

IRM PROCEDURAL UPDATE

DATE: 10/28/2024

NUMBER: ts-21-1024-1079

SUBJECT: Additional Required ERC Disallowance Letter Language

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

CHANGE(s):

IRM 21.7.2.7.6.3(14) Added reminder to last row of table for procedural clarification purposes. Revised instructions for issuance of disallowance letters specified in the second row of the table and in the second exception after the table.

(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). #

[Redacted content]

#

1. [Redacted content]

[REDACTED]

Note: # [REDACTED] #

Caution: # [REDACTED] #

#

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

	<div data-bbox="427 184 1386 365" style="background-color: black; width: 100%; height: 86px;"></div>
<div data-bbox="235 365 427 514" style="background-color: black; width: 100%; height: 71px;"></div>	<div data-bbox="427 365 1386 514" style="background-color: black; width: 100%; height: 71px;"></div>
	<div data-bbox="427 514 1386 1879" style="background-color: black; width: 100%; height: 650px;"></div>

Any line marked with a # is for Official Use Only

[Redacted]

#

Reminder: #

[Redacted]

#

Note: #

[Redacted]

#

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 #

[Redacted] # **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 two open paragraphs:

"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."

"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."

Exception: #

[Redacted]

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]."

IRM 21.7.2.7.8.1 Revised instructions for issuance of disallowance letters specified in multiple rows of the tables in (6) and (7).

(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 (1) 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: "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." "For more information on Employee Retention Credit (ERC)

		eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c ."
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 (2) 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: "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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."
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	<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, <i>Form</i>

	the ERC changes reported	<p><i>94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS and Forms 94XX Reporting Tax Increases or Credit Decreases</i>, 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

		<p>provided in other subsections applicable to the other failed filter(s).</p> <p>Note: If a secondary failed filter notation "Establishment Date" is present, insert the following text in three 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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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 missing Forms W-2 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: "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

	<p>employees." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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 21.7.2.4.4.6, <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 text in three 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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</p>

IRM 21.7.2.7.8.2 Revised instructions for issuance of disallowance letters specified in multiple rows of the tables in (6) and (7).

(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		<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 (1) 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: "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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."
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	<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 (2) in IRM 21.5.3.4.6.1, <i>Disallowance and</i>

	the ERC changes reported	<p><i>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 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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</p>
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, <i>Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS and Forms 94XX Reporting Tax Increases or Credit Decreases</i>, 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

		<p>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). <p>Note: If a secondary failed filter notation "No W2 filed" is present, insert the following text in three 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</p>

	<p>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>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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
<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 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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."
<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 21.7.2.4.4.6, <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

	<p>on the identified failed filters.</p> <ol style="list-style-type: none"> 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 "No W2 filed" is present, insert the following text in three 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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</p>
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IRM 21.7.2.7.8.5 Revised instructions for issuance of disallowance letters specified in multiple rows of the tables in (6) and (7).

(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		<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

		<p>appropriate (see (1) 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 two open paragraphs: "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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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 (2) 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 three open</p>

		<p>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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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, <i>Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS and Forms 94XX Reporting Tax Increases or Credit Decreases</i>, 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

		<p>guidance in other rows of this table to record a full or partial disallowance.</p> <ul style="list-style-type: none"> • 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 (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

	<p>following text in two open paragraphs: "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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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 21.7.2.4.4.6, <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 21.7.2.7.8.6 Revised instructions for issuance of disallowance letters specified in multiple rows of the tables in (6) and (7).

(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 (1) 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: "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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."
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 (2) 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:

		<p>"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."</p> <p>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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, <i>Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS and Forms 94XX Reporting Tax Increases or Credit Decreases</i>, 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 (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 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: "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." "For more information on Employee Retention

	Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c ."
The Form 94XX reports other tax or credit changes in addition to ERC changes	<ul style="list-style-type: none"> • Follow guidance in IRM 21.7.2.4.4.6, <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 instructions for issuance of disallowance letters specified in multiple rows of the tables in (6) and (7).

(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 (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the

		<p>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 two open paragraphs:</p> <p>"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> <p>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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 (2) 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 three open paragraphs:</p> <p>"We recorded the other changes reported on your Form [specify form]. However, based on a review</p>

		<p>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."</p> <p>"Only employers operating a trade or business (including tax-exempt organizations and certain government entities operating in 2021) are eligible for ERC."</p> <p>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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, <i>Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS and Forms 94XX Reporting Tax Increases or Credit Decreases</i>, 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 (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 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 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.

	<p>Only employers operating a trade or business (including tax-exempt organizations and certain government entities operating in 2021) are eligible for ERC."</p> <p>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</p>
The Form 94XX reports other tax or credit changes in addition to ERC changes	<ul style="list-style-type: none"> Follow guidance in IRM 21.7.2.4.4.6, <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"> 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).

IRM 21.7.2.7.8.8 Revised instructions for issuance of disallowance letters specified in multiple rows of the tables in (6) and (7).

(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"> Complete a TC 290 .00 adjustment

		<p>in Blocking Series 98 or 99 as appropriate (see (1) 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 two open paragraphs: "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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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 (2) 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 two open paragraphs: "We recorded the other changes reported on your Form [specify</p>

		<p>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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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, <i>Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS and Forms 94XX Reporting Tax Increases or Credit Decreases</i>, 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 following text in two open paragraphs: "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." "For more information on Employee Retention

	Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c ."
The Form 94XX reports other tax or credit changes in addition to ERC changes	<ul style="list-style-type: none"> Follow guidance in IRM 21.7.2.4.4.6, <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"> 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).

IRM 21.7.2.7.8.9 Revised instructions for issuance of disallowance letters specified in multiple rows of the tables in (6) and (7).

(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
The Form 94XX reports only changes to ERC		<p>Disallow the claim:</p> <ol style="list-style-type: none"> Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>)

		<p>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 three open paragraphs:</p> <p>"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."</p> <p>"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."</p> <p>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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 (2) 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 three open paragraphs:</p> <p>"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."</p> <p>"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."</p> <p>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."</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> <p>1. Follow handling guidance in (13) and (14) of IRM 21.7.2.7.6.3, <i>Form 94XX — Employee Retention Credit (ERC) — Claims and Adjustments Cleared for Processing (Accepted) by RAAS and Forms 94XX Reporting Tax Increases or Credit Decreases</i>, to execute the worksheet and to</p>

		<p>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.
<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 employer who was not eligible to claim ERC based on an analysis of their gross receipts 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 three 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." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see www.IRS.gov/erc105c."
<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 21.7.2.4.4.6, <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"

	<p>criteria), then take action as appropriate to fully or partially disallow the Form 94XX.</p> <p>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>
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