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Identification Numbers, a unique nine-digit identifier required for tax purposes, and then used them to file business tax returns that improperly claimed...

Isaac M. O'Bannon • Apr. 24, 2024

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The Treasury Inspector General for Tax Administration's Office of Investigations has helped the Internal Revenue Service prevent \$3.5 billion of potentially improper Employee Retention Credits and Sick and Family Leave Credits.

TIGTA investigators identified a scheme where individuals obtained Employer Identification Numbers, a unique nine-digit identifier required for tax purposes, and then used them to file business tax returns that improperly claimed ERC and Sick and Family Leave Credits. These tax returns frequently showed no signs that a business was active or operating. TIGTA notified IRS officials, who then put controls in place to prevent similar claims.

“This is a great example of how TIGTA can save the federal government and

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fraudulently obtained U.S. Department of the Treasury payments.

“We’re strategically using our budget to invest in innovative tools and hire experienced employees with sought-after technical skills who are dedicated to protecting taxpayer dollars,” said Trevor Nelson, TIGTA’s Deputy Inspector General for Investigations. “This enables us to quickly identify emerging fraud schemes with potentially significant financial consequences to the federal government.”

TIGTA Special Agents are also actively working with IRS Criminal Investigation Special Agents to hold those responsible for the scheme accountable.

The IRS is concerned about ERC fraud and has taken additional actions to mitigate it. For example, in September 2023, the IRS announced they would temporarily stop processing new ERC claims. In December 2023, it announced two separate programs to enable taxpayers to withdraw their ERC claim or pay it back without penalties if they believe they improperly applied for, or received, the credit.

The ERC and Sick and Family Leave Credits were enacted as part of pandemic relief legislation and are designed to encourage businesses to keep employees by either offsetting employment taxes or reimbursing them for the costs of providing employees with paid sick and family leave attributed to COVID-19.

IRS • Taxes

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