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Page Title: Employee Retention Tax Credit (ERTC) and Voluntary Disclosure: What Businesses Should Know | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] provides insights for business owners who have previously claimed the Employee Retention Tax Credit (ERTC) regarding their considerations for participation in the Voluntary Disclosure Program.

Headline: Employee Retention Tax Credit (ERTC) and Voluntary Disclosure: What Businesses Should Know

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During the peak of the COVID-19 pandemic and mandated closures, many businesses struggled to stay afloat. In response to this economic crisis, the government launched the Employee Retention Tax Credit (ERTC) in 2020—but the IRS has recently begun to discover that many of the businesses that claimed the credit throughout 2020 and 2021 did not actually meet eligibility requirements.

Now, the IRS is taking steps to rectify the situation, offering what is known as a [voluntary disclosure program \(VDP\)](#) for those who have mistakenly claimed the ERTC in the past. Business owners who claimed the ERTC in previous years should be aware of what the VDP entails and when it may make sense to participate.

Understanding the Employee Retention Tax Credit

More specifically, the ERTC was offered as a refundable tax credit in 2020 and 2021 for businesses that continued to pay employees, even throughout mandated shutdowns related to the COVID-19 pandemic. Likewise, this credit was available to businesses that suffered from significant losses in gross receipts during the pandemic.

Total credit amounts were available of up to \$26,000 per employee, which added to significant credits for many eligible businesses. Unfortunately, many businesses that claimed this credit throughout 2020 and 2021 were not actually eligible. Part of this was due to general misunderstanding of the credit's eligibility requirements—but many business owners fell victim to schemes from fraudulent promoters who helped businesses file claims (regardless of eligibility) in exchange for monetary compensation.

What Is the Voluntary Disclosure Program?

Now, with so many businesses having filed fraudulent claims and collecting money they were not actually eligible for, the IRS is working to audit and open criminal investigations against businesses and fraudulent promoters. Likewise, the IRS voted to terminate the ERTC program earlier than originally intended. This proposed bill was passed by the House in January of 2024, and it is likely that it will pass in the Senate as well.

In the meantime, the IRS has also announced the creation of a voluntary disclosure program (VDP) for business owners who believe they may have mistakenly claimed the ERTC on their taxes in the wake of the pandemic. The purpose of this program is to help get some of the mistakenly distributed funds back into the hands of the United States government while providing an opportunity for business owners to avoid additional penalties and fines.

Getting Started with the Voluntary Disclosure Program

For business owners who already received an ERTC payment and later determined they were not actually eligible, it may be possible to participate in the VDP. However, there are some additional eligibility requirements that need to be met.

Specifically, participants in the VDP must not currently be under criminal investigation and may not be under an employment tax examination for the period in which they are applying to the VDP. Likewise, business owners who have already received an IRS notice and demand for repayment of the ERTC are not eligible to participate in this program.

How does the program work? Those who are eligible have until March 22, 2024 to apply for the VDP. If approved, only 80% of the ERTC will need to be repaid—and the remaining 20% will not be taxed as income. Likewise, if the IRS paid any interest on the claim, this does not need to be repaid by the taxpayer.

Meanwhile, participants in the VDP will not be required to amend their income tax returns and the IRS will not further examine ERTC claims for the tax periods associated with the VDP. For those who are unable to repay the 80% required in-full, the IRS may also offer payment plan or installment plan options for VDP participants.

How to Apply for the VDP

For those who believe they meet eligibility requirements for the VDP, it is necessary to complete [Form 15424](#) or [Form SS-10](#) (depending on the tax year the credit was mistakenly collected). In addition to a completed application, taxpayers will also need to provide documentation in the form of any contact information associated with tax preparers who assisted them in filing their ERTC claims. When applicable, federal employer identification numbers and other documentation may also be requested.

The Bottom Line

Many businesses suffered major financial losses during the COVID-19 pandemic. This, combined with confusion surrounding ERTC eligibility requirements, led many businesses to mistakenly apply for and collect tax credits for which they were not eligible.

The good news is that the VDP exists to help taxpayers pay back these funds while avoiding further penalties and prosecution. Taxpayers who believe they may have mistakenly accepted these credits following the pandemic are encouraged to review their eligibility requirements and participate in the VDP if possible. Meanwhile, consulting with an experienced financial advisor can be a great way to receive further guidance and assistance.

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If you have any questions or would like additional information, please contact [NAME] in our [DEPARTMENT] at [NUMBER] or [EMAIL].

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