# IRM PROCEDURAL UPDATE

**DATE: 06/26/2024**

**NUMBER: ts-21-0624-0803**

**SUBJECT: Revised Handling Guidance for Forms 94XX Reporting ERC**

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

**CHANGE(s):**

**IRM 21.7.2.4.6.6 Revised guidance in the tables in (3) and (4) in regards to handling certain Forms 94XX reporting credit changes.**

(3) If the missing return is not located, process as per instructions in the following table:

| If | And | Then |
|---|---|---|
| The adjusted return was intended for another tax period for which there is a posted TC 150. | | 1. Follow procedures in IRM 21.7.9.4.10.2, *TC 976 Return Posted to Incorrect TIN/Tax Period, Account for Which It was Intended Contains the Original Return (TC 150)*, to resolve the E-freeze.<br>2. Adjust the correct account as appropriate. |
| An adjusted return was filed for an incorrect MFT (e.g., employer is Form 941 filer but files a Form 944-X). | The adjusted return reports a tax decrease or credit increase | 1. Generate Letter 4384C to the taxpayer explaining their adjusted return cannot be processed and inform them of the proper form to be filed.<br>2. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input. |
| An adjusted return was filed for an incorrect MFT (e.g., employer is Form 941 filer but files a Form 944-X). | The adjusted return reports a tax increase or credit decrease | 1. Follow procedures in IRM 21.7.9.4.10.2, *TC 976 Return Posted to Incorrect TIN/Tax Period, Account for Which It was Intended Contains the Original Return (TC 150)*, to resolve the E-freeze and adjust the correct account as appropriate.<br>2. Generate Letter 4384C explaining that the adjustment has been made, |

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| | | but in the future they must file the appropriate "X" form (identify the specific form to be used) to make corrections. |
| Less than 60 days have passed from the return due date for the tax period for which the adjusted return was filed | | 1. Monitor for the posting of the original return through the 60th day following the return due date.<br>2. If the original return posts, process the adjustment as requested on the Form 94XX as appropriate. Otherwise, continue processing per the following rows of this table. |
| More than 60 days have passed since the return due date for the tax period for which the adjusted return was filed | The Form 94XX is a claim for non-refundable and/or refundable credits **only** (i.e., the Form 94XX reports no other taxable wage figures or other tax figures) | 1. Reject the Form 94XX. Indicate in the rejection letter that we cannot process the 94XX because we have no record of having received an original employment tax return. Advise the taxpayer to file an original return incorporating the changes reported on the Form 94XX.<br>2. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input.<br><br>**Note:** When rejecting the Form 94XX, follow IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*, and (9) in IRM 21.5.1.5.6, *Incomplete CII claims*, for the correct input of TC 971-270.<br><br>**Exception:** As per guidance in IRM 21.5.3.4.3, *Tax Decrease and Statute Consideration*, claims being processed within 180 days or after RSED expiration must be suspended and missing information requested rather than being rejected. Accordingly, continue processing such cases as per guidance in the next two rows of this table as appropriate (i.e., contact the taxpayer and do not reject). |
| More than 60 days have passed since the return due date for the tax | The adjusted employer's tax return is intended to be an original return (e.g., Column 2 of the Form 94XX is blank or | 1. Contact the taxpayer (make two attempts to contact the taxpayer by phone if a telephone number is available) to obtain a signed copy of an original return including the |

| period for which the adjusted return was filed | contains zero figures) | corrected information along with any required schedules.<br>2. Suspend the case for 40 days.<br>3. Continue processing as per the table in (4) below for response and non-response cases. |
|---|---|---|
| More than 60 days have passed since the return due date for the tax period for which the adjusted return was filed | The adjusted employer's tax return is **not** intended to be an original return (e.g, Column 2 figures are not blank or zero) | 1. Contact the taxpayer (make two attempts to contact the taxpayer by phone if a telephone number is available) to obtain a signed copy of their original return along with any required schedules. Advise the taxpayer to provide proof of timely filing if that information is available.<br>2. Suspend the case for 40 days.<br>3. Continue processing as per the table in (4) below for response and non-response cases.<br><br>**Exception:** If the **only** change reported on the Form 94XX is to Line 6 wages (equivalent to Line 2 on Form 941), input a TC 971 AC 002 to release the E- freeze (if a TC 971 AC 010 was previously input) and close the case without contacting the taxpayer. |

**Caution:** When rejecting Forms 94XX, extreme care must be taken to ensure that only the material relative to the taxpayer(s) to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.25, *Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors*, for additional information.

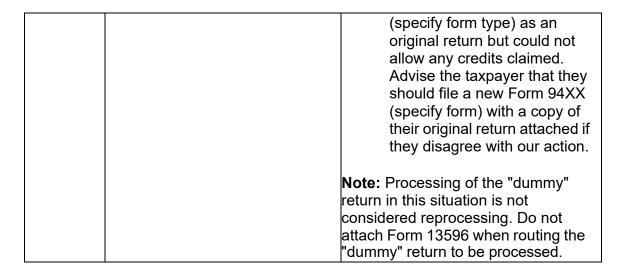(4) Process response and non-response cases as per instructions in the following table:

| If | And | Then |
|---|---|---|
| Taxpayer responds with copy of original return | There is no proof of timely filing | Continue processing as per the following rows of this table. However, if the copy of the return provided by the taxpayer is routed to be processed, it must be processed using the response received date as the return received date. Do **not** code the return to suppress penalties or interest. |
| Taxpayer | There is proof of timely filing | Continue processing as per the |

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|---|---|---|
| responds with copy of original return | | following rows of this table. However, if the copy of the return provided by the taxpayer is routed to be processed, edit the return to reflect the timely received date and attach the supporting documentation. |
| Taxpayer responds with copy of original return | The wage and tax figures reported match the initial figures (Column 2) of the Form 94XX. | 1. Process the copy of the return provided by the taxpayer as the original return (see first two rows of this table discussing proof of timely filing) and monitor for its posting.<br>2. When the original return posts, process the adjusted return as appropriate.<br><br>**Exception:** If the Form 94XX reports changes to ERC, **do not** process the Form 94XX. Instead, follow guidance in the Caution following (6) of IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*, to return the Form 94XX case to RAAS for additional required analysis **after** the original return posts. |
| Taxpayer responds with copy of original return | The wage and tax figures reported match the corrected figures (Column 1) on the Form 94XX. | 1. Attach the Form 94XX to the back of the return provided by the taxpayer. Edit (in green) a line across the applicable 94XX form and notate **"Do Not Detach"** in the margin.<br>2. Process the return provided by the taxpayer as the original return (see first two rows of this table discussing proof of timely filing).<br>3. Ensure all applicable deposits are correctly applied.<br>4. If a TC 971 AC 010 was previously input, input a TC 971 AC 002 to prevent a duplicate filing condition from generating when the return posts. |
| Taxpayer | The wage and tax figures reported | 1. Research for other |

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|---|---|---|
| responds with copy of original return | don't match initial or corrected figures on Form 94XX **and** Form 94XX reflects a tax decrease or credit increase. | unprocessed Forms 94XX for the same tax period. If not found, process the copy of the return provided by the taxpayer as the original return (see first two rows of this table discussing proof of timely filing). 2. Reject the Form 94XX and indicate that we are processing their original return but cannot process the 94XX because the figures don't match. 3. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input. |
| Taxpayer responds with copy of original return | The wage and tax figures reported don't match initial or corrected figures on Form 94XX **and** Form 94XX reflects a tax increase or a credit decrease | 1. Research for other unprocessed Forms 94XX for the same tax period. If not found, process the copy of the return provided by the taxpayer as the original return and monitor for posting (see first two rows of this table discussing proof of timely filing). 2. When the original return posts, assess tax (TC 290 or TC 298 as appropriate) per the figures in Column 1 or Column 4 of the Form 94XX (whichever will result in the highest recorded tax). 3. Generate a letter to inform the taxpayer of the action taken. **Exception:** If the Form 94XX reports changes to ERC, **do not** process the Form 94XX. Instead, follow guidance in the Caution following (6) of IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*, to return the Form 94XX case to RAAS for additional required analysis **after** the original return |

| | | posts. |
|---|---|---|
| Taxpayer does not respond | The Form 94XX does not report **any** changes to non-refundable or refundable credits | 1. Prepare a "dummy" return using the corrected information from the "X" form. Do **not** code the return to suppress penalties or interest. On the signature line, indicate "Dummy Return - Do not correspond for signature".<br>2. Attach the Form 94XX to the back of the "dummy" return. Edit (in green) a line across the applicable 94XX form and notate **"Do Not Detach"** in the margin.<br>3. Process the "dummy" return as the original.<br>4. To the extent possible based on available information, ensure all applicable deposits are correctly applied.<br>5. If a TC 971 AC 010 was previously input, input a TC 971 AC 002 to prevent a duplicate filing condition from generating when the "dummy" return posts.<br><br>**Note:** Processing of the "dummy" return in this situation is not considered reprocessing. Do not attach Form 13596 when routing the "dummy" return to be processed. |
| Taxpayer does not respond | The Form 94XX reports **only** changes to non-refundable or refundable credits | 1. Input a TC 971 AC 002 to release the E- freeze (if a TC 971 AC 010 was previously input).<br>2. Close the case without making further contact with the taxpayer (i.e., do not follow guidance in (5) of IRM 21.5.3.4.3, *Tax Decrease and Statute Consideration*).<br><br>**Reminder:** The taxpayer is only contacted in this filing scenario if the Form 94XX reporting credit only changes was being processed within |

| | | 180 days or after RSED expiration as per Exception guidance in the table in (3) above. |
|---|---|---|
| Taxpayer does not respond | The Form 94XX reports a mix of wage/tax items **and** either or both non-refundable/refundable credits<br><br>**Reminder:** Forms 94XX reporting credit only changes for which no original return was filed are rejection criteria as per guidance in the table in (3) above unless the claim is being worked within 180 days or after RSED expiration. | 1. Prepare a "dummy" return using the corrected information from the "X" form.<br>• **Do not** enter any non-refundable or refundable credits from the Form 94XX on the dummy return. Only enter wage and tax items from the Form 94XX on the dummy return. As needed, recompute mathematical calculation lines and make appropriate entries on the dummy return to account for any credits not being allowed with the dummy return.<br>• Do **not** code the return to suppress penalties or interest.<br>• On the signature line, indicate "Dummy Return - Do not correspond for signature".<br>2. Attach the Form 94XX to the back of the "dummy" return. Edit (in green) a line across the applicable 94XX form and notate **"Do Not Detach"** in the margin.<br>3. Process the "dummy" return as the original.<br>4. To the extent possible based on available information, ensure all applicable deposits are correctly applied.<br>5. If a TC 971 AC 010 was previously input, input a TC 971 AC 002 to prevent a duplicate filing condition from generating when the "dummy" return posts.<br>6. Send the taxpayer Letter 4384C informing them that since we did not receive a reply to our request for a copy of their original return, we are processing their Form 94XX |

| | | (specify form type) as an original return but could not allow any credits claimed. Advise the taxpayer that they should file a new Form 94XX (specify form) with a copy of their original return attached if they disagree with our action.<br><br>**Note:** Processing of the "dummy" return in this situation is not considered reprocessing. Do not attach Form 13596 when routing the "dummy" return to be processed. |
|---|---|---|

**Note:** To prevent unpostable conditions UPC 381 RC 2 and UPC 305 RC 4, edit the deposits claimed line (e.g., Line 11 for Forms 941) on returns being sent to be processed per instructions provided above to match the total credits posted to the tax module if the posted credit amount exceeds the amount claimed on the return.

