

Congress of the United States
Washington, DC 20515

April 13, 2022

The Honorable Janet Yellen
Secretary
Department of the Treasury
1500 Pennsylvania Ave., NW
Washington, D.C. 20220

The Honorable Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Ave., NW
Washington, D.C. 20224

Dear Secretary Yellen and Commissioner Rettig:

We write to urge you to delay tax collections from small businesses impacted by Internal Revenue Service (IRS) processing delays of Employee Retention Tax Credit (ERTC) forms. Small businesses, including restaurants, retail shops, and venues continue to struggle to recover from this pandemic following additional COVID-19 variants and infection waves. We should not let the IRS processing delays cause further harm.

This relief is imperative due to the delays that small businesses are experiencing in receiving the benefits of the ERTC. The current backlog of Form 941 filings, necessary to claim the ERTC, is preventing mom-and-pop businesses from realizing the full value of this credit and increasing uncertainty.

The omicron variant has undermined consumer confidence, especially in service-oriented small businesses like restaurants. Entrepreneurs are relying on ERTC payments to stay in the black and survive in 2022. However, IRS Notice 2021-49 mandates that an employer claiming the ERTC must reduce the deduction for the corresponding wages, including qualified health plan expenses, on their federal income tax return in the taxable year the wages were paid or incurred. Due to delays in processing ERTC claims and the timing of the inclusion of additional income in 2021 federal income tax returns due this spring, many taxpayers will be responsible for an additional cash outlay before receiving the ERTC refund. Therefore, the timing of the inclusion creates a cash-flow problem for the same small businesses that the credit was created to financially assist. Collecting taxes from these small businesses before they can fully realize the relief Congress provided to keep them afloat is shortsighted and could cause them to miss payroll, reduce staff, or close their doors.

In order to assist and preserve vulnerable small businesses this tax season, we ask the IRS to:

- Pause assessment of penalties until the IRS can clear the current Form 941 backlog impacting ERTC refunds.
- Delay collections until abatement requests are processed and streamline the reasonable cause penalty abatement process for businesses impacted by COVID-19.
- Clearly communicate with small businesses the status of their amended ERTC returns.

Many small businesses have made it through this pandemic thanks to assistance from Congress, including tax relief. We must not let delays undermine the impact of this relief or jeopardize the survival of small businesses that have weathered the pandemic thus far. We look forward to your attention to this concern.

Sincerely,



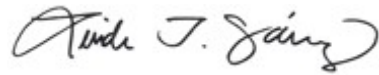
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Member of Congress



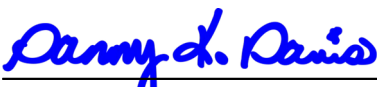
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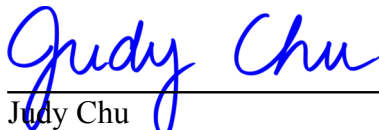
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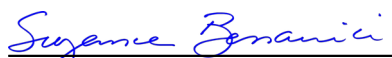
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Stephanie Murphy
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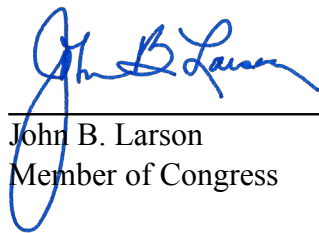
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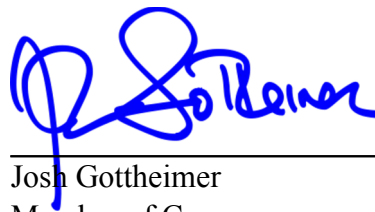
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