

## IRM PROCEDURAL UPDATE

**DATE:** 06/16/2026

**NUMBER:** ts-21-0626-0636

**SUBJECT:** AM Will No Longer Be Sending ERC Claims to RAAS for Risking

**AFFECTED IRM(s)/SUBSECTION(s):** 21.7.2

**CHANGE(s):**

### **IRM 21.7.2.7.6.3(1) Added note that AM will no longer be sending cases to RAAS.**

(1) Certain Form 94XX cases reflecting Employee Retention Credit (ERC) adjustment requests are being released to be worked by AM after having been analyzed by Research, Applied Analytics & Statistics (RAAS). These cases will be delivered to AM with instructions on how the ERC portion of the claim or adjustment is to be handled (i.e., additional handling required, assessment to be made, claim is allowable, disallowance criteria, or partial disallowance criteria).

**Caution:** RAAS analysis for these cases generally does not include consideration of non-ERC related tax items that may be reported on a Form 94XX, including those with a mix of ERC and non-ERC change items.

### **IRM 21.7.2.7.6.3(12) Updated routing guidance for cases to be risked.**

(12) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that are cleared for processing by RAAS. Cases cleared for processing by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to allow claims cleared by RAAS. As usual:

- Review the associated Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.

- **In addition**, if a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be sent to CAT-A “HQ Reserved 10 ERC LUQ” for additional analysis (i.e., **do not** adjust the account). Take the following actions to refer such a case to CAT-A “HQ Reserved 10 ERC LUQ” for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch."
- 4) Send the case to CAT-A “HQ-Reserved 10 ERC LUQ”.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10. *COVID-19 Related Employment Tax Credits*, for information regarding 2021 tax periods with an extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**Note:** See IRM 21.7.2.7.11 , *Replies to 105C disallowance and 106C Partial Disallowance Letters issued disallowing ERC claims* , for replies to the 105C and 106C letters. The friendly URL for the 105C is **IRS.gov/erc105c**. The friendly URL for the 106C is **IRS.gov/erc106c**.

**IRM 21.7.2.7.8(1) Added note that AM will no longer be sending cases to RAAS.**

(1) Certain Form 94XX cases reporting Employee Retention Credit (ERC) adjustment requests are being released to be worked by AM after having been analyzed by Research, Applied Analytics & Statistics (RAAS). These cases will be delivered to AM with instructions on how the ERC portion of the claim or adjustment is to be handled (i.e., additional handling required, assessment to be made, claim is allowable, disallowance criteria, or partial disallowance criteria).

**Note:** Effective May 1, 2026, AM will no longer send cases to RAAS for risking. Processable ERC claims not risked will be referred to exam using CAT-A "HQ Reserved 10 ERC LUQ"

for analysis/risking. Prior to sending a case to exam using CAT-A "HQ Reserved 10 ERC LUQ" review the case for completeness and ensure it is a processable case.

#### **IRM 21.7.2.7.8.1(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed for accounts meeting the specified filtering criteria for missing Forms W-2. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having failed filtering analysis for no Forms W-2 filed. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.

**Exception:** If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

**Caution:** The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, if a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be

worked do not match CII case controls, the case **must** be sent to CAT-A “HQ Reserved 10 ERC LUQ” for additional analysis. Take the following actions to refer such a case to CAT-A “HQ Reserved 10 ERC LUQ” for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
- 4) Send CAT-A to “HQ-Reserved 10 ERC LUQ”.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Note:** If the Form 94XX does **not** report a new or increased ERC amount, enter "No W-2 filter does not apply" in CII case notes. Also, reassign the case and correct any case Priority Code as per guidance in (11) of IRM 21.7.2.7, *COVID-19 Related Employment Tax Relief*.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10, *COVID-19 Related Employment Tax Credits* for information regarding 2021 tax periods with extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**IRM 21.7.2.7.8.1(6) Added instructions regarding cases sent to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) **For accounts with a posted TC 150 original return:** After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS or CAT-A “HQ Reserved 10 ERC LUQ” as having been filed for accounts meeting the specified filtering criteria for missing Forms W-2 as follows:

If	And	Then
1) The Form 94XX reports <b>only</b> changes to ERC		<b>Disallow the claim:</b> <ol style="list-style-type: none"> <li>1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance</i></li> </ol>

		<p><i>and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</p> <p>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:  "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees."  "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://www.irs.gov/erc105c">IRS.gov/erc105c</a>."</p>
<p>2) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes</p>	<p>The other changes <b>do not</b> meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p><b>Partially disallow the claim:</b></p> <p>1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.</p> <p>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:  "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment</p>

		<p>of any wages to employees."          "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://www.irs.gov/erc106c">IRS.gov/erc106c</a>."</p>
<p>3) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes</p>	<p>The other changes <b>do meet</b> CAT-A criteria when considered separately from the ERC changes reported</p>	<ol style="list-style-type: none"> <li>1. Complete the CAT-A referral as usual.</li> <li>2. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):             <ul style="list-style-type: none"> <li>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.</li> <li>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification.</li> </ul> </li> </ol>
<p>4) The CII case notes indicate <b>multiple</b> RAAS disallowance filters were met</p>		<p><b>Each</b> failed filter must be considered:</p> <ol style="list-style-type: none"> <li>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</li> <li>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.</li> <li>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s).</li> </ol> <p><b>Note:</b> If a secondary failed filter notation "Establishment Date" is present, insert the</p>

		<p>following text in three open paragraphs:</p> <p>"Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021."</p> <p>"Our records show that your business was established after December 31, 2021. Our records also show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees."</p> <p>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see [insert appropriate friendly URL <a href="https://www.irs.gov/erc105c">IRS.gov/erc105c</a> or <a href="https://www.irs.gov/erc106c">IRS.gov/erc106c</a>, as appropriate]."</p>
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**IRM 21.7.2.7.8.2(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed for accounts meeting the specified filtering criteria for entity establishment dates. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having failed filtering analysis for entity establishment date. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.

**Exception:** If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

**Caution:** The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, if a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be sent to CAT-A “HQ Reserved 10 ERC LUQ” for additional analysis. Take the following actions to refer such a case to CAT-A “HQ-Reserved 10 ERC LUQ” for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
- 4) Send CAT-A “HQ-Reserved 10 ERC LUQ”.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Note:** If the Form 94XX does **not** report a new or increased ERC amount, enter "Establishment date filter does not apply" in CII case notes. Also, reassign the case and correct any case Priority Code as per guidance in (11) of IRM 21.7.2.7, *COVID-19 Related Employment Tax Relief*.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10, *COVID-19 Related Employment Tax Credits* for information regarding 2021 tax periods with extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in

this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**IRM 21.7.2.7.8.2(6) Added instructions regarding cases sent to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) **For accounts with a posted TC 150 original return:** After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS or CAT-A "HQ Reserved 10 ERC LUQ" as having been filed for accounts meeting the specified filtering criteria for entity establishment dates as follows:

If	And	Then
1) The Form 94XX reports <b>only</b> changes to ERC		<p><b>Disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</li> <li>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:            "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business was established after December 31, 2021."            "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://www.irs.gov/erc105c">IRS.gov/erc105c</a>."</li> </ol>
2) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes	The other changes <b>do not</b> meet CAT-A criteria when considered	<p><b>Partially disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) with appropriate IRNs/CRNs to record the</li> </ol>

	separately from the ERC changes reported	<p>allowable portion of the correction requested on the Form 94XX.</p> <p>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:  "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021. Our records show that your business was established after December 31, 2021."  "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://www.irs.gov/erc106c">IRS.gov/erc106c</a>."</p>
3) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes	The other changes <b>do not meet</b> CAT-A criteria when considered separately from the ERC changes reported	<ol style="list-style-type: none"> <li>1. Complete the CAT-A referral as usual.</li> <li>2. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate): <ul style="list-style-type: none"> <li>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.</li> <li>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification.</li> </ul> </li> </ol>
4) The CII case notes indicate <b>multiple</b> RAAS disallowance filters were met		<p><b>Each</b> failed filter must be considered:</p> <ol style="list-style-type: none"> <li>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</li> <li>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action</li> </ol>