**Caution:** Before processing a copy of a missing return provided by the taxpayer, always research the account again to verify an originally filed return was not misapplied or not processed. If found, process or reprocess the original return whenever possible rather than the copy provided by the taxpayer.

**Note:** Except as otherwise discussed in this IRM, taxpayers who have not filed an original return are not entitled to an interest free adjustment under the Regulations.

**IRM 21.7.2.4.6.11(2) Added an exception with regards to RSED imminent/expired case handling to each row of the table with rejection outcomes.**

(2) The following table provides guidance on handling common Form 94XX signature problems:

| If | And | Then |
|---|---|---|
| The Form 94XX is not signed | There are other conditions present which make the Form 94XX unprocessable | Reject the Form 94XX using Letter 4384C and identify all items required to perfect the filing. Advise the taxpayer to resubmit a signed, complete Form 94XX.<br><br>**Exception:** Procedures in IRM 21.5.3.4.3, *Tax Decrease and Statute Consideration*, must be followed if the Form 94XX was received within 180 |

| | | days of the Refund Statute Expiration Date (RSED). |
|---|---|---|
| The Form 94XX is not signed but is otherwise processable | The Form 94XX reports a net tax increase or credit decrease | 1. Process the adjustment requested (as appropriate) and close the case.<br>2. Correspond for the missing signature (and any other missing information) using Letter 143C. Advise the taxpayer in the letter that we completed the changes requested on their Form 94XX (specify form type). See IRM 21.5.3.4.1, *Tax Increase or Credit Decrease Processing*, for more information.<br><br>**Note:** Letter 143C responses will be treated as a new case. |
| The Form 94XX is not signed but is otherwise processable | The Form 94XX reports a net tax decrease or credit increase | Reject the Form 94XX using Letter 4384C and advise the taxpayer to resubmit a complete, signed Form 94XX.<br><br>**Exception:** Procedures in IRM 21.5.3.4.3, *Tax Decrease and Statute Consideration*, must be followed if the Form 94XX was received within 180 days of the Refund Statute Expiration Date (RSED). |
| The Form 94XX indicates the person who signed did so as per a **power of attorney** but there is no authorization recorded granting signature authority (could not be verified via CC CFINK) and there is no Form 2848 attached granting signature authority | The Form 94XX reports a net tax increase or credit decrease | 1. Process the adjustment requested (as appropriate) and close the case.<br>2. Correspond for the taxpayer's signature (and any other missing information) using Letter 143C. Advise the taxpayer in the letter that we completed the changes requested on their Form 94XX (specify form type) but that we have no record the person who signed was authorized to do so. See IRM 21.5.3.4.1, Tax Increase or Credit Decrease Processing, for more information. |

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| | | **Note:** Letter 143C responses will be treated as a new case. |
|---|---|---|
| The Form 94XX indicates the person who signed did so as per a **power of attorney** but there is no authorization recorded granting signature authority (could not be verified via CC CFINK) and there is no Form 2848 attached granting signature authority | The Form 94XX reports a net tax decrease or credit increase | Reject the Form 94XX using Letter 4384C. Advise the taxpayer in the letter that we have no record the person who signed the form was authorized to do so and request that they resubmit a complete Form 94XX (specify form type) signed by an individual authorized to do so for their business or organization.<br><br>**Exception:** Procedures in IRM 21.5.3.4.3, *Tax Decrease and Statute Consideration*, must be followed if the Form 94XX was received within 180 days of the Refund Statute Expiration Date (RSED). |
| The Form 94XX indicates the person who signed did so as a **Reporting Agent** (i.e., "attorney in fact", "agent", or other title indicating individual who signed acts for a Reporting Agent firm) but there is no authorization recorded (could not be verified via CC RFINK) | The Form 94XX reports a net tax increase or credit decrease | 1. Process the adjustment requested (as appropriate) and close the case.<br>2. Correspond for the taxpayer's signature (and any other missing information) using Letter 143C. Advise the taxpayer in the letter that we completed the changes requested on their Form 94XX (specify form type) but that we have no record the person who signed was authorized to do so. See IRM 21.5.3.4.1, Tax Increase or Credit Decrease Processing, for more information.<br><br>**Note:** Letter 143C responses will be treated as a new case. |
| The Form 94XX indicates the person who signed did so as a **Reporting Agent** (i.e., "attorney in fact", "agent", or other title indicating individual who signed acts for a Reporting Agent firm) but there is no authorization recorded (could not be | The Form 94XX reports a net tax decrease or credit increase | Reject the Form 94XX using Letter 4384C. Advise the taxpayer in the letter that we have no record the person who signed the form was authorized to do so and request that they resubmit a complete Form 94XX (specify form type) signed by an individual authorized to do so for their business or organization. |

| verified via CC RFINK) | | **Exception:** Procedures in IRM 21.5.3.4.3, *Tax Decrease and Statute Consideration*, must be followed if the Form 94XX was received within 180 days of the Refund Statute Expiration Date (RSED). |
|---|---|---|

**Note:** Rev. Proc. 2005-39 provides guidance on the use of facsimile signatures when filing Form 94X series employment tax returns. **Do not** reject Forms 94XX or correspond for a missing signature if the Form 94XX was signed by means of a rubber stamp, mechanical device, or computer software program.

**Note:** When rejecting a Form 94XX, follow IRM 21.5.3.4.2, *Tax Decrease or Credit Increase Processing*, and (9) in IRM 21.5.1.5.6, *Incomplete CII claims*, for the correct input of TC 971-270.

**Caution:** When rejecting documents, extreme care must be taken to ensure that only the material relative to the taxpayer(s) to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.25, *Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors*, for additional information.

**IRM 21.7.2.7(11) Revised non-COVID case control for cases at OAMC in first bullet. Deleted second bullet containing information about form transcription which is being moved to and expanded upon in new (12).**

**IRM 21.7.2.7(12) Added new paragraph with revised and expanded information regarding transcription, control, and resolution of certain Forms 941-X claiming ERC.**

(11) **Specialization of COVID-related credit PAPER claims cases within AM.** Form 94XX and other paper cases involving claims for 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 to IDRS number **0230281416** 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:

- **COVID-related credits (all tax periods):** Claims and related paper correspondence for COVID-related employment tax credits (Employee

Retention Credit (ERC), Credit for Qualified Sick and Family Leave Wages and COBRA Premium Assistance Credit) **received in AM** by employees not designated and trained to work those cases are to be recontrolled with activity code "CARESACT" and reassigned to IDRS number **0230281416**. In addition, update the CII case with **Priority Code 1** for ERC cases or with **Priority Code 3** for Credit for Qualified Sick and Family Leave Wages cases; use Priority Code 1 If both credits are claimed.

**Note:** Employees who are designated to work cases described above are **not** required to update the cases with the specified activity code. However, for ERC and Credit for Qualified Sick and Family Leave Wages cases, the appropriate Priority Code **must** be recorded on the CII case prior to closing the case, including those cases worked by designated employees.

**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.

(12) **Transcription of Forms 94XX claiming ERC:** Forms 941-X reporting changes to ERC amounts are being partially transcribed for RAAS analysis to determine handling patterns to be applied. When released to AM for handling, these cases will be controlled as follows:

- IDRS number: **0230265187** — Workable, cleared for processing
- IDRS number: **0230281088** — Workable, disallow

**Caution:** Transcribed cases will be worked by designated employees as per specific guidance found in IRM 21.7.2.7.6.3, *Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS*, and subsections following IRM 21.7.2.7.8, *Additional Case Processing Actions and/or Disallowance Actions for Forms 94XX Meeting ERC-related Filtering Criteria*. **Do not** take actions on these cases unless specifically directed to do so.

**IRM 21.7.2.7.6.3 Revised title and content throughout to provide guidance focused on ERC related Forms 94XX cleared for processing (accepted) by RAAS.**

Form 94XX – Employee Retention Credit (ERC) – Claims and Adjustments Cleared for Processing (Accepted) by RAAS

(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 Form 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).

**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 reflecting new or revised ERC amounts 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).**

(4) Employee Retention Credit can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Employee Retention Credit that can be claimed for a particular tax period and the amount(s) of any other non-refundable credit(s) being reported.

**Note:** For general information regarding this credit, see IRM 21.7.2.7.2, *Employee Retention Credit (ERC)*, (and the four subsections that follow the cross-referenced IRM section).

