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Balance *sheet*

Know the Signs of an Employee Retention Credit Scam

By **Tim Gephart, CPA**

If it sounds too good to be true, it probably is. The Internal Revenue Service (IRS) has sounded the alarm repeatedly regarding a scam involving the Employee Retention Credit (ERC). Third parties have been aggressively promoting that businesses may be eligible for the ERC when they are not.

The ERC is a refundable tax credit that was introduced during the COVID-19 pandemic to provide an incentive to employers to keep employees on the payroll during a government shutdown or significant decline in gross receipts. The ERC was available to eligible employers for qualified wages paid after March 12, 2020, and before October 1, 2021 (with an exception for recovery start-up businesses through December 31, 2021).

The eligibility requirements, applicable time periods, and dollar limitations changed several times due to the passage of various federal legislation thereby claiming the ERC is far more complex than these ERC schemes make out. In addition, if you received one or both of the Paycheck Protection Program (PPP) loans, the wages used to request forgiveness of these loans cannot be used for the ERC (you cannot double dip the wages for the ERC and PPP).

Perhaps you have heard advertisements, phone calls or text messages claiming your business is eligible for the ERC and claim the application process is "easy." These third parties will then charge large upfront fees or charge a fee based on a percentage of the refund amount the ERC generated. However, these ERC scams lie about eligibility requirements and your business will not only need to return the refund and amend employment tax returns but may be subject to penalties and interest.

If you would like to discuss the ERC, please reach out and we can work together to determine if you truly qualify for the credit. If you have claimed the ERC through a third party, please contact us if you would like to discuss the ERC filed for your company.

Items presented are not intended to be technically complete. Additional information may be required to make an informed decision.
You cannot rely upon this information for avoiding tax penalties.