		<p>as appropriate to fully or partially disallow the Form 94XX.</p> <p>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s).</p> <p><b>Note:</b> If a secondary failed filter notation "No W2 filed" is present, insert the following text in three open paragraphs:  "Employee Retention Credit (ERC) is only available for eligible employers that paid qualified wages to employees between March 13, 2020, and December 31, 2021."  "Our records show that your business was established after December 31, 2021. Our records also show that your business did not file Forms W-2, Wage and Tax Statement, for tax years ended December 31, 2020, or December 31, 2021, reporting the payment of any wages to employees."  "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see [insert friendly URL <a href="https://www.irs.gov/erc105c">IRS.gov/erc105c</a> or <a href="https://www.irs.gov/erc106c">IRS.gov/erc106c</a>, as appropriate]."</p>
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**IRM 21.7.2.7.8.3(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that are returned by RAAS to AM for additional processing actions, including those returned to AM to address possible fabricated entity issues. Cases returned for additional handling actions by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be

conducted **before** taking additional actions to address the potentially fabricated entity issue identified by RAAS. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- If a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be sent to CAT-A “HQ Reserved 10 ERC LUQ” for additional analysis. Take the following actions to refer such a case to CAT-A “HQ-Reserved 10 ERC LUQ” for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
- 4) Send CAT-A “HQ-Reserved 10 ERC LUQ”.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10, *COVID-19 Related Employment Tax Credits* for information regarding 2021 tax periods with extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

#### **IRM 21.7.2.7.8.3(6) Added instructions regarding cases sent to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) After applying the guidance in (5) above, continue to address **otherwise processable** Forms 94XX identified to AM by RAAS as possible fabricated entity issues as appropriate per guidance in IRM 21.7.2.4.4.13, *Forms 94XX with Return Integrity and*

*Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement*, and other IRM guidance linked therein.

**Caution:** After following the guidance above, if instructions are received that the Form 94XX should be allowed (e.g., a determination was made that the entity was **not** fabricated), the case **must** sent to CAT-A “HQ Reserved 10 ERC LUQ” for additional analysis **before** an adjustment to the tax account can be made. Take the following actions to refer such a case to CAT-A “HQ-Reserved 10 ERC LUQ” for further consideration:

- 1) Enter/update the case with **Priority Code 6**.
- 2) Enter an appropriate case note to document the reason the case is being referred for additional RAAS analysis (e.g., if the EIN was determined to have not been fabricated, enter "EIN not fabricated").
- 3) Send CAT-A “HQ-Reserved 10 ERC LUQ”.

**Note:** Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above or after following guidance in IRM 21.7.2.4.4.13, *Forms 94XX with Return Integrity and Compliance Services (RICS), Return Integrity Verification Operations (RIVO), or Identity Theft (IDT) Involvement*, and other linked IRM guidance **do not** require further RAAS consideration.

**Caution:** If a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.

#### **IRM 21.7.2.7.8.5(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed by an entity with payment/depositing patterns indicative of a lack of employment activity and/or business activity. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having been filed an entity with payment/depositing patterns indicative of a lack of employment activity and/or business activity. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.

**Exception:** If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do**

**not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

**Caution:** The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be sent to CAT-A “HQ Reserved 10 ERC LUQ” for additional analysis. Take the following actions to refer such a case to CAT-A “HQ-Reserved 10 ERC LUQ” for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
- 4) Send CAT-A “HQ Reserved 10 ERC LUQ”.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10. *COVID-19 Related Employment Tax Credits*. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**Caution:** If a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.

