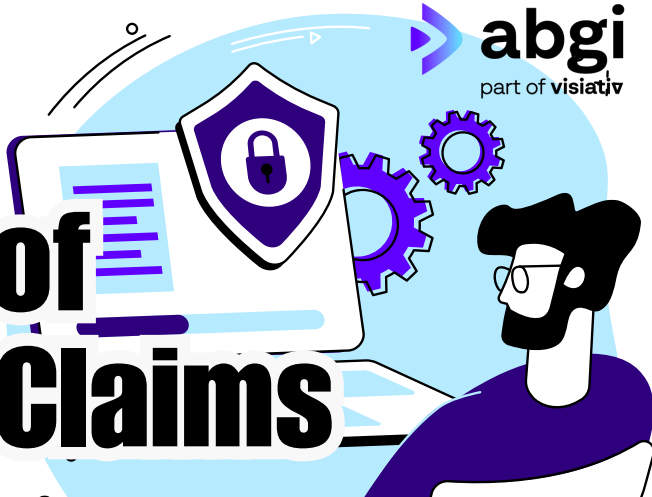


# 5 NEW

# IRS Red Flags of Incorrect ERC Claims



The IRS released five new warning signs for incorrect Employee Retention Credit (ERC) claims. It's now more critical than ever for affected businesses to work with trustworthy tax experts to understand these signs and review their filings to avoid paying penalties and interest when the IRS audits your claim.

## Essential Businesses Fully Operating

- **Warning Sign:** Essential businesses claiming the ERC without a decline in gross receipts.
- **Details:** If your business was fully operational and essential, minor modifications like requiring masks or meeting social distancing guidelines don't qualify.
- **Solution:** Review your business operations during the pandemic to ensure your claim aligns with eligibility rules.



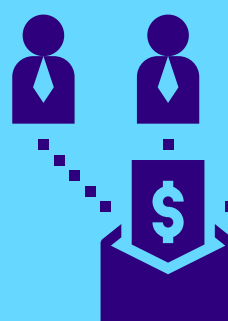
## Inadequate Support for Government Order Suspension

- **Warning Sign:** Insufficient proof of how a government order suspended business operations.
- **Details:** Specific documentation is required to show how a government order impacted your business.
- **Solution:** Gather and review necessary documentation to support your claim.



## Reporting Family Members' Wages

- **Warning Sign:** Claiming the ERC for employee wages paid to related individuals.
- **Details:** Wages paid to related individuals, such as family members, do not qualify for the ERC.
- **Solution:** Ensure your wage calculations exclude ineligible family member wages.



## Using Wages Already Forgiven Under PPP

- **Warning Sign:** Calculating the ERC using wages paid from the proceeds of a forgiven Paycheck Protection Program (PPP) loan.
- **Details:** Wages reported for PPP forgiveness cannot be used for the ERC.
- **Solution:** Verify that your ERC claims are adjusted to account for forgiven PPP loans.



## Large Employers Claiming Wages for Active Employees

- **Warning Sign:** Large employers claiming ERC for wages of employees who provided services.
- **Details:** Only wages for employees not providing services during the eligible periods can be claimed for companies that exceed specific employee counts.
- **Solution:** Review your payroll records to ensure compliance with ERC rules for large employers.



### How ABGi Can Help!

By partnering with the tax experts at ABGi, you can navigate the complexities of ERC claims confidently and ensure compliance with the latest IRS guidelines.

Contact us today for a free consultation to assess your ERC filings.

☎ **832.495.4555**  
✉ **Contact@abgi-usa.com**

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**Comprehensive  
Review**

**Documentation  
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**Claim  
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Program**

**Amend  
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**Voluntary  
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Program**