

IRS ISSUES RENEWED WARNING ON FALSE EMPLOYEE RETENTION CREDIT CLAIMS

This month, the Internal Revenue Service (IRS) [issued a renewed warning](#) to employers to be wary of third parties who may advise them to claim the Employee Retention Credit (ERC) when they may not qualify.

They also warned that improperly claiming the ERC could result in required repayment of the credit plus penalties and interest.

The IRS has been warning about this scheme since [last fall](#), but there continue to be attempts to claim the ERC during the 2023 tax filing season.

Are There Any Red Flags to Look For?

“These third parties often charge large upfront fees or a fee that is contingent on the amount of the refund and may not inform taxpayers that wage deductions claimed on the business' federal income tax return must be reduced by the amount of the credit,” the IRS said. The IRS also encouraged businesses to be cautious of “advertised schemes and direct solicitations promising tax savings that are too good to be true.”

The warning advises that “People and businesses can avoid this scheme by not filing improper claims in the first place. If the business filed an income tax return deducting qualified wages before it filed an employment tax return claiming the credit, the business should file an amended income tax return to correct any overstated wage deduction.”

What is the ERC?

As a reminder, the ERC is a refundable tax credit for businesses that continued paying employees while partially or fully shutdown due to COVID-19 or that had significant declines in gross receipts from March 13, 2020 to December 31, 2021 (note: only those classified as *recovery startup businesses* are eligible for the ERC in the 4th quarter of 2021). The ERC was meant to encourage employers to keep employees on their payroll during the pandemic.

Could I Still, In Fact, be Eligible for the ERC?

If they have not already, businesses have until 2024 to claim the ERC retroactively by looking back on their payroll during that time period. However, as an additional reminder, for any quarter during the window, eligible employers cannot claim the ERC on wages that were reported as payroll costs in obtaining Paycheck Protection Program (PPP) loan forgiveness or that were used to claim certain other tax credits.

For More Information

For more information or assistance, please contact our Payroll team at **210-293-6620**, toll-free at **1-888-757-2104**, or PayrollServices@BFGonline.com.



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