**IRM 21.7.2.7.8.5(6) Added instructions regarding cases sent to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) **For accounts with a posted TC 150 original return:** After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS or CAT-A "HQ Reserved 10 ERC LUQ" as having been filed an entity with payment/depositing patterns indicative of a lack of employment activity and/or business activity as follows:

If	And	Then
1) The Form 94XX reports <b>only</b> changes to ERC		<p><b>Disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</li> <li>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:  "Based on our records, we have determined you are not an Eligible Employer or did not pay qualified wages for purposes of the Employee Retention Credit (ERC). ERC is a credit only against the employer's portion of social security or Medicare tax. We have no record you made employment tax deposits required for employers operating a trade or business from 2019 through 2022."  "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see IRS.gov/erc105c."</li> </ol>
2) The Form 94XX reports other tax or credit	The other changes <b>do not</b> meet CAT-A	<p><b>Partially disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate</li> </ol>

<p>changes <b>in addition</b> to ERC changes</p>	<p>criteria when considered separately from the ERC changes reported</p>	<p>(see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.</p> <p>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in three open paragraphs:          " we have determined you are not an Eligible Employer or did not pay qualified wages for purposes of the Employee Retention Credit (ERC)."          "ERC is a credit only against the employer's portion of social security or Medicare tax. We have no record you made employment tax deposits required for employers operating a trade or business from 2019 through 2022."          "we recorded the other changes you reported. For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see IRS.gov/erc106c."</p>
<p>3) The Form 94XX reports other tax or credit changes <b>in addition</b> to ERC changes</p>	<p>The other changes <b>do meet</b> CAT-A criteria when considered separately from the ERC changes reported</p>	<p>1. Complete the CAT-A referral as usual.</p> <p>2. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):</p> <ul style="list-style-type: none"> <li>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.</li> <li>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this</li> </ul>

		table or as instructed by Exam Classification.
4) The CII case notes indicate <b>multiple</b> RAAS disallowance filters were met		<p><b>Each</b> failed filter must be considered:</p> <ol style="list-style-type: none"> <li>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</li> <li>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.</li> <li>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s).</li> </ol>

**IRM 21.7.2.7.8.6(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed by an ineligible government entity. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having been filed by an ineligible government entity. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.

**Exception:** If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No*

*TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

**Caution:** The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, if a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be sent to CAT-A “HQ Reserved 10 ERC LUQ” for additional analysis. Take the following actions to refer such a case to CAT-A “HQ Reserved 10 ERC LUQ” for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
- 4) Send CAT-A “HQ Reserved 10 ERC LUQ”.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10, *COVID-19 Related Employment Tax Credits* for information regarding 2021 tax periods with an extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in

this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**IRM 21.7.2.7.8.6(6) Added instructions regarding cases sent to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) **For accounts with a posted TC 150 original return:** After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS or CAT-A "HQ-Reserved 10 ERC LUQ" as having been filed by an ineligible government entity as follows:

<b>If</b>	<b>And</b>	<b>Then</b>
1) The Form 94XX reports <b>only</b> changes to ERC		<p><b>Disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</li> <li>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:            "You aren't eligible to claim a 2020 Employee Retention Credit because you are a Federal, State or local government entity (or instrumentality thereof) according to your previous filings."            "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://www.irs.gov/erc105c">IRS.gov/erc105c</a>."</li> </ol>
2) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes	The other changes <b>do not</b> meet CAT-A criteria when	<p><b>Partially disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (2) in IRM</li> </ol>

	<p>considered separately from the ERC changes reported</p>	<p>21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.</p> <p>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:          "We recorded the other changes reported on your Form [specify form]. However, you aren't eligible to claim a 2020 Employee Retention Credit because you are a Federal, State or local government entity (or instrumentality thereof) according to your previous filings."          "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see IRS.gov/erc106c."</p>
<p>3) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes</p>	<p>The other changes <b>do meet</b> CAT-A criteria when considered separately from the ERC changes reported</p>	<p>1. Complete the CAT-A referral as usual.</p> <p>2. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):</p> <ul style="list-style-type: none"> <li>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.</li> <li>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification.</li> </ul>
<p>4) The CII case notes indicate <b>multiple</b> RAAS</p>		<p><b>Each</b> failed filter must be considered:</p>

disallowance filters were met		<ol style="list-style-type: none"> <li>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</li> <li>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.</li> <li>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s).</li> </ol>
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**IRM 21.7.2.7.8.7(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed by a dormant (i.e., otherwise inactive) entity. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having been filed by a dormant entity. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.