(5) The following IRNs and CRNs are associated with adjustments to the Employee Retention Credit:

| TXMOD Field Name | BMFOLR Field Name | Form 941 Line Number and Title | Form 941-X Line Number and Title | IRN/CRN |
|---|---|---|---|---|
| CR-EMP-RTN | CR EMP RTNTN | Line 11c<br><br>Nonrefundable portion of employee retention credit | Line 18a<br><br>Nonrefundable portion of employee retention credit | IRN 203 |
| N/A Review posted CRN 296 transaction amounts | RFDBL EMP RTNTN | Line 13d<br><br>Refundable portion of employee retention credit | Line 26a<br><br>Refundable portion of employee retention credit | CRN 296 to alter posted transaction amount, posted field value will not change. |
| WGS-EMP-RTN-COV | QLF WGS EMP RTNTN | Line 21<br><br>Qualified wages for employee retention credit | Line 30<br><br>Qualified wages for employee retention credit | IRN 206 |
| HLTH-PLN-EXP-RPT | QLF HLTH PLN EXP | Line 22<br><br>Qualified health plan expenses allocable to wages reported on Line 21 | Line 31a<br><br>Qualified health plan expenses for the employee retention credit | IRN 207 |
| EMP-MARCH-WG-PD | QLF EMP MARCH WG | Line 24<br><br>April 2020 Revision: Qualified wages paid March 13 | Line 33a<br><br>April 2020 Revision: Qualified wages paid March 13 | IRN 208<br><br>**Caution:** Line 24 of Form 941 represents different tax reporting items for 202006 versus 202009 |

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| | | through March 31, 2020, for the employee retention credit<br><br>July 2020 Revision: Deferred amount of the employee share of social security tax included on line 13b | through March 31, 2020, for the employee retention credit | and 202012. See (5) in IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information. |
| HLTH-PLN-MARCH | QLF HLTH PL MAR | Line 25<br><br>April 2020 Revision: Qualified health plan expenses allocable to wages reported on Line 24<br><br>July 2020 Revision: Reserved for future use | Line 34<br><br>Qualified health plan expenses allocable to wages reported on Form 941 or Form 941-SS, line 24 | IRN 209<br><br>**Caution:** Only applicable to second quarter 2020 Form 941 tax returns. |

**Caution:** Form 941-X is revised on a regular basis and line numbers for particular adjustment items occasionally change. However, there is no requirement for the taxpayer to use the most current version of Form 941-X. Although line numbers are provided in the table above for easy reference, employees are responsible for ensuring the proper adjustment action is taken based on the form version filed by the taxpayer.

(6) **IRN 203** is used along with TC 290, TC 291, or TC 298 (as appropriate) to record adjustments to the non-refundable portion of Employee Retention Credit on Form 941, Form 943, Form 944 and Form CT-1 tax accounts.

- An increase to the credit will be recorded with a positive IRN 203 amount and a corresponding decrease to tax (i.e., a TC 291 for the same amount if no other changes were reported).
- A decrease to the credit will be recorded with a negative IRN 203 amount and a corresponding increase to tax (i.e., a TC 290/298 for the same amount if no other changes were reported).

**Example:** A Form 941-X is filed claiming an increase to non-refundable Employee Retention Credit in the amount of $75. Assuming all processing requirements are

met, the adjustment to be made would be a TC 291 for $75.00- and an IRN 203 for $75.00.

**Example:** A Form 941-X is filed reporting a decrease to non-refundable Employee Retention Credit in the amount of $90. Assuming all processing requirements are met, the adjustment to be made would be a TC 290 (or TC 298 as applicable) for $90.00 and an IRN 203 for $90.00-.

**Note:** IRN 203 can be combined on Command Code ADJ54 adjustments with any other IRN or CRN valid for the form being adjusted.

(7) **CRN 296** is used to record adjustment to the refundable portion of Employee Retention Credit on Form 941, Form 943, Form 944 and Form CT-1 tax accounts. Use a positive CRN 296 when increasing the credit (TC 766 is generated) or a minus (-) CRN 296 when decreasing the credit (TC 767 is generated).

**Note:** CRN 296 can be combined on Command Code ADJ54 adjustments with any other IRN or CRN valid for the form being adjusted.

(8) Corrections to this credit will usually be seen along with corrections to a related wage figure and/or allocable qualified health plan expenses.

- **IRN 206** is used to either increase or decrease qualified wages for employee retention credit.
- **IRN 207** is used to either increase or decrease qualified health plan expenses allocable to wages reported on Line 21 (i.e., qualified wages for employee retention credit).

(9) In addition, for second quarter 2020 Form 941 accounts **(only)**, it may be necessary to record changes to figures relating to amounts of Employee Retention Credit attributable to first quarter 2020 which were required to be reported on second quarter Forms 941. (See the last bullet in (7) of IRM 21.7.2.7.2.1IRM 21.7.2.7.2, *Employee Retention Credit (ERC) — Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions*, and IRM 21.7.2.7.2.5, *First Quarter 2020 Form 941 — Employee Retention Credits and Notice 1447*, for more information on that topic.)

- **IRN 208** is used to either increase or decrease qualified wages paid March 13 through March 31, 2020, for the employee retention credit.

  **Caution:** Line 24 on Form 941 represents different tax reporting items for 202006 versus 202009 and 202012. See (5) in IRM 21.7.2.8.2, *Notice 2020-65 — Deferred Payment of Employee's Share of Social Security Taxes for 2020*, for more information.

- **IRN 209** is used to either increase or decrease qualified health plan expenses allocable to wages reported on Line 24 (i.e., qualified wages paid March 13 through March 31, 2020, for the employee retention credit).

(10) **Process Forms 94XX claiming non-refundable or refundable amounts of Employee Retention Credit released by RAAS as per guidance in the paragraphs which follow.**

**Caution:** When working Forms 94XX filed for tax year 2020, review the tax account for which the Form 94XX was filed for any posted CRN 280 deferred payment amount. If the account reflects a previously recorded CRN 280 amount, or if the Form 94XX under consideration includes a change to deferred payment amounts (increase or decrease), see IRM 21.7.2.8.13, *Form 94XX — Adjusting Accounts with a Posted CRN 280 and/or Corrections to Deferred Social Security Tax Payment Amounts*, for handling guidance prior to adjusting the account.

(11) Reject any Form 94XX claiming non-refundable or refundable amounts of Employee Retention Credit that is filed for an **invalid** tax period or tax form. As appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C advising the employer the credit is not available for the form/tax period (specify) for which they filed a Form 94XX. The valid forms and tax periods for the Employee Retention Credit are as follows:

- **Form 941:** Tax periods 202006 through 202112 **only**.
- **Form 943, Form 944, and Form CT-1:** Tax period 202012 and 202112**only**.

**Reminder:** For Form 941, any Employee Retention Credit attributable to first quarter 2020 must be claimed on an original or adjusted employment tax return filed for the second quarter of 2020. See (9) above.

**Note:** See (6) in IRM 21.7.2.7.2.2, *Employee Retention Credit (ERC) — Taxpayer Certainty and Disaster Relief Act of 2020 Provisions*. Certain employers eligible to retroactively claim ERC credits for earlier tax periods during 2020 were permitted (but not required) under a special rule to claim the combined amounts on their original Form 941 for the fourth quarter. Employers who were eligible to apply the special rule when filing original fourth quarter 2020 Form 941 returns are also eligible to apply the same special rule to combine eligible ERC amounts from earlier quarters on Forms 941-X filed for fourth quarter of 2020. **#**

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(12) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that are cleared for processing by RAAS. Cases cleared for processing by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to allow claims cleared by RAAS. As usual:

- Review the associated Form 94XX for completeness and processability (e.g.,for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to RAAS for additional analysis (i.e., **do not** adjust the account). Take the following actions to refer such a case for further RAAS consideration:
1) Correct case controls as necessary and appropriate.
2) Enter/update the case with **Priority Code 6**.
3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
4) Reassign the case to IDRS number **0230281416**.

**Caution:** Form 94XX cases released to be worked by AM after RAAS analysis may include assessment cases in addition to claims, including net credit/refund or zero balance cases reporting tax increase items along with refundable credit changes. Although suspended inventory was reviewed for statute imminent 2020 account situations prior to normal ASED expiration on April 15, 2024, there is heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

(13) An increase to the refundable or nonrefundable (i.e., decrease to tax) portions of the credit may meet examination criteria. See Exhibit 21.5.3–2, *Examination Criteria (CAT-A) — General*. #

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(14) As usual, verify the math on the face of the Form 94XX for the credit adjustment (i.e., verify Column 2 matches IRS records and the math across Columns 1 through 4 are correct). **#** ███████████████████████████████████████

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**Exception:** ERC claims for which no corresponding wages or qualified health plan expenses were reported (on either the Form 94XX being processed, the original employment tax return, or previously processed Form(s) 94XX) are unprocessable. Reject the Form 94XX using Letter 4384C and insert the following text in an open paragraph:
"We could not process your claim for Employee Retention Credit because you did not report any corresponding qualified wages or qualified health expenses."

**Exception: For MFT 01, tax periods 202109 and 202112 (only):** If Line 31b of Form 941-X is checked and the amount of ERC claimed on a Form 941-X reporting an increase to non-refundable or refundable ERC exceeds $50,000, including any amount claimed on the original return or as previously adjusted, limit the amount of ERC allowed with the Form 941-X to $50,000 **#** ████████████████████ ██████ **#** **unless** there is a Schedule R indicator present on the original return (verify via Command Code BRTVU or BMFOL definer "R"). If ERC is being limited per these instructions, send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph:
"The maximum amount of Employee Retention Credit which can be claimed by an employer which is a recovery startup business is $50,000 per quarter."

**Exception: #** ████████████████████████████████████████
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██████ **#** As appropriate, follow guidance in IRM 21.5.3.4.6.3, *No Consideration Procedures*, and issue Letter 916C with the following text inserted in two open paragraphs:
"We processed any other changes requested on your Form [specify] but could not process the requested changes to [specify credit(s)] because the amounts you reported exceeded the tax against which the credit is applied."
"If you are eligible for employment tax credits which have not been recorded, complete and file a new Form [specify form] after using the appropriate worksheet(s) in the Instructions for Form [specify form] to compute eligible credit amounts to be entered on specific lines of Form [specify form]."

(15) After following (14) above to determine the adjustment amounts for the non-refundable and refundable portions of the Employee Retention Credit, record the corrections with IRNs 203/206/207/208/209 and CRN 296 as described in (5), (6), (7), (8), and (9) above.

**Note:** See IRM 21.7.2.7.6.5, *Form 94XX — Adjustments When the Number of CRN and IRN Corrections Exceed Command Code ADJ54 Input Limitations*, to determine the order of adjusting IRNs and CRNs when multiple adjustments are required to record a single Form 94XX.

**Caution:** If the amount claimed for either the non-refundable or the refundable portions of Employee Retention Credit is being disallowed or partially disallowed for a reason other than those specified in the exceptions in (14) above, send Letter 105C or Letter 106C (as appropriate) per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*, and state the basis for the disallowance in the letter.

(16) After applying the processing guidance provided above, continue processing complete claims and requests for adjustment of the Employee Retention Credit as per the general procedures in IRM 21.7.2.4.6. *Adjusted Employer's Federal Tax Return or Claim for Refund*, and the specific procedures applicable to the type of Form 94XX filed (e.g., for a tax decrease - claim for refund filed on Form 941-X, follow IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*).

**IRM 21.7.2.7.7.2(3) Revised case reassignment instructions in multiple table rows.**

(3) Review ERC claim withdrawal request documents for the following required elements, **#** ███████████████████████████████████ **#** , and then take actions as directed in the table which follows:

- A copy of the previously filed Form 94XX claiming ERC.
- A "withdrawn" notation on the Form 94XX copy (usually found in the left margin of the first page) or other indication that the document submitted was intended to be an ERC claim withdrawal request.
- Signature, date, name of the signer, and title of the signer (usually found in the right margin of the first page)

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| **#** ███████ ███████ **#** | | **#** ███████████████ **#** <br> **#** <br> ███████████████████ <br> ███████████████████ <br> ███████████████ <br> **#** <br> **Caution: #** ███████████ ███████ **#** |
| The taxpayer submission is a | | 1. Send an appropriate "C" letter directing the taxpayer |

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| general information request about the ERC claim withdrawal program (e.g., how to submit a withdrawal request) | | to information on the irs.gov webpage or provide other information responsive to the taxpayer inquiry as appropriate.<br>2. Remove the Priority 2 coding from the CII case.<br>3. Enter "GENERAL ERC WD INQ" in CII case notes.<br>4. Close the CII case.<br><br>**Note:** If there is a related Form 94XX case, it should not be closed and it is not necessary to update case notes for the Form 94XX case in this instance.<br><br>**Reminder:** Correspondence which is not related to the ERC claim withdrawal program is handled per guidance in IRM 21.7.2.7.7.7, *Handling for Miscellaneous Incorrect Submissions Received in the ERC Claim Withdrawal Program*. |
| The withdrawal request **does not** include a copy of a Form 94XX claiming ERC | There is **insufficient** information to associate the withdrawal request to a previously filed Form 94XX claiming ERC (i.e., the withdrawal request was loaded as a new CII case, no previous Form 94XX case is linked, and no previous Form 94XX case can be located) | 1. Send Letter 916C with the following text inserted in an open paragraph:<br>"We can't process your request to withdraw your Employee Retention Credit (ERC) claim because you did not include a copy of your Form [specify form] and we are unable to locate the claim you're trying to withdraw."<br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - NO CLAIM"<br>3. Enter "ERC WD REQ RJCT - NO CLAIM" in CII |

| | | case notes.<br>4. Close the CII case. |
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| The withdrawal request **does not** include a copy of a Form 94XX claiming ERC | There is **sufficient** information to associate the withdrawal request to a previously filed Form 94XX claiming ERC (i.e., the withdrawal request was attached to an open case, a new CII case was opened and linked to a closed case, or a new CII case was opened and can now be linked to a closed or open case) | Continue to process the ERC claim withdrawal request as per guidance which follows in this table and in succeeding IRM subsections |
| The withdrawal request is unsigned | | 1. Send Letter 916C with the following text inserted in two open paragraphs: "We can't process your request to withdraw your Employee Retention Credit (ERC) claim because you didn't sign the copy of the Form [specify form] you're requesting to withdraw, or you didn't include your printed name and/or title." "See IRS.gov/ercsignature for a list of persons authorized to sign an amended return for each type of business entity."<br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - SIGNATURE"<br>3. Enter "ERC WD REQ RJCT - SIGNATURE" in CII case notes.<br>4. Update the CII case as follows:<br>• Update the CII case with **Priority Code 1**.<br>• Change the received date |

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| | | to that of the related Form 94XX case that was closed during case association.<br>• Reassign the case to the IDRS number to which the Form 94XX case was assigned when closed. |
| The withdrawal request is signed | The signer's name and/or title is not entered | 1. Send Letter 916C with the following text inserted in two open paragraphs: "We can't process your request to withdraw your Employee Retention Credit (ERC) claim because you didn't sign the copy of the Form [specify form] you're requesting to withdraw, or you didn't include your printed name and/or title." "See IRS.gov/ercsignature for a list of persons authorized to sign an amended return for each type of business entity."<br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - SIGNATURE"<br>3. Enter "ERC WD REQ RJCT - SIGNATURE" in CII case notes.<br>4. Update the CII case as follows:<br>• Update the CII case with **Priority Code 1**.<br>• Change the received date to that of the related Form 94XX case that was closed during case association.<br>• Reassign the case to the IDRS number to which the Form 94XX case was |

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| The withdrawal request is signed | The person signing is not authorized to do so.<br><br>**Note:** See the table in (1) of IRM 21.7.2.4.6.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, **including the notes in each row of the table**, for who can sign the withdrawal request and research requirements.<br><br>**Caution: Do not** follow resolution guidance in (2) of IRM 21.7.2.4.6.11 when working an ERC claim withdrawal request. | 1. Send Letter 916C with the following text inserted in two open paragraphs: "We can't process your request to withdraw your Employee Retention Credit (ERC) claim because we have no record you authorized [specify name] to act for you." "See IRS.gov/ercsignature for a list of persons authorized to sign an amended return for each type of business entity. See www.irs.gov/ercwithdrawal for instructions on how to submit a request to withdraw your ERC claim."<br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - SIGNATURE"<br>3. Enter "ERC WD REQ RJCT - SIGNATURE" in CII case notes.<br>4. Update the CII case as follows:<br>• Update the CII case with **Priority Code 1**.<br>• Change the received date to that of the related Form 94XX case that was closed during case association.<br>• Reassign the case to the IDRS number to which the Form 94XX case was assigned when closed. |
| The withdrawal request is | The authority of the power of attorney to sign cannot be | 1. Send Letter 916C with the following text inserted in |

| signed under a power of attorney | verified.<br><br>**Note:** See the seventh row of the table in (1) of IRM 21.7.2.4.6.11, *Signature Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, that addresses a signature by a power of attorney, **including the notes**, for research requirements.<br><br>**Caution: Do not** follow resolution guidance in (2) of IRM 21.7.2.4.6.11 when working an ERC claim withdrawal request. | two open paragraphs:<br>"We can't process your request to withdraw your Employee Retention Credit (ERC) claim because we have no record you authorized [specify name] to act for you."<br>"See IRS.gov/ercsignature for a list of persons authorized to sign an amended return for each type of business entity. See www.irs.gov/ercwithdrawal for instructions on how to submit a request to withdraw your ERC claim."<br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - SIGNATURE"<br>3. Enter "ERC WD REQ RJCT - SIGNATURE" in CII case notes.<br>4. Update the CII case as follows:<br>• Update the CII case with **Priority Code 1**.<br>• Change the received date to that of the related Form 94XX case that was closed during case association.<br>• Reassign the case to the IDRS number to which the Form 94XX case was assigned when closed. |
| The withdrawal request is signed by a **Reporting Agent** (i.e., "attorney in | The Reporting Agent authority cannot be verified.<br><br>**Note:** See the last row of the table in (1) of IRM 21.7.2.4.6.11, *Signature* | 1. Send Letter 916C with the following text inserted in two open paragraphs:<br>"We can't process your request to withdraw your Employee Retention Credit |

| fact", "agent", or other title indicating individual who signed acts for a Reporting Agent firm) | *Requirements for Form 94XX Amended/Adjusted Employment Tax Returns*, that addresses a signature by a Reporting Agent, **including the note**, for research requirements.<br><br>**Caution: Do not** follow resolution guidance in (2) of IRM 21.7.2.4.6.11 when working an ERC claim withdrawal request. | (ERC) claim because we have no record you authorized [specify name] to act for you."<br>"See IRS.gov/ercsignature for a list of persons authorized to sign an amended return for each type of business entity. See www.irs.gov/ercwithdrawal for instructions on how to submit a request to withdraw your ERC claim."<br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - SIGNATURE"<br>3. Enter "ERC WD REQ RJCT - SIGNATURE" in CII case notes.<br>4. Update the CII case as follows:<br>• Update the CII case with **Priority Code 1**.<br>• Change the received date to that of the related Form 94XX case that was closed during case association.<br>• Reassign the case to the IDRS number to which the Form 94XX case was assigned when closed. |
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**Caution:** See (2) in IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, for required consideration and possible release of -A and E- freezes when rejecting or "no-considering" ERC withdrawal requests.

**Reminder:** As indicated in (5) of IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, the ERC claim withdrawal case information template must be completed when each accepted or rejected ERC claim

withdrawal case is resolved/closed.

**IRM 21.7.2.7.7.3(4) Revised case reassignment instructions in multiple table rows.**

(4) Review the ERC claim withdrawal request document(s), the previous Form 94XX claiming ERC that the taxpayer is trying to withdraw (if not already associated, conduct research to locate the Form 94XX if possible), and the related tax account to evaluate eligibility factors addressed in the table which follows:

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| The ERC claim withdrawal request is a duplicate request | The previous ERC claim withdrawal request has not been processed | 1. Link the ERC claim withdrawal case with the most recent received date to the case with the oldest received date.<br>2. Enter "ERC WD REQ LIVE DUPLICATE" in CII case notes for both cases.<br>3. Close the CII case with the most recent received date.<br>4. Continue processing the original ERC claim withdrawal request as appropriate. |
| The ERC claim withdrawal request is a duplicate request | The previous ERC claim withdrawal request has already been processed | 1. Send Letter 916C with the following text inserted in an open paragraph:<br>"We didn't process your request to withdraw your Employee Retention Credit (ERC) claim because we consider it a duplicate submission. We issued a letter on [enter date] in response to your original withdrawal request."<br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - DUPLICATE" |

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| | | 3. Link the current ERC claim withdrawal case with the previously worked case.<br>4. Enter "ERC WD REQ RJCT - DUPLICATE" in CII case notes for both cases.<br>5. Close the current CII case. |
| The ERC claim withdrawal request was filed by a company which is a client of an aggregate employment tax return filer (Section 3504 Agent, CPEO, or PEO) | The ERC claim the taxpayer is trying to withdraw was filed on their behalf by the aggregate employment tax return filer (i.e., under the EIN of the Section 3504 Agent, CPEO, or PEO) | 1. Send Letter 916C with the following text inserted in two open paragraphs:<br>"We can't process your request to withdraw your Employee Retention Credit (ERC) claim because our records show your employment taxes were reported by a third-party payor on an aggregate employment tax return they filed."<br>"You should contact your third-party payor if you wish to withdraw or correct an ERC claim they filed on your behalf."<br>2. Enter "ERC WD REQ RJCT - AGG FILER" in CII case notes.<br>3. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - AGG FILER"<br>4. Update the CII case as follows:<br>• Update the CII case with **Priority Code 1**.<br>• Change the received date to that of the related Form 94XX case that was closed during case association.<br>• Reassign the case to the IDRS number to which the |

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| | | Form 94XX case was assigned when closed. |
| The withdrawal request includes a copy of a Form 94XX claiming ERC | The case is not linked to a Form 94XX case and no related Form 94XX case can be located | 1. Send Letter 916C with the following text inserted in an open paragraph: "We can't process your request to withdraw your Employee Retention Credit (ERC) claim because we didn't receive a Form [specify form] for the claim you're trying to withdraw."<br><br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - NO CLAIM"<br><br>3. Enter "ERC WD REQ RJCT - NO CLAIM" in CII case notes.<br><br>4. Close the CII case. |
| The ERC claim withdrawal request is for ERC claimed **entirely** on the original employment tax return | | 1. Send Letter 916C with the following text inserted in two open paragraphs: "We can't process your request to withdraw your Employee Retention Credit (ERC) claim because our records show the amounts you're requesting to withdraw were claimed on your original Form [specify form]."<br>"You should file Form [specify form] to make corrections to information reported on your original return, including any changes to claimed ERC amounts, and pay any amount due."<br><br>2. Input a TC 971 with the |

| | | following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - ERC TC 150"<br>3. Enter "ERC WD REQ RJCT - ERC TC 150" in CII case notes.<br>4. Close the CII case. |
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| The Form 94XX for which the ERC claim withdrawal request was made has already been processed | The claim was closed as a "no consideration" case | 1. Update the CII case with **Priority Code 4**.<br>2. Send Letter 916C with the following text inserted in an open paragraph:<br>"We can't process your request to withdraw your Employee Retention Credit (ERC) claim because our records show we sent you a letter on [specify date] stating that we could not process the Form [specify] you're trying to withdraw."<br>3. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - CLAIM NO CONSIDERED"<br>4. Enter "ERC WD REQ RJCT - CLAIM NO CONSIDERED" in CII case notes.<br>5. Close the CII case. |
| The Form 94XX for which the ERC claim withdrawal request was made has already been processed | The claim was formally disallowed in part or in full | 1. Update the CII case with **Priority Code 4**.<br>2. Send Letter 916C with the following text inserted in an open paragraph:<br>"We can't process your |

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| | | request to withdraw your Employee Retention Credit (ERC) claim because our records show we previously disallowed all or a portion of your claim. A disallowance letter was sent on [specify date]."<br>3. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - CLAIM DISALLOWANCE"<br>4. Enter "ERC WD REQ RJCT - CLAIM DISALLOWANCE" in CII case notes.<br>5. Close the CII case. |
| The Form 94XX for which the ERC claim withdrawal request was made has already been processed | A refund was issued but there is **no** indication the taxpayer returned the refund check | 1. Update the CII case with **Priority Code 4**.<br>2. Send Letter 916C with the following text inserted in two open paragraphs:<br>"We can't accept your request to withdraw your Employee Retention Credit (ERC) claim because we already processed the claim you're trying to withdraw."<br>"If you haven't cashed or deposited your refund check, see www.irs.gov/ercwithdrawal for instructions on how to return your refund check and make a new request to withdraw your ERC claim. If you cashed the refund check, you should file Form [specify form] to make corrections and pay any amount due."<br>3. Input a TC 971 with the |

| | | following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - CLAIM PROCESSED"<br>4. Enter "ERC WD REQ RJCT - CLAIM PROCESSED" in CII case notes.<br>5. Close the CII case. |
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| The Form 94XX for which the ERC claim withdrawal request was made has already been processed | The taxpayer repaid the amount refunded via EFTPS or with a personal/business check | 1. Update the CII case with **Priority Code 4**.<br>2. Send Letter 916C with the following text inserted in two open paragraphs:<br>"We can't accept your request to withdraw your Employee Retention Credit (ERC) claim because we already processed the claim you're trying to withdraw."<br>"You should file Form [specify form] to report corrections to any amounts previously claimed in error."<br>3. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - CLAIM PROCESSED"<br>4. Enter "ERC WD REQ RJCT - CLAIM PROCESSED" in CII case notes.<br>5. Close the CII case.<br><br>**Caution: Do not** release any overpayment associated with the repayment since the funds will be required to pay the Form 94XX the taxpayer is expected to file. |

| The Form 94XX for which the ERC claim withdrawal request was made has already been processed | All or part of the overpayment resulting from the previous credit allowance was:<br><br>• Applied to other amounts due on the account adjusted; **or**,<br>• Offset to balances owed on another tax account; **or**,<br>• Applied to a succeeding tax period as the result of the processed Form 94XX having been marked as an adjusted return. | 1. Update the CII case with **Priority Code 4**.<br>2. Contact the IRM author through your management chain and the site P&A Staff for guidance on case handling. |
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| The Form 94XX for which the ERC claim withdrawal request was made has already been processed | A refund was issued **and** there is an indication present that the taxpayer returned the refund check. Review for one or more of the following indicators:<br><br>• A photocopy of a voided check or other notation is attached to the withdrawal request.<br>• An open IDRS control | Continue processing as per guidance in IRM 21.7.2.7.7.6, *Processing ERC Claim Withdrawal Requests with a Returned Refund Check*. |

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| | for a returned refund check.<br>• A posted TC 841 with credit held by a **P-** freeze.<br>• A posted TC 740 with credit held by a **S-** freeze. | |
| The ERC claim withdrawal request is for **less than** the ERC claimed on the related Form 94XX claiming ERC | | 1. Send Letter 916C with the following text inserted in two open paragraphs:<br>"We can't process your request to withdraw your Employee Retention Credit (ERC) claim because the amount shown on your request is less than the amount reported on the associated Form [specify form] we received on [specify date]."<br>"If you qualify for some amount of ERC but less than the amount previously claimed, you should file Form [specify form] to make corrections and pay any amount due."<br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - CLAIM MISMATCH"<br>3. Enter "ERC WD REQ RJCT - CLAIM MISMATCH" in CII case notes.<br>4. Update the CII case as follows:<br>• Update the CII case with **Priority Code 1**.<br>• Change the received date |

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| | | to that of the related Form 94XX case that was closed during case association.<br>• Reassign the case to the IDRS number to which the Form 94XX case was assigned when closed. |
| The ERC claim withdrawal request is for **more than** the ERC claimed on the related Form 94XX claiming ERC | | 1. Send Letter 916C with the following text inserted in two open paragraphs: "We can't process your request to withdraw your Employee Retention Credit (ERC) claim because the amount shown on your request is more than the amount reported on the associated Form [specify form] we received on [specify date]."<br>"If you need to reduce or remove previously claimed ERC in excess of the amount reported on a specific Form [specify form], you should file a new Form [specify form] to make corrections and pay any amount due."<br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - CLAIM MISMATCH"<br>3. Enter "ERC WD REQ RJCT - CLAIM MISMATCH" in CII case notes.<br>4. Update the CII case as follows:<br>• Update the CII case with **Priority Code 1**.<br>• Change the received date to that of the related Form |

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| | | 94XX case that was closed during case association.<br>• Reassign the case to the IDRS number to which the Form 94XX case was assigned when closed. |
| The Form 94XX related to the ERC claim withdrawal request reported **other** non-ERC wage/tax/credit corrections in addition to claiming ERC | | 1. Send Letter 916C with the following text inserted in two open paragraphs:<br>"We can't process your request to withdraw your Employee Retention Credit (ERC) claim because the claim you're trying to withdraw reported other corrections in addition to claiming ERC."<br>"You should file a new Form [specify form] to make corrections to ERC you previously claimed, along with any other necessary corrections, and pay any amount due."<br>2. Input a TC 971 with the following data elements:<br>• Enter the received date of the ERC withdrawal case as the transaction date<br>• Enter Action Code 333<br>• Enter Remarks: "NSD ERC WD REQ RJCT - CLAIM NOT ERC ONLY"<br>3. Enter "ERC WD REQ RJCT - CLAIM NOT ERC ONLY" in CII case notes.<br>4. Update the CII case as follows:<br>• Update the CII case with **Priority Code 1**.<br>• Change the received date to that of the related Form 94XX case that was closed during case association.<br>• Reassign the case to the IDRS number to which the Form 94XX case was |

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| | | assigned when closed. |
| The ERC claim withdrawal request includes **other** corrections in addition to withdrawing the previous ERC claimed | | 1. Send Letter 916C with the following text inserted in two open paragraphs: "We can't process your request to withdraw your Employee Retention Credit (ERC) claim because you requested other changes to your account information in addition to the ERC claim withdrawal." "You should file a new Form [specify form] to make corrections to ERC you previously claimed, along with any other necessary corrections, and pay any amount due." <br> 2. Input a TC 971 with the following data elements: <br> • Enter the received date of the ERC withdrawal case as the transaction date <br> • Enter Action Code 333 <br> • Enter Remarks: "NSD ERC WD REQ RJCT - WD REQ INC OTHER CHANGES" <br> 3. Enter "ERC WD REQ RJCT - WD REQ INC OTHER CHANGES" in CII case notes. <br> 4. Update the CII case as follows: <br> • Update the CII case with **Priority Code 1**. <br> • Change the received date to that of the related Form 94XX case that was closed during case association. <br> • Reassign the case to the IDRS number to which the Form 94XX case was assigned when closed. |

**Caution:** See (2) in IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, for required consideration and possible release of -A and E- freezes when rejecting or "no-considering" ERC withdrawal requests.

**Reminder:** As indicated in (5) of IRM 21.7.2.7.7.1, *ERC Claim Withdrawal Requests — Case Receipts and Case Association Actions*, the ERC claim withdrawal case information template must be completed when each accepted or rejected ERC claim withdrawal case is resolved/closed.

(5) Continue processing eligible ERC claim withdrawal cases (i.e., those not rejected or otherwise addressed per instructions in (4) above) as per guidance in IRM 21.7.2.7.7.4, *Processing ERC Claim Withdrawal Requests — Review for Account Conditions Requiring Special Handling*.

**IRM 21.7.2.7.8 Revised title to for subsection to act as lead-in for new content to be added as multiple new underlying subsections. Former content moved to new IRM 21.7.2.7.8.1 and IRM 21.7.2.7.8.2 subsections as appropriate.**

> Additional Case Processing Actions and/or Disallowance Actions for Forms 94XX Meeting ERC-related Filtering Criteria

(1) Certain Form 94XX cases reporting 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).

(2) The subsections which follow provide handling guidance for specific case types identified through operation of RAAS filtering criteria.

**IRM 21.7.2.7.8.1 Added new subsection to house content formerly found under IRM 21.7.2.7.8 applicable to Form 94XX ERC claims meeting certain filtering criteria for entity establishment dates. Content also revised for developments in handling requirements.**

> Disallowance Actions for Form 94XX ERC Claims Meeting RAAS Filtering Criteria for No Forms W-2 Filed

(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 Forms 94XX reporting ERC amounts which were identified by RAAS as being filed by employers who did not file Forms W-2 as expected.

(3) The IRS has determined that Forms 94XX reporting new or increased ERC amounts (only) filed for accounts meeting the specified filtering criteria for missing Forms W-2 will be formally disallowed.

(4) Cases identified by RAAS for disallowance handling per guidance in this subsection will be identified to AM as follows:

- IDRS Number: **0230281088**
- CII case notation: **"RiskedERC-Disallow"** and **"No W2 filed"**

**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 (5) below.

**Note:** CII case notes for these cases may indicate multiple filtering criteria as having been met. If so, the first case notation is deemed the **primary** indicator and controls handling. Additional filtering notes are deemed secondary indicators and are potentially a factor in handling as discussed in the last row of the table in (6) below.

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed for accounts meeting the specified filtering criteria for missing Forms W-2. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having failed filtering analysis for gross receipts. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.

- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to RAAS for additional analysis. Take the following actions to refer such a case for further RAAS consideration:
1) Correct case controls as necessary and appropriate.
2) Enter/update the case with **Priority Code 6**.
3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
4) Reassign the case to IDRS number **0230281416**.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Note:** If the Form 94XX does **not** report a new or increased ERC amount, enter "No W-2 filter does not apply" in CII case notes. Also, reassign the case and correct any case Priority Code as per guidance in (11) of IRM 21.7.2.7, *COVID-19 Related Employment Tax Relief*.

**Caution:** Form 94XX cases released to be worked by AM after RAAS analysis may include assessment cases in addition to claims, including net credit/refund or zero balance cases reporting tax increase items along with refundable credit changes. Although suspended inventory was reviewed for statute imminent 2020 account situations prior to normal ASED expiration on April 15, 2024, there is heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

(6) After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS as having been filed for accounts meeting the specified filtering criteria for missing Forms W-2 as follows:

| If | And | Then |
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| The Form 94XX reports **only** changes to ERC | | Disallow the claim: <br><br> 1. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim. <br> 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance* |

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| | | *Procedures* and insert the following text in an open paragraph: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do not** meet CAT-A criteria when considered separately from the ERC changes reported | Partially disallow the claim: 1. Complete a TC 29X adjustment in Blocking Series 18 (or 00 if the original return is attached) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX. 2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do meet** CAT-A criteria when considered separately from the ERC | The ERC Math Verification Worksheet **must** be executed **before** the CAT-A referral is completed: 1. Follow handling guidance in (13) and (14) of IRM 21.7.2.7.6.3 Form 94XX — Employee Retention Credit |

| | changes reported | (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS, to execute the worksheet and to document the results. |
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| | | 2. Complete the CAT-A referral as usual. |
| | | 3. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate): <br> • Completing the ERC Math Verification Worksheet again. <br> • Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance. <br> • Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification. |
| The CII case notes indicate multiple RAAS disallowance filters were met | | Each failed filter must be considered: <br><br> 1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters. <br> 2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX. <br> 3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s). <br><br> **Note:** If a secondary failed filter notation "Establishment Date" is present, insert the following text in two open paragraphs: |

| | | "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021." "Our records show that your business was established after December 31, 2021. Our records also show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees." |
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**IRM 21.7.2.7.8.2 Added new subsection to house content formerly found under IRM 21.7.2.7.8 applicable to Form 94XX ERC claims meeting certain filtering criteria for no Forms W-2 filed. Content also revised for developments in handling requirements.**

Disallowance Actions for Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Entity Establishment Dates

(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 Forms 94XX reporting ERC amounts which were identified by RAAS as being filed by employers whose entity establishment date does not support their having been eligible for ERC.

(3) The IRS has determined that Forms 94XX reporting new or increased ERC amounts (only) filed for accounts meeting the specified filtering criteria for entity establishment dates will be formally disallowed.

(4) Cases identified by RAAS for disallowance handling per guidance in this subsection will be identified to AM as follows:

- IDRS Number: **0230281088**
- CII case notation: **"RiskedERC-Disallow"** and **"Establishment Date"**

**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 (5) below.

**Note:** CII case notes for these cases may indicate multiple filtering criteria as having been met. If so, the first case notation is deemed the **primary** indicator and controls handling. Additional filtering notes are deemed secondary indicators and are potentially a factor in handling as discussed in the last row of the table in (6) below.

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed for accounts meeting the specified filtering criteria for entity establishment dates. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having failed filtering analysis for gross receipts. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to RAAS for additional analysis. Take the following actions to refer such a case for further RAAS consideration:
1) Correct case controls as necessary and appropriate.
2) Enter/update the case with **Priority Code 6**.
3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
4) Reassign the case to IDRS number **0230281416**.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Note:** If the Form 94XX does **not** report a new or increased ERC amount, enter "Establishment date filter does not apply" in CII case notes. Also, reassign the case and correct any case Priority Code as per guidance in (11) of IRM 21.7.2.7, *COVID-*

*19 Related Employment Tax Relief*.

**Caution:** Form 94XX cases released to be worked by AM after RAAS analysis may include assessment cases in addition to claims, including net credit/refund or zero balance cases reporting tax increase items along with refundable credit changes. Although suspended inventory was reviewed for statute imminent 2020 account situations prior to normal ASED expiration on April 15, 2024, there is heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

(6) After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS as having been filed for accounts meeting the specified filtering criteria for entity establishment dates as follows:

| If | And | Then |
|---|---|---|
| The Form 94XX reports **only** changes to ERC | | Disallow the claim:<br><br>1. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim.<br>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business was established after December 31, 2021." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do not** meet CAT-A criteria when considered separately from the ERC changes reported | Partially disallow the claim:<br><br>1. Complete a TC 29X adjustment in Blocking Series 18 (or 00 if the original return is attached) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.<br>2. Send Letter 106C as per instructions in IRM |

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| | | 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business was established after December 31, 2021." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do meet** CAT-A criteria when considered separately from the ERC changes reported | The ERC Math Verification Worksheet **must** be executed **before** the CAT-A referral is completed: <br><br> 1. Follow handling guidance in (13) and (14) of IRM 21.7.2.7.6.3 Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS, to execute the worksheet and to document the results. <br> 2. Complete the CAT-A referral as usual. <br> 3. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate): <br> • Completing the ERC Math Verification Worksheet again. <br> • Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance. <br> • Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification. |
| The CII case notes indicate multiple RAAS disallowance filters were met | | Each failed filter must be considered: <br><br> 1. As appropriate, consider handling guidance provided in this subsection as well as any |

| | | applicable guidance in other subsections based on the identified failed filters. |
|---|---|---|
| | | 2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX. |
| | | 3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s). |
| | | **Note:** If a secondary failed filter notation "No W2 filed" is present, insert the following text in two open paragraphs: "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021." "Our records show that your business was established after December 31, 2021. Our records also show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees." |

**IRM 21.7.2.7.8.3 Added new subsection to provide handling guidance for ERC-related Form 94XX cases released to AM by RAAS for additional processing actions due to potentially having been filed by a fabricated entity.**

Handling for Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Fabricated Entities

(1) Certain Form 94XX cases reporting 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 Forms 94XX reporting ERC amounts which were identified by RAAS as having been potentially filed by fabricated entities.

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

- IDRS Number: **0230281088**
- CII case notation: **"RiskedERC-Fabricated"**

**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 (5) below.

(4) These cases generally require additional processing actions by AM before the Forms 94XX reporting ERC amounts can be fully analyzed by RAAS. This handling may include:

- Making contacts with or referrals to other IRS operations to confirm fabricated entity determinations and handling for the Form 94XX.
- Returning some cases to RAAS for additional analysis if the Form 94XX is deemed processable (i.e., was determined to have not been filed by a fabricated entity).

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that are returned by RAAS to AM for additional processing actions, including those returned to AM to address possible fabricated entity issues. Cases returned for additional handling actions by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking additional actions to address the potentially fabricated entity issue identified by RAAS. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.

- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to RAAS for additional analysis. Take the following actions to refer such a case for further RAAS consideration:
1) Correct case controls as necessary and appropriate.
2) Enter/update the case with **Priority Code 6**.
3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
4) Reassign the case to IDRS number **0230281416**.

**Caution:** Form 94XX cases released to be worked by AM after RAAS analysis may include assessment cases in addition to claims, including net credit/refund or zero balance cases reporting tax increase items along with refundable credit changes. Although suspended inventory was reviewed for statute imminent 2020 account situations prior to normal ASED expiration on April 15, 2024, there is heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

(6) After applying the guidance in (5) above, continue to address **otherwise processable** Forms 94XX identified to AM by RAAS as possible fabricated entity issues as appropriate per guidance in IRM 21.7.2.4.6.13, *Forms 94XX with Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement*, and other IRM guidance linked therein.

**Caution:** After following the guidance above, if instructions are received that the Form 94XX should be allowed (e.g., a determination was made that the entity was **not** fabricated), the case **must** be returned to RAAS for additional analysis **before** an adjustment to the tax account can be made. Take the following actions to refer such a case for further RAAS consideration:
1) Enter/update the case with **Priority Code 6**.
2) Enter an appropriate case note to document the reason the case is being referred for additional RAAS analysis (e.g., if the EIN was determined to have not been fabricated, enter "EIN not fabricated").
3) Reassign the case to IDRS number **0230281416**.

**Note:** Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above or after following guidance in IRM 21.7.2.4.6.13, *Forms 94XX with Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement*, and other linked IRM guidance **do not** require further RAAS consideration.

**IRM 21.7.2.7.8.4 Added new subsection to provide handling guidance for ERC-related Form 94XX cases released to AM by RAAS for additional processing actions due to missing original returns.**

Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)

(1) Certain Form 94XX cases reporting 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 Forms 94XX reporting ERC amounts which were identified by RAAS as having been filed for tax accounts to which no original employment tax return has been processed.

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

- IDRS Number: **0230281088**
- CII case notation: **"RiskedERC-No941"**

**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 (5) below.

(4) These cases generally require additional processing actions by AM before the Forms 94XX reporting ERC amounts can be fully analyzed by RAAS. This handling may include:

- Rejection of some Forms 94XX.
- In some instances, contacting the taxpayer to secure an original tax return.
- Returning some cases to RAAS for additional analysis after an original return is secured and processed.

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that are returned by RAAS to AM for additional processing actions, including those returned to AM to address missing original returns. Cases returned for additional handling actions by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form

94XX is complete for processing **must** be conducted **before** taking additional actions to address the missing original return issue identified by RAAS. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to RAAS for additional analysis. Take the following actions to refer such a case for further RAAS consideration:
1) Correct case controls as necessary and appropriate.
2) Enter/update the case with **Priority Code 6**.
3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
4) Reassign the case to IDRS number **0230281416**.

**Note:** Some cases identified to AM for action by RAAS in this workstream may be the result of the original return being held for review by RICS/RIVO/IDT. See IRM 21.7.2.4.6.13, *Forms 94XX with Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement*, for information on researching those account conditions.

**Caution:** Form 94XX cases released to be worked by AM after RAAS analysis may include assessment cases in addition to claims, including net credit/refund or zero balance cases reporting tax increase items along with refundable credit changes. Although suspended inventory was reviewed for statute imminent 2020 account situations prior to normal ASED expiration on April 15, 2024, there is heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

(6) After applying the guidance in (5) above, continue to address **otherwise processable** missing original return issues identified to AM by RAAS as per guidance in IRM 21.7.2.4.6.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted*.

**Caution:** After following the guidance above, if an original return was located/secured and processed, the case **must** be returned to RAAS for additional analysis **after** the return is posted to the account and **before** an adjustment to the

tax account can be made. Take the following actions to refer such a case for further RAAS consideration:
1) Enter/update the case with **Priority Code 6**.
2) Enter the following case note: "TC 150 posted".
3) Reassign the case to IDRS number **0230281416**.

**Note:** Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above or as per guidance in IRM 21.7.2.4.6.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted*, **do not** require further RAAS consideration.

**IRM 21.7.2.7.8.5 Added new subsection to provide handling guidance for Form 94XX cases meeting RAAS filters for non-payment/non-depositing patterns.**

> Disallowance of Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Certain Patterns of Non-Payment/Non-Depositing

(1) Certain Form 94XX cases reporting 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 Forms 94XX reporting ERC amounts which were identified by RAAS as having been filed by entities with payment/depositing patterns indicative of a lack of employment activity and/or business activity.

(3) The IRS has determined that Forms 94XX reporting new or increased ERC amounts (only) filed for accounts identified by RAAS as meeting filtering criteria for non-payment/non-depositing patterns will be formally disallowed.

(4) Cases identified by RAAS for disallowance handling per guidance in this subsection will be identified to AM as follows:

- IDRS Number: **0230281088**
- CII case notation: **"RiskedERC-Disallow"** and **"No payments"**

**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 (5) below.

**Note:** CII case notes for these cases may indicate multiple filtering criteria as having been met. If so, the first case notation is deemed the **primary** indicator and controls handling. Additional filtering notes are deemed secondary indicators and are potentially a factor in handling as discussed in the last row of the table in (6) below.

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed by an entity with payment/depositing patterns indicative of a lack of employment activity and/or business activity. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having been filed an entity with payment/depositing patterns indicative of a lack of employment activity and/or business activity. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to RAAS for additional analysis. Take the following actions to refer such a case for further RAAS consideration:
1) Correct case controls as necessary and appropriate.
2) Enter/update the case with **Priority Code 6**.
3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
4) Reassign the case to IDRS number **0230281416**.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Caution:** Form 94XX cases released to be worked by AM after RAAS analysis may include assessment cases in addition to claims, including net credit/refund or zero balance cases reporting tax increase items along with refundable credit changes.

Although suspended inventory was reviewed for statute imminent 2020 account situations prior to normal ASED expiration on April 15, 2024, there is heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

(6) After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS as having been filed an entity with payment/depositing patterns indicative of a lack of employment activity and/or business activity as follows:

| If | And | Then |
|---|---|---|
| The Form 94XX reports **only** changes to ERC | | Disallow the claim:<br><br>1. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim.<br>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph: "Based on our records, we have determined you are not an Eligible Employer or did not pay qualified wages for purposes of the Employee Retention Credit (ERC). ERC is a credit only against the employer's portion of social security or Medicare tax. We have no record you made employment tax deposits required for employers operating a trade or business from 2019 through 2022." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do not** meet CAT-A criteria when considered separately from the ERC changes reported | Partially disallow the claim:<br><br>1. Complete a TC 29X adjustment in Blocking Series 18 (or 00 if the original return is attached) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.<br>2. Send Letter 106C as per instructions in IRM |

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| | | 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in two open paragraphs: "We recorded the other changes reported on your Form [specify form]. However, based on our records, we have determined you are not an Eligible Employer or did not pay qualified wages for purposes of the Employee Retention Credit (ERC)." "ERC is a credit only against the employer's portion of social security or Medicare tax. We have no record you made employment tax deposits required for employers operating a trade or business from 2019 through 2022." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do meet** CAT-A criteria when considered separately from the ERC changes reported | The ERC Math Verification Worksheet **must** be executed **before** the CAT-A referral is completed:<br><br>1. Follow handling guidance in (13) and (14) of IRM 21.7.2.7.6.3 Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS, to execute the worksheet and to document the results.<br>2. Complete the CAT-A referral as usual.<br>3. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):<br>• Completing the ERC Math Verification Worksheet again.<br>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.<br>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by |

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| | | Exam Classification. |
| The CII case notes indicate multiple RAAS disallowance filters were met | | Each failed filter must be considered:<br><br>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.<br>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.<br>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s). |

**IRM 21.7.2.7.8.6 Added new subsection to provide handling guidance for ERC-related Form 94XX cases meeting RAAS filters for ineligible government entities.**

Disallowance of Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Ineligible Government Entities

(1) Certain Form 94XX cases reporting 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 Forms 94XX reporting ERC amounts which were identified by RAAS as having been filed by ineligible government entities.

(3) The IRS has determined that Forms 94XX reporting new or increased ERC amounts (only) filed by ineligible government entities will be formally disallowed.

(4) Cases identified by RAAS for disallowance handling per guidance in this subsection will be identified to AM as follows:

- IDRS Number: **0230281088**
- CII case notation: **"RiskedERC-Disallow"** and **"Government Entity"**

**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 (5) below.

**Note:** CII case notes for these cases may indicate multiple filtering criteria as having been met. If so, the first case notation is deemed the **primary** indicator and controls handling. Additional filtering notes are deemed secondary indicators and are potentially a factor in handling as discussed in the last row of the table in (6) below.

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed by an ineligible government entity. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having been filed by an ineligible government entity. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to RAAS for additional analysis. Take the following actions to refer such a case for further RAAS consideration:
1) Correct case controls as necessary and appropriate.
2) Enter/update the case with **Priority Code 6**.
3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"

4) Reassign the case to IDRS number **0230281416**.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Caution:** Form 94XX cases released to be worked by AM after RAAS analysis may include assessment cases in addition to claims, including net credit/refund or zero balance cases reporting tax increase items along with refundable credit changes. Although suspended inventory was reviewed for statute imminent 2020 account situations prior to normal ASED expiration on April 15, 2024, there is heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

(6) After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS as having been filed by an ineligible government entity as follows:

| If | And | Then |
|---|---|---|
| The Form 94XX reports **only** changes to ERC | | Disallow the claim:<br><br>1. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim.<br>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph: "You aren't eligible to claim a 2020 Employee Retention Credit because you are a Federal, State or local government entity (or instrumentality thereof) according to your previous filings." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do not** meet CAT-A criteria when considered separately from the ERC changes | Partially disallow the claim:<br><br>1. Complete a TC 29X adjustment in Blocking Series 18 (or 00 if the original return is attached) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form |

| | | |
|---|---|---|
| | reported | 94XX.<br>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph: "We recorded the other changes reported on your Form [specify form]. However, you aren't eligible to claim a 2020 Employee Retention Credit because you are a Federal, State or local government entity (or instrumentality thereof) according to your previous filings." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do meet** CAT-A criteria when considered separately from the ERC changes reported | The ERC Math Verification Worksheet **must** be executed **before** the CAT-A referral is completed:<br><br>1. Follow handling guidance in (13) and (14) of IRM 21.7.2.7.6.3 Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS, to execute the worksheet and to document the results.<br>2. Complete the CAT-A referral as usual.<br>3. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):<br>• Completing the ERC Math Verification Worksheet again.<br>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.<br>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification. |
| The CII case notes | | Each failed filter must be considered: |

| indicate multiple RAAS disallowance filters were met | | 1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.<br>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.<br>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s). |
| --- | --- | --- |

**IRM 21.7.2.7.8.7 Added new subsection to provide handling guidance for Form 94XX cases meeting RAAS filters for dormant entities.**

Disallowance of Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Dormant Entities

(1) Certain Form 94XX cases reporting 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 Forms 94XX reporting ERC amounts which were identified by RAAS as having been filed by dormant (i.e., otherwise inactive) entities.

(3) The IRS has determined that Forms 94XX reporting new or increased ERC amounts (only) filed for accounts identified by RAAS as having been filed by dormant (i.e., otherwise inactive) entities will be formally disallowed.

(4) Cases identified by RAAS for disallowance handling per guidance in this subsection will be identified to AM as follows:

- IDRS Number: **0230281088**
- CII case notation: **"RiskedERC-Disallow"** and **"Dormant EIN"**

**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 (5) below.

**Note:** CII case notes for these cases may indicate multiple filtering criteria as having been met. If so, the first case notation is deemed the **primary** indicator and controls handling. Additional filtering notes are deemed secondary indicators and are potentially a factor in handling as discussed in the last row of the table in (6) below.

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed by a dormant (i.e., otherwise inactive) entity. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having been filed by a dormant entity. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to RAAS for additional analysis. Take the following actions to refer such a case for further RAAS consideration:
1) Correct case controls as necessary and appropriate.
2) Enter/update the case with **Priority Code 6**.
3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period

mismatch" or "EIN and Tax Period mismatch"
4) Reassign the case to IDRS number **0230281416**.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Caution:** Form 94XX cases released to be worked by AM after RAAS analysis may include assessment cases in addition to claims, including net credit/refund or zero balance cases reporting tax increase items along with refundable credit changes. Although suspended inventory was reviewed for statute imminent 2020 account situations prior to normal ASED expiration on April 15, 2024, there is heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

(6) After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS as having been filed by a dormant entity as follows:

| If | And | Then |
|---|---|---|
| The Form 94XX reports **only** changes to ERC | | Disallow the claim: <br><br> 1. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim. <br> 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph: "Based on a review of IRS records, we have determined you aren't an Eligible Employer for purposes of the Employee Retention Credit (ERC) because you weren't operating a trade or business during the period(s) shown above. Only employers operating a trade or business (including tax-exempt organizations and certain government entities operating in 2021) are eligible for ERC." |
| The Form 94XX reports other tax or credit changes **in addition** | The other changes **do not** meet CAT-A | Partially disallow the claim: <br><br> 1. Complete a TC 29X adjustment in |

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| **to** ERC changes | criteria when considered separately from the ERC changes reported | Blocking Series 18 (or 00 if the original return is attached) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.<br>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in two open paragraphs: "We recorded the other changes reported on your Form [specify form]. However, based on a review of IRS records, we have determined you aren't an Eligible Employer for purposes of the Employee Retention Credit (ERC) because you weren't operating a trade or business during the period(s) shown above." "Only employers operating a trade or business (including tax-exempt organizations and certain government entities operating in 2021) are eligible for ERC." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do meet** CAT-A criteria when considered separately from the ERC changes reported | The ERC Math Verification Worksheet **must** be executed **before** the CAT-A referral is completed:<br><br>1. Follow handling guidance in (13) and (14) of IRM 21.7.2.7.6.3 Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS, to execute the worksheet and to document the results.<br>2. Complete the CAT-A referral as usual.<br>3. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):<br>• Completing the ERC Math Verification Worksheet again.<br>• Completing an adjustment as per |

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| | | guidance in other rows of this table to record a full or partial disallowance.<br>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification. |
| The CII case notes indicate multiple RAAS disallowance filters were met | | Each failed filter must be considered:<br><br>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.<br>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.<br>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s). |

**IRM 21.7.2.7.8.8 Added new subsection to provide handling guidance for ERC-related fourth quarter 2021 Form 94XX cases meeting RAAS filters for non RSB employers.**

Disallowance of RAAS-Identified Fourth Quarter 2021 Form 94XX Claims for ERC by Non-Recovery Startup Businesses

(1) Certain Form 94XX cases reporting 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 fourth quarter 2021 Forms 94XX reporting ERC amounts which were identified by RAAS as having been filed by an employer that was **not** a Recovery Startup Business (RSB).

(3) Only Recovery Startup Businesses (RSBs) were eligible to claim ERC for the fourth quarter of 2021. And, RSBs reporting ERC amounts on Forms 941-X for the fourth quarter of 2021 were required to mark box 31b of Form 941-X even if corresponding Line 18 was marked on the original Form 941 filed. Accordingly, Forms 941-X filed claiming ERC for the fourth quarter of 2021 without Line 31b being checked are disallowance criteria.

(4) Cases identified by RAAS for disallowance handling per guidance in this subsection will be identified to AM as follows:

- IDRS Number: **0230281088**
- CII case notation: **"RiskedERC-Disallow"** and **"Not RSB in 202112"**

**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 (5) below.

**Note:** CII case notes for these cases may indicate multiple filtering criteria as having been met. If so, the first case notation is deemed the **primary** indicator and controls handling. Additional filtering notes are deemed secondary indicators and are potentially a factor in handling as discussed in the last row of the table in (6) below.

(5) Only Recovery Startup Businesses (RSBs) were eligible to claim ERC for the fourth quarter of 2021. And, RSBs reporting ERC amounts on Forms 941-X for the fourth quarter of 2021 were required to mark box 31b of Form 941-X even if corresponding Line 18 was marked on the original Form 941 filed. Accordingly, Forms 941-X filed claiming ERC for the fourth quarter of 2021 without Line 31b being checked are disallowance criteria.

(6) All other Form 94XX processing guidelines and requirements also apply to fourth quarter 2021 Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed by a non-RSB employer. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow a fourth quarter 2021 Form 94XX on the basis of it having been filed by a non-RSB employer. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to RAAS for additional analysis. Take the following actions to refer such a case for further RAAS consideration:
1) Correct case controls as necessary and appropriate.
2) Enter/update the case with **Priority Code 6**.
3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
4) Reassign the case to IDRS number **0230281416**.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Caution:** Form 94XX cases released to be worked by AM after RAAS analysis may include assessment cases in addition to claims, including net credit/refund or zero balance cases reporting tax increase items along with refundable credit changes. Although suspended inventory was reviewed for statute imminent 2020 account situations prior to normal ASED expiration on April 15, 2024, there is heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

(7) After applying the guidance in (5) above, continue handling **processable** fourth quarter 2021 Forms 94XX identified to AM by RAAS as having been filed by a non-RSB employer as follows:

| If | And | Then |
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| The Form 94XX reports **only** changes to ERC | | Disallow the claim:<br><br>1. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim.<br>2. Send Letter 105C as per instructions in IRM |

| | | 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph: "Only employers which are recovery startup businesses are eligible for the Employee Retention Credit for wages paid in the fourth quarter of 2021. Your Form 941-X did not indicate on Line 31b that you were a recovery startup business." |
|---|---|---|
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do not** meet CAT-A criteria when considered separately from the ERC changes reported | Partially disallow the claim:<br><br>1. Complete a TC 29X adjustment in Blocking Series 18 (or 00 if the original return is attached) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.<br>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph: "We recorded the other changes reported on your Form [specify form]. However, only employers which are recovery startup businesses are eligible for the Employee Retention Credit for wages paid in the fourth quarter of 2021. Your Form 941-X did not indicate on Line 31b that you were a recovery startup business." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do meet** CAT-A criteria when considered separately from the ERC changes reported | The ERC Math Verification Worksheet **must** be executed **before** the CAT-A referral is completed:<br><br>1. Follow handling guidance in (13) and (14) of IRM 21.7.2.7.6.3 Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS, to execute the worksheet |

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| | | and to document the results.<br>2. Complete the CAT-A referral as usual.<br>3. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):<br>• Completing the ERC Math Verification Worksheet again.<br>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.<br>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification. |
| The CII case notes indicate multiple RAAS disallowance filters were met | | Each failed filter must be considered:<br><br>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.<br>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.<br>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s). |

**IRM 21.7.2.7.8.9 Added new subsection to provide handling guidance for ERC-related third quarter 2021 Form 94XX cases meeting RAAS filters for gross receipts.**

Disallowance of Form 94XX ERC Claims for the Third Quarter of 2021 Meeting RAAS Filtering Criteria for Gross Receipts

(1) Certain Form 94XX cases reporting 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 Forms 94XX reporting ERC amounts which were identified by RAAS as having been filed by employers who were not eligible for ERC based on an analysis of their gross receipts.

(3) The IRS has determined that third quarter 2021 Forms 94XX reporting new or increased ERC amounts (only) filed by employers who were not eligible for ERC based on an analysis of their gross receipts will be formally disallowed.

(4) Cases identified by RAAS for disallowance handling per guidance in this subsection will be identified to AM as follows:

- IDRS Number: **0230281088**
- CII case notation: **"RiskedERC-Disallow"** and **"202109 Gross Receipts"**

**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 (5) below.

**Note:** CII case notes for these cases may indicate multiple filtering criteria as having been met. If so, the first case notation is deemed the **primary** indicator and controls handling. Additional filtering notes are deemed secondary indicators and are potentially a factor in handling as discussed in the last row of the table in (6) below.

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed by ineligible employers. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having failed filtering analysis for gross receipts. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.7.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to RAAS for additional analysis. Take the following actions to refer such a case for further RAAS consideration:
1) Correct case controls as necessary and appropriate.
2) Enter/update the case with **Priority Code 6**.
3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
4) Reassign the case to IDRS number **0230281416**.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Caution:** Form 94XX cases released to be worked by AM after RAAS analysis may include assessment cases in addition to claims, including net credit/refund or zero balance cases reporting tax increase items along with refundable credit changes. Although suspended inventory was reviewed for statute imminent 2020 account situations prior to normal ASED expiration on April 15, 2024, there is heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

(6) After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS as having been filed by an employer who was not eligible to claim ERC based on an analysis of their gross receipts as follows:

| If | And | Then |
|---|---|---|
| The Form 94XX reports **only** changes to ERC | | Disallow the claim:<br><br>1. Complete a TC 290 .00 Blocking Series 98 (or 99 if the original return is attached) adjustment to record a full disallowance of the claim.<br>2. Send Letter 105C as per instructions in IRM |

| | | 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in two open paragraphs: "Based on a review of IRS records, we have determined you are not an Eligible Employer for purposes of the Employee Retention Credit (ERC)during the period(s) shown above. Only employers that experienced a full or partial suspension of operations due to a government order related to COVID-19 or who experienced the required decline in gross receipts are Eligible Employers." "Our records indicate there were no government orders related to COVID-19 in effect during the quarter(s) you claimed ERC which could have fully or partially suspended your trade or business. Our records also show you do not meet the required decline in gross receipts." |
|---|---|---|
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do not** meet CAT-A criteria when considered separately from the ERC changes reported | Partially disallow the claim: 1. Complete a TC 29X adjustment in Blocking Series 18 (or 00 if the original return is attached) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX. 2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures* and insert the following text in an open paragraph: "We recorded the other changes you reported. However, we determined you are not an Eligible Employer for the Employee Retention Credit (ERC) during the period(s) shown above. Only employers that experienced a full or |

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| | | partial suspension of operations due to a government order related to COVID-19 or who experienced the required decline in gross receipts are Eligible Employers."<br><br>"Our records indicate there were no government orders related to COVID-19 in effect during the quarter(s) you claimed ERC which could have fully or partially suspended your trade or business. Our records also show you do not meet the required decline in gross receipts." |
| The Form 94XX reports other tax or credit changes **in addition to** ERC changes | The other changes **do meet** CAT-A criteria when considered separately from the ERC changes reported | The ERC Math Verification Worksheet **must** be executed **before** the CAT-A referral is completed:<br><br>1. Follow handling guidance in (13) and (14) of IRM 21.7.2.7.6.3 Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS, to execute the worksheet and to document the results.<br>2. Complete the CAT-A referral as usual.<br>3. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):<br>• Completing the ERC Math Verification Worksheet again.<br>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.<br>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification. |
| The CII case notes indicate multiple RAAS disallowance filters | | Each failed filter must be considered:<br><br>1. As appropriate, consider handling |

| were met | | guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters. |
|---|---|---|
| | | 2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX. |
| | | 3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s). |