

IRS Says Watch Out for ERC Scams

October 20, 2022

On October 19, the IRS issued news releases and a Tax Tip of interest to employers and payroll practitioners.

Employee Retention Credit Scam Alert.

In [IR 2022-183](#), the IRS is warning employers to watch out for third parties advising them to claim the Employee Retention Credit (ERC), when they may not actually qualify for the credit by disregarding the taxpayer's eligibility or proper calculation of the credit. These bad actors will ask for a large up-front fee based on the amount of a refund without explaining that wage deductions claimed on the business' federal income tax return must be reduced by the amount of the credit.

Employers should file an amended return to correct overstated wage deductions if qualified wages were deducted before the employment tax return was filed claiming the credit.

Businesses should be on guard and not fall prey to advertised schemes and direct solicitations. Employers remain liable for the reporting and payment of employment tax regardless if a third-party should administer the taxes on their behalf. Erroneous claiming of the ERC will lead to not only repaying the credit but will include penalties and interest.

For further information on determining if you qualify and how to claim the ERC, please contact us.

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