**Exception:** If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

**Caution:** The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, if a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to sent to CAT-A “HQ Reserved 10 ERC LUQ” for additional analysis. Take the following actions to refer such a case to CAT-A “HQ Reserved 10 ERC LUQ” for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
- 4) Send CAT-A “HQ Reserved 10 ERC LUQ”.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10, *COVID-19 Related Employment Tax Credits* for information regarding 2021 tax periods with an extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**IRM 21.7.2.7.8.7(6) Replaced instruction to sent cases to RAAS with instruction to send cases to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) **For accounts with a posted TC 150 original return:** After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS or CAT-A "HQ Reserved 10 ERC LUQ as having been filed by a dormant entity as follows:

If	And	Then
1) The Form 94XX reports <b>only</b> changes to ERC		<p><b>Disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</li> <li>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:  "Based on a review of IRS records, we have determined you aren't an Eligible Employer for purposes of the Employee Retention Credit (ERC) because you weren't operating a trade or business during the period(s) shown above. Only employers operating a trade or business (including tax-exempt organizations and certain government entities operating in 2021) are eligible for ERC."  "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://www.irs.gov/erc105c">IRS.gov/erc105c</a>."</li> </ol>
2) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes	The other changes <b>do not</b> meet CAT-A criteria when considered	<p><b>Partially disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial</i></li> </ol>

	separately from the ERC changes reported	<p><i>Disallowance Procedures</i>) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.</p> <p>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in three open paragraphs:</p> <p>" we have determined you aren't an Eligible Employer for purposes of the Employee Retention Credit (ERC) because you weren't operating a trade or business during the period(s) shown above."</p> <p>"Only employers operating a trade or business (including tax-exempt organizations and certain government entities operating in 2021) are eligible for ERC."</p> <p>"we recorded the other changes you reported on your Form [specify Form]. For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://www.irs.gov/erc106c">IRS.gov/erc106c</a>."</p>
3) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes	The other changes <b>do meet</b> CAT-A criteria when considered separately from the ERC changes reported	<p>1. Complete the CAT-A referral as usual.</p> <p>2. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):</p> <ul style="list-style-type: none"> <li>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.</li> <li>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this</li> </ul>

		table or as instructed by Exam Classification.
4) The CII case notes indicate <b>multiple</b> RAAS disallowance filters were met		<p><b>Each</b> failed filter must be considered:</p> <ol style="list-style-type: none"> <li>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</li> <li>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.</li> <li>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s).</li> </ol>

**IRM 21.7.2.7.8.8(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to fourth quarter 2021 Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed by a non-RSB employer. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow a fourth quarter 2021 Form 94XX on the basis of it having been filed by a non-RSB employer. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.

**Exception:** If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No*

*TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

**Caution:** The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, if a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.
- **In addition**, review the Form 941-X to verify whether Line 31b was marked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be sent to CAT-A "HQ Reserved 10 ERC LUQ" for additional analysis. Take the following actions to refer such a case to CAT-A "HQ-Reserved 10 ERC LUQ" for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch" or "Line 31b marked"
- 4) Send CAT-A "HQ Reserved 10 ERC LUQ".

