

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

billion in ERC claims.

Mar. 26, 2024



By Kelley R. Taylor, Kiplinger Consumer News Service (TNS)

In a recent announcement, the IRS revealed ongoing efforts to tackle erroneous Employee Retention Tax Credit (ERC) claims. The agency has protected over \$1 billion in revenue in six months by increasing enforcement surrounding questionable ERC claims driven by aggressive and misleading marketing.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

As reasons for its success, the IRS points to several initiatives implemented since last fall, when it imposed a processing moratorium on new ERC claims.

For example, the IRS launched an [ERC Voluntary Disclosure Program](#) (VDP) that allowed taxpayers to correct their erroneous claims without additional penalties or interest. The VDP allowed employers to voluntarily disclose erroneous ERC claims and repay the credits received, with a potential 20% discount.

- The IRS says the VDP has generated over \$225 million from more than 500 taxpayers, with additional submissions still under review.
- The deadline for this program was March 22, 2024.
- However, the IRS says it may reopen the VDP in the future, depending on what happens in Congress regarding the statute of limitations for ERC claims. (*More on that below.*)

Another initiative, the ongoing [withdrawal process for unprocessed ERC claims](#), has resulted in entities withdrawing \$251 million in potentially false ERC claims. This process enables businesses to retract claims that the IRS has not yet processed to reduce the risk of recapture and associated penalties.

- Over 1 million withdrawal claims are currently pending, according to the IRS.
- Failure to rectify errors may result in recapture of the ERC, along with penalties and interest.

ERC audits. The IRS has identified over 22,000 improper claims through examinations, amounting to \$572 million in assessments. These findings underscore the agency's efforts to scrutinize ERC claims. Additionally, the agency says thousands of audits are underway, as are investigations into abusive promoters.

Continued enforcement. While the IRS has made progress in the ERC disclosure

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

The agency has also already sent more than 12,000 letters to entities recapturing previously paid ERC claims. According to the IRS, these businesses owe 100% of the ERC paid to them, plus backdated penalties and interest.

ERC moratorium

Meanwhile, a moratorium on processing new ERC claims remains in effect, allowing the IRS to review existing claims.

- The agency's current focus is on claims from the 2021 tax year. The IRS says compliance activities for 2020 claims will end after Tax Day this year, April 15.
- If the [agency resumes processing new claims](#), it will do so with enhanced scrutiny and risk-analysis measures to ensure compliance.

However, as Kiplinger has reported, bipartisan tax legislation (passed by the House of Representatives in January but currently stalled in the Senate) could end the ERC. Eliminating the tax credit would offset proposed tax cuts for families and businesses in the proposed tax package.

“The IRS continues to closely monitor discussions in Congress regarding ERC and the need to extend by statute critical tools to protect against improper claims,” Werfel said in a statement regarding the pending legislation.

ERC tax credit status: What you can do

For businesses potentially misled by ERC promoters, the IRS offers resources to verify eligibility and navigate the program's complexities. Tools on its website, like the [ERC Eligibility Checklist](#) and [FAQs](#), provide insights into eligibility criteria. The agency

also lists common warning signs that you may be dealing with “unscrupulous

Hello. It looks like you’re using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

by Tribune Content Agency LLC.

Income Tax • IRS • Small Business • Taxes

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved