

IRM PROCEDURAL UPDATE

DATE: 07/30/2024

NUMBER: ts-21-0724-0879

SUBJECT: Form 94XX ERC Disallowance Handling Updates

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

CHANGE(s):

IRM 21.7.2.4.6.6(4) Revised exception in third and sixth rows of the table to comport with revised handling for certain ERC related cases.

(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 responds with copy of original return	There is 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, 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.	<ol style="list-style-type: none">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.2. When the original return posts, process the adjusted return as appropriate. <p>Exception: If the Form 94XX reports changes to ERC, correct final handling for the Form 94XX will depend on the</p>

		<p>instructions provided by RAAS when the case was released to AM to be worked:</p> <ul style="list-style-type: none"> • If the case was released to AM to be worked as a "RiskyERC-No941" case, do not process the Form 94XX. Instead, follow guidance in the Caution following (6) of IRM 21.7.2.7.8.4, <i>Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)</i>, to return the Form 94XX case to RAAS for additional required analysis after the original return posts. • If the case was released to AM to be worked as a disallowance case but was also missing a posted original return, continue handling as per guidance in the appropriate corresponding IRM subsection (e.g., for a "RiskyERC-Disallow" case with "Establishment Date" reason, follow instructions in IRM 21.7.2.7.8.2, <i>Disallowance Actions for Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Entity Establishment Dates</i>) 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.	<ol style="list-style-type: none"> 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. 2. Process the return provided by the taxpayer as the original return (see first two rows of this table discussing proof of timely filing). 3. Ensure all applicable deposits are correctly applied. 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 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 decrease or credit increase.	<ol style="list-style-type: none"> 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

		<p>(see first two rows of this table discussing proof of timely filing).</p> <ol style="list-style-type: none"> 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.
<p>Taxpayer responds with copy of original return</p>	<p>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</p>	<ol style="list-style-type: none"> 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. <p>Exception: If the Form 94XX reports changes to ERC, correct final handling for the Form 94XX will depend on the instructions provided by RAAS when the case was released to AM to be worked:</p> <ul style="list-style-type: none"> • If the case was released to AM to be worked as a RiskedERC-No941 case, do not process the Form 94XX. Instead, follow guidance in the Caution following (6) of IRM 21.7.2.7.8.4, <i>Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)</i>, to return the Form 94XX case to RAAS for additional required analysis after the original return posts. • If the case was released to AM to be worked as a disallowance case but was also missing a posted original return, continue handling as per guidance in the

		appropriate corresponding IRM subsection (e.g., for a "RiskyERC-Disallow" case with "Establishment Date" reason, follow instructions in IRM 21.7.2.7.8.2, <i>Disallowance Actions for Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Entity Establishment Dates</i>) after the original return posts.
Taxpayer does not respond	The Form 94XX does not report any changes to non-refundable or refundable credits	<ol style="list-style-type: none"> 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". 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. 3. Process the "dummy" return as the original. 4. To the extent possible based on available information, ensure all applicable deposits are correctly applied. 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. <p>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.</p>
Taxpayer does not respond	The Form 94XX reports only changes to non-refundable or refundable credits	<ol style="list-style-type: none"> 1. Input a TC 971 AC 002 to release the E- freeze (if a TC 971 AC 010 was previously input). 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, <i>Tax Decrease and Statute Consideration</i>). <p>Reminder: The taxpayer is only</p>

		<p>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.</p>
<p>Taxpayer does not respond</p>	<p>The Form 94XX reports a mix of wage/tax items and either or both non-refundable/refundable credits</p> <p>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.</p>	<ol style="list-style-type: none"> 1. Prepare a "dummy" return using the corrected information from the "X" form. <ul style="list-style-type: none"> • 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. • Do not code the return to suppress penalties or interest. • On the signature line, indicate "Dummy Return - Do not correspond for signature". 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. 3. Process the "dummy" return as the original. 4. To the extent possible based on available information, ensure all applicable deposits are correctly applied. 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. 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

		<p>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.</p> <p>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.</p>
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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 21.7.2.7.8.1 Revised (5) and (6), and added new (7), to add guidance on handling cases meeting the specified filtering criteria on accounts with no posted TC 150 original return.

(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.

Exception: If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.6.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

Caution: The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below 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) **For accounts with a posted TC 150 original return:** 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
The Form 94XX reports only changes to ERC		<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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	<p>Partially disallow the claim:</p> <ol style="list-style-type: none"> 1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (3) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form

		<p>94XX.</p> <p>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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."</p>
<p>The Form 94XX reports other tax or credit changes in addition to ERC changes</p>	<p>The other changes do meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p>The ERC Math Verification Worksheet must be executed before the CAT-A referral is completed:</p> <ol style="list-style-type: none"> 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. 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): <ul style="list-style-type: none"> • Completing the ERC Math Verification Worksheet again. • Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance. • 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		<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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). <p>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."</p>

(7) **For accounts with no posted TC 150 original return:** After applying the guidance in (5) above, continue handling **otherwise 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	Then
<p>The Form 94XX reports only changes to ERC</p>	<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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."
<p>The Form 94XX reports other tax or credit changes in addition to ERC changes</p>	<ul style="list-style-type: none"> • Follow guidance in IRM 21.7.2.4.6.6, <i>Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted</i> • If an original return is secured, complete processing of the Form 941-X as per guidance in (6) above after the original return is posted.
<p>The CII case notes indicate multiple RAAS disallowance filters were met</p>	<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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). <p>Note: If a secondary failed filter notation "Establishment Date" is present, insert the following</p>

	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 Revised (5) and (6), and added new (7), to add guidance on handling cases meeting the specified filtering criteria on accounts with no posted TC 150 original return.

(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.

Exception: If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.6.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

Caution: The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below 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) **For accounts with a posted TC 150 original return:** 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: <ol style="list-style-type: none"> 1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (2))

		<p>in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</p> <p>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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."</p>
<p>The Form 94XX reports other tax or credit changes in addition to ERC changes</p>	<p>The other changes do not meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p>Partially disallow the claim:</p> <p>1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (3) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.</p> <p>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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."</p>
<p>The Form 94XX reports</p>	<p>The other</p>	<p>The ERC Math Verification</p>

<p>other tax or credit changes in addition to ERC changes</p>	<p>changes do meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p>Worksheet must be executed before the CAT-A referral is completed:</p> <ol style="list-style-type: none"> 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. 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): <ul style="list-style-type: none"> • Completing the ERC Math Verification Worksheet again. • Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance. • 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.
<p>The CII case notes indicate multiple RAAS disallowance filters were met</p>		<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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,

		<p>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).</p> <p>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."</p>
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(7) **For accounts with no posted TC 150 original return:** After applying the guidance in (5) above, continue handling **otherwise 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	Then
The Form 94XX reports only changes to ERC	<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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	<ul style="list-style-type: none"> • Follow guidance in IRM 21.7.2.4.6.6, <i>Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted</i>

changes	<ul style="list-style-type: none"> If an original return is secured, complete processing of the Form 941-X as per guidance in (6) above after the original return is posted.
The CII case notes indicate multiple RAAS disallowance filters were met	<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters. 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. 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). <p>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."</p>

IRM 21.7.2.7.8.4(2) Revised text and added note to more narrowly define the cases to which the guidance provided in this subsection applies.

(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 **and no other filtering criteria was met.**

Note: Cases where other filtering criteria were met and there is no TC 150 original return posted are handled per guidance specific to that filtering criteria (e.g., a case meeting filtering criteria for ineligible government entities that also has no posted TC 150 is worked per guidance in IRM 21.7.2.7.8.6, *Disallowance of Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Ineligible Government Entities*).

IRM 21.7.2.7.8.5 Revised (5) and (6), and added new (7), to add guidance on handling cases meeting the specified filtering criteria on accounts with no posted TC 150 original return.

(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.

Exception: If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.6.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

Caution: The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below 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 ASER 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) **For accounts with a posted TC 150 original return:** 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: <ol style="list-style-type: none">1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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

		<p>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."</p>
<p>The Form 94XX reports other tax or credit changes in addition to ERC changes</p>	<p>The other changes do not meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p>Partially disallow the claim:</p> <ol style="list-style-type: none"> 1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (3) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) 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, <i>Disallowance and Partial Disallowance Procedures</i> 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."
<p>The Form 94XX reports other tax or credit changes in addition to ERC changes</p>	<p>The other changes do meet CAT-A criteria when considered separately from the ERC</p>	<p>The ERC Math Verification Worksheet must be executed before the CAT-A referral is completed:</p> <ol style="list-style-type: none"> 1. Follow handling guidance in (13) and (14) of IRM 21.7.2.7.6.3 Form 94XX — Employee Retention

	changes reported	<p>Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS, to execute the worksheet and to document the results.</p> <ol style="list-style-type: none"> 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): <ul style="list-style-type: none"> • Completing the ERC Math Verification Worksheet again. • Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance. • 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		<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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).
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(7) **For accounts with no posted TC 150 original return:** After applying the guidance in (5) above, continue handling **otherwise 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	Then
The Form 94XX reports only changes to ERC	<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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	<ul style="list-style-type: none"> • Follow guidance in IRM 21.7.2.4.6.6, <i>Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted</i> • If an original return is secured, complete processing of the Form 941-X as per guidance in (6) above after the original return is posted.
The CII case notes indicate multiple RAAS disallowance filters were met	<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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).
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IRM 21.7.2.7.8.6 Revised (5) and (6), and added new (7), to add guidance on handling cases meeting the specified filtering criteria on accounts with no posted TC 150 original return.

(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.

Exception: If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.6.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

Caution: The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below 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) **For accounts with a posted TC 150 original return:** 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		<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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 reported	<p>Partially disallow the claim:</p> <ol style="list-style-type: none"> 1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (3) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) 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, <i>Disallowance and Partial Disallowance Procedures</i> 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	<p>The ERC Math Verification Worksheet must be executed before the CAT-A referral is completed:</p> <ol style="list-style-type: none"> 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. 2. Complete the CAT-A referral as usual. 3. Take action to complete processing of the Form 94XX

		<p>based on instructions received from Exam Classification when the case is returned including (as appropriate):</p> <ul style="list-style-type: none"> • Completing the ERC Math Verification Worksheet again. • Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance. • 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.
<p>The CII case notes indicate multiple RAAS disallowance filters were met</p>		<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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).

(7) **For accounts with no posted TC 150 original return:** After applying the guidance in (5) above, continue handling **otherwise processable** Forms 94XX identified to AM by RAAS as having been filed by an ineligible government entity as follows:

If	Then
The Form 94XX	Disallow the claim:

reports only changes to ERC	<ol style="list-style-type: none"> 1. Input a TC 971 AC 002 to release the E-freeze if a TC 971 AC 010 was previously input. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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	<ul style="list-style-type: none"> • Follow guidance in IRM 21.7.2.4.6.6, <i>Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted</i> • If an original return is secured, complete processing of the Form 941-X as per guidance in (6) above after the original return is posted.
The CII case notes indicate multiple RAAS disallowance filters were met	<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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).

IRM 21.7.2.7.8.7 Revised (5) and (6), and added new (7), to add guidance on handling cases meeting the specified filtering criteria on accounts with no posted TC 150 original return.

(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.

Exception: If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.6.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

Caution: The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below 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) **For accounts with a posted TC 150 original return:** 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		<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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	The other	Partially disallow the claim:

<p>other tax or credit changes in addition to ERC changes</p>	<p>changes do not meet CAT-A criteria when considered separately from the ERC changes reported</p>	<ol style="list-style-type: none"> 1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (3) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) 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, <i>Disallowance and Partial Disallowance Procedures</i> 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."
<p>The Form 94XX reports other tax or credit changes in addition to ERC changes</p>	<p>The other changes do meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p>The ERC Math Verification Worksheet must be executed before the CAT-A referral is completed:</p> <ol style="list-style-type: none"> 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. 2. Complete the CAT-A referral as usual. 3. Take action to complete

		<p>processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):</p> <ul style="list-style-type: none"> • Completing the ERC Math Verification Worksheet again. • Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance. • 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.
<p>The CII case notes indicate multiple RAAS disallowance filters were met</p>		<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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).

(7) **For accounts with no posted TC 150 original return:** After applying the guidance in (5) above, continue handling **otherwise processable** Forms 94XX identified to AM by RAAS as having been filed by a dormant entity as follows:

If	Then
The Form 94XX	Disallow the claim:

<p>reports only changes to ERC</p>	<ol style="list-style-type: none"> 1. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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."
<p>The Form 94XX reports other tax or credit changes in addition to ERC changes</p>	<ul style="list-style-type: none"> • Follow guidance in IRM 21.7.2.4.6.6, <i>Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted</i> • If an original return is secured, complete processing of the Form 941-X as per guidance in (6) above after the original return is posted.
<p>The CII case notes indicate multiple RAAS disallowance filters were met</p>	<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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).

IRM 21.7.2.7.8.8 Revised (5) and (6), and added new (7), to add guidance on handling cases meeting the specified filtering criteria on accounts with no posted TC 150 original return. Added verification of Line 31b entry as bullet

item in (5) [existing (6) prior to renumbering] and added instructions in succeeding caution for actions to be taken in Line 31b entry is present.

(5) 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 AI

Exception: If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.6.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

Caution: The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

MS 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.
- **In addition**, review the Form 941-X to verify whether Line 31b was marked.

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" or **Line 31b marked**
- 4) For EIN or tax period mismatch cases, reassign the case to IDRS number **0230281416**. For cases where Line 31b was marked, reassign the case to IDRS number **0430482128**.

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 ASER 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) **For accounts with a posted TC 150 original return:** 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
The Form 94XX reports only changes to ERC		<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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	<p>Partially disallow the claim:</p> <ol style="list-style-type: none"> 1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (3) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) 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, <i>Disallowance and Partial Disallowance Procedures</i> 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	<p>The ERC Math Verification Worksheet must be executed before the CAT-A referral is completed:</p> <ol style="list-style-type: none"> 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. 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):

		<ul style="list-style-type: none"> • Completing the ERC Math Verification Worksheet again. • Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance. • 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		<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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).

(7) **For accounts with no posted TC 150 original return:** After applying the guidance in (6) above, continue handling **otherwise processable** fourth quarter 2021 Forms 94XX identified to AM by RAAS as having been filed by a non-RSB employer as follows:

If	Then
The Form 94XX reports only changes to ERC	<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the

	<p>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."</p>
<p>The Form 94XX reports other tax or credit changes in addition to ERC changes</p>	<ul style="list-style-type: none"> • Follow guidance in IRM 21.7.2.4.6.6, <i>Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted</i> • If an original return is secured, complete processing of the Form 941-X as per guidance in (6) above after the original return is posted.
<p>The CII case notes indicate multiple RAAS disallowance filters were met</p>	<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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).

IRM 21.7.2.7.8.9 Revised (5) and (6), and added new (7), to add guidance on handling cases meeting the specified filtering criteria on accounts with no posted TC 150 original return. Added verification of Line 31b entry as bullet item in (5) and added instructions in succeeding caution for actions to be taken in Line 31b entry is present.

(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.

Exception: If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.6.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

Caution: The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below 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.
- **In addition**, review the Form 941-X to verify whether Line 31b was marked.

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" or **Line 31b marked**
- 4) For EIN or tax period mismatch cases, reassign the case to IDRS number **0230281416**. For cases where Line 31b was marked, reassign the case to IDRS number **0430482128**.

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) **For accounts with a posted TC 150 original return:** 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
<p>The Form 94XX reports only changes to ERC</p>		<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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

		<p>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."</p>
<p>The Form 94XX reports other tax or credit changes in addition to ERC changes</p>	<p>The other changes do not meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p>Partially disallow the claim:</p> <ol style="list-style-type: none"> 1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (3) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) 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, <i>Disallowance and Partial Disallowance Procedures</i> 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 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	The other	The ERC Math Verification

<p>other tax or credit changes in addition to ERC changes</p>	<p>changes do meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p>Worksheet must be executed before the CAT-A referral is completed:</p> <ol style="list-style-type: none"> 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. 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): <ul style="list-style-type: none"> • Completing the ERC Math Verification Worksheet again. • Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance. • 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.
<p>The CII case notes indicate multiple RAAS disallowance filters were met</p>		<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 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).
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(7) **For accounts with no posted TC 150 original return:** After applying the guidance in (5) above, continue handling **otherwise 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	Then
The Form 94XX reports only changes to ERC	<p>Disallow the claim:</p> <ol style="list-style-type: none"> 1. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input. 2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> 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	<ul style="list-style-type: none"> • Follow guidance in IRM 21.7.2.4.6.6, <i>Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted</i> • If an original return is secured, complete processing of the Form 941-X as per guidance in (6) above after the original return is posted.
The CII case notes indicate multiple RAAS disallowance filters were met	<p>Each failed filter must be considered:</p> <ol style="list-style-type: none"> 1. As appropriate, consider handling guidance

	<p>provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</p> <ol style="list-style-type: none"><li data-bbox="678 296 1369 470">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.<li data-bbox="678 474 1349 648">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).
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