



Protecting Taxpayers by Cutting Off Funding for COVID-Era ERTC Program and Addressing Widespread Fraud

The employee retention tax credit (ERTC) was created to help small businesses deal with the immediate challenges of the COVID pandemic. Under ERTC, employers could qualify for a credit to partially offset their 2020 payroll costs, amid local lockdown orders and business interruptions. With many blue states still not open when he took office, President Biden's first spending bill extended and expanded ERTC, allowing claims to be filed years after the pandemic ended. In the post-COVID period, ERTC exploded in cost and became a target for charlatans, who are still today looking to cash in by pressuring businesses to file backdated COVID-era claims, often based on faulty calculations.

COVID-era ERTC program is already massively over-budget

- ERTC has outpaced its original \$55 billion budget by at least 400 percent, leading the Congressional Budget Office call out ERTC as a factor behind last year's \$1.7 trillion deficit.
- As of July 2023, the federal government had paid out a whopping \$230 billion in ERTC, with another \$120 billion in claims waiting to be filed.
- The surge in cost occurred when ERTC promoters started pressuring small business owners to file inflated ERTC claims, all while collecting enormous fees for themselves.

ERTC has been overrun by improper payments and fraud

- In the post-COVID period, ERTC promoter firms popped up and began aggressively soliciting small businesses via mail, phone, text message, and multimillion-dollar advertising campaigns.
 - ERTC promoters often make false promises to small business owners – regarding their eligibility for the credit or the lucrative tax refund they are entitled to receive.
 - ERTC promoters often work to insulate themselves from liability – collecting huge fees while leaving small businesses on the hook with the IRS for any improper claims.
- In March 2023, ERTC was placed on the IRS's "Dirty Dozen" list of scams that make taxpayers vulnerable to personal and financial risk.
- As of July 31, 2023, the IRS had initiated 252 investigations involving over \$2.8 billion in potential fraud, and that barely scratches the surface.
- Fraudulent ERTC claims have also created a backlog for the processing of *legitimate* claims, unjustly penalizing small business owners who have done nothing wrong.
- **It would be irresponsible for Congress to leave the door open to fraud and further delays in processing legitimate ERTC claims.**

Ending this COVID-era program will save \$80 billion, without targeting existing legitimate claims

- Despite calls to retroactively repeal ERTC, there is a grace period for small businesses to finalize any other claims for COVID-era payroll costs by January 31, 2024.
- **Every legitimate ERTC claim filed by January 31, 2024, will be paid.**
- Accountability mechanisms in the bill build on existing safeguards in the tax code that root out fraud perpetuated by those who knowingly create improper tax credit claims.