 and the applicable source code and blocking series.  
See Form 7202 Job Aid for more information.