

IRM PROCEDURAL UPDATE

DATE: 09/20/2024

NUMBER: ts-21-0924-0988

SUBJECT: Revised Case Control Instructions for ERC Form 94XX and Other COVID Credit Cases

AFFECTED IRM(s)/SUBSECTION(s): 21.7.2

CHANGE(s):

IRM 21.7.2.7(11) Revised instructions on required case controls for specialized COVID-related credit cases.

(11) **Specialization of COVID-related credit PAPER cases within AM.** Form 94XX and other paper cases involving COVID-related employment tax credits (Employee Retention Credit (ERC), Credit for Qualified Sick and Family Leave Wages and COBRA Premium Assistance Credit) received within AM will be handled by designated employees (only). Submission Processing (SP) is screening Form 94XX work prior to ICT scanning to identify claims for ERC and Credit for Qualified Sick and Family Leave Wages (but not claims for COBRA Premium Assistance Credit). Cases identified by SP will be assigned with case Priority Code 1 for ERC cases and case Priority Code 3 for Credit for Qualified Sick and Family Leave Wages cases. However, to ensure proper tracking and delivery, employees must take the following actions when such cases are identified in AM inventory, including those missed during SP screening:

- **Unprocessed Form 94XX ERC claims (tax decreases or credit increases) including correspondence with unprocessed Form 94XX claims attached:** Unprocessed Forms 94XX (or duplicate filed employment tax returns being processed as a Form 94XX), including correspondence with unprocessed Form 94XX claims attached, reporting ERC related tax decreases or credit increases are to be controlled with **Priority Code 1**, case category **SPC6**, and IDRS number **0230281416**. Use OFP Code 710-10056 when processing ERC claims.

Note: Case category SPC6 is also used with ERC claim withdrawal requests as discussed in (3) of IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*.

- **Forms 94XX reporting ERC reversals (tax increases or credit decreases):** Forms 94XX (or duplicate filed employment tax returns being processed as a Form 94XX) reporting ERC related tax increases or credit

decreases are to be controlled with IDRS number **0430404307** with no priority code and with the usual case category.

- **ERC Adjacent/Related cases (including correspondence):** Paper cases involving ERC related inquiries are to be controlled with **Priority Code 1**, usual case category, and IDRS number **0430404307**.

Exception: If the case includes or is in regards to an unprocessed ERC claim, follow guidance in the first bullet above.

- **Cases involving Credit for Qualified Sick and Family Leave Wages:** Form 94XX and other paper cases involving claims for Credit for Qualified Sick and Family Leave Wages are to be controlled with **Priority Code 3**, usual case category, and IDRS number **0430404307**.

Exception: If the case also involves ERC, follow guidance in the first, second or third bullets above as appropriate.

- **Cases involving Credit for COBRA Premium Assistance Credit:** Form 94XX and other paper cases involving claims for COBRA Premium Assistance Credit are to be controlled with IDRS number **0430404307** with no priority code and with the usual case category.

Exception: If the case also involves ERC, follow guidance in the first, second or third bullets above as appropriate.

Note: The appropriate Priority Code **must** be recorded on CII cases for ERC claims (tax decreases or credit increases) and Credit for Qualified Sick and Family Leave Wage cases prior to closing the case. Case category **SPC6** must be recorded on CII cases for ERC claims (tax decreases or credit increases) prior to closing the case.

Caution: If a non-COVID-related case is identified in the inventory of COVID-related credit cases (either assigned to IDRS number 0230281416 or to an employee designated to work COVID-related credit cases), remove any Priority Code 1 or Priority Code 3 recorded for the case on CII and reassign it to either IDRS number **0230265402** (CAMC) or **0440078330** (OAMC) as appropriate.

Reminder: See (3) in IRM 21.7.2.8, *Deferred Payment of Social Security Taxes for 2020*, for instructions on controlling inquiries and cases involving deferred social security tax.

IRM 21.7.2.7.6.3 Revised title and content in (2) to clarify that ERC-related Forms 94XX reporting tax increases or credit increases are to be worked per procedures provided in this subsection. Revised caution after (3) correspondingly.

Form 94XX – Employee Retention Credit (ERC) – Claims and Adjustments Cleared for Processing (Accepted) by RAAS and Forms 94XX Reporting Tax Increases or Credit Decreases

(1) Certain Form 94XX cases reflecting Employee Retention Credit (ERC) adjustment requests are being released to be worked by AM after having been analyzed by Research, Applied Analytics & Statistics (RAAS). These cases will be delivered to AM with instructions on how the ERC portion of the claim or adjustment is to be handled (i.e., additional handling required, assessment to be made, claim is allowable, disallowance criteria, or partial disallowance criteria).

Caution: RAAS analysis for these cases generally does not include consideration of non-ERC related tax items that may be reported on a Form 94XX, including those with a mix of ERC and non-ERC change items.

(2) This subsection provides handling guidance for adjusting ERC as reported on:

- Forms 94XX (or duplicate filed employment tax returns being processed as a Form 94XX) which have been cleared for processing (accepted) after filtering criteria were applied by RAAS (i.e., cases which did not fail one or more of the filters).
- Forms 94XX reporting tax increases or credit decreases (i.e., credit reversals).

Note: Guidance on processing ERC related claims and adjustments which **failed** one or more of the filters and require disallowance actions or require additional processing steps to determine a correct disposition is found in IRM 21.7.2.7.8, *Additional Case Processing Actions and/or Disallowance Actions for Forms 94XX Meeting ERC-related Filtering Criteria*, and succeeding subsections (e.g., ERC claims failing the filter for filing Forms W-2 are processed as per guidance in IRM 21.7.2.7.8.1, *Disallowance Actions for Form 94XX ERC Claims Meeting RAAS Filtering Criteria for No Forms W-2 Filed*).

Caution: Due to concerns with increasing volumes of dubious and inaccurate claims, the IRS has instituted a moratorium on processing new ERC claims through the end of 2023 and possibly longer. In addition, the IRS has slowed the pace of processing previously filed but unpaid ERC claims. See (5) in IRM 21.7.2.7.2 for more information including guidance on resolving related phone contacts.

(3) Cases cleared by RAAS for processing as per guidance in this subsection will be identified to AM as follows:

- IDRS Number: **0230265187**

- CII case notation: "**Cleared to Process**"

Note: CII case notes for these cases will also indicate the EIN and MFT that was identified during data transcription for RAAS analysis. This information is a factor in processing validation described in (12) below.

Note: CII case notes for accepted Forms 941-X will also include two (2) dollar value data elements required for operating the math verification worksheet discussed in (14) below.

Caution: Take no actions to process Forms 94XX reporting ERC-related tax decreases or credit increases unless the case has been controlled/annotated with instructions permitting the case to be worked as indicated above or as indicated in another subsection providing instructions for special handling (i.e., case handling instructions for a failed analysis factor).

IRM 21.7.2.7.7.1(3) Revised for use of specified case category.

(3) Take the following actions when missed ERC claim withdrawal requests are identified in inventory:

- ERC claim withdrawal requests identified in CII electronic inventory are to be coded with **Priority Code 2**, case category **SPC6**, and reassigned to IDRS number **0231022887**.
- ERC claim withdrawal requests (**only**) identified in paper inventory are to be faxed to (855) 738-7609.