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10, *COVID-19 Related Employment Tax Credits* for information regarding 2021 tax periods with an extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in

this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**IRM 21.7.2.7.8.8(6) Added instructions regarding cases sent to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) **For accounts with a posted TC 150 original return:** After applying the guidance in (5) above, continue handling **processable** fourth quarter 2021 Forms 94XX identified to AM by RAAS or CAT-A "HQ Reserved 10 ERC LUQ" as having been filed by a non-RSB employer as follows:

If	And	Then
1) The Form 94XX reports <b>only</b> changes to ERC		<p><b>Disallow the claim:</b></p> <ol style="list-style-type: none"> <li>Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</li> <li>Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:            "Only employers which are recovery startup businesses are eligible for the Employee Retention Credit for wages paid in the fourth quarter of 2021. Your Form 941-X did not indicate on Line 31b that you were a recovery startup business."            "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://www.irs.gov/erc105c">IRS.gov/erc105c</a>."</li> </ol>
2) The Form 94XX reports other tax or credit	The other changes <b>do not</b> meet CAT-A	<p><b>Partially disallow the claim:</b></p> <ol style="list-style-type: none"> <li>Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate</li> </ol>

<p>changes <b>in addition</b> to ERC changes</p>	<p>criteria when considered separately from the ERC changes reported</p>	<p>(see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.</p> <p>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:          "We recorded the other changes reported on your Form [specify form]. However, only employers which are recovery startup businesses are eligible for the Employee Retention Credit for wages paid in the fourth quarter of 2021. Your Form 941-X did not indicate on Line 31b that you were a recovery startup business."          "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://www.irs.gov/erc106c">IRS.gov/erc106c</a>."</p>
<p>3) The Form 94XX reports other tax or credit changes <b>in addition</b> to ERC changes</p>	<p>The other changes <b>do meet</b> CAT-A criteria when considered separately from the ERC changes reported</p>	<p>1. Complete the CAT-A referral as usual.</p> <p>2. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):</p> <ul style="list-style-type: none"> <li>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.</li> <li>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification.</li> </ul>

<p>4) The CII case notes indicate <b>multiple</b> RAAS disallowance filters were met</p>		<p><b>Each</b> failed filter must be considered:</p> <ol style="list-style-type: none"> <li>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</li> <li>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.</li> <li>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s).</li> </ol>
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**IRM 21.7.2.7.8.9(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed by ineligible employers. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having failed filtering analysis for gross receipts. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.

**Exception:** If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS*

*Filtering Criteria for Missing Original Returns (No TC 150).* Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

**Caution:** The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, if a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.
- **In addition**, review the Form 941-X to verify whether Line 31b was marked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be returned to CAT-A “HQ-Reserved 10 ERC LUQ” for additional analysis. Take the following actions to refer such a case to CAT-A “HQ Reserved 10 ERC LUQ” for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch" or "Line 31b marked"
- 4) Send CAT-A “HQ Reserved 10 ERC LUQ”.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS or CAT-A “HQ Reserved 10 ERC LUQ” consideration.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10, *COVID-19 Related Employment Tax Credits* for information regarding 2021 tax periods with an extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**IRM 21.7.2.7.8.9(6) Added instructions regarding cases sent to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) **For accounts with a posted TC 150 original return:** After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS or CAT-A "HQ Reserved 10 ERC LUQ" as having been filed by an employer who was not eligible to claim ERC based on an analysis of their gross receipts as follows:

If	And	Then
<p>1) The Form 94XX reports <b>only</b> changes to ERC</p>		<p><b>Disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</li> <li>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in three open paragraphs:  "Based on a review of IRS records, we have determined you are not an Eligible Employer for purposes of the Employee Retention Credit (ERC) during the period(s) shown above. Only employers that experienced a full or partial suspension of operations due to a government order related to COVID-19 or who experienced the required decline in gross receipts are Eligible Employers."  "Our records indicate there were no government orders related to COVID-19 in effect during the quarter(s) you claimed ERC which could have fully or partially suspended your trade or business. Our records also show you do not meet the required decline in gross receipts."</li> </ol>

		<p>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://www.irs.gov/erc105c">IRS.gov/erc105c</a>."</p>
<p>2) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes</p>	<p>The other changes <b>do not</b> meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p><b>Partially disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.</li> <li>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in three open paragraphs: <ul style="list-style-type: none"> <li>"we determined you are not an Eligible Employer for the Employee Retention Credit (ERC) during the period(s) shown above. Only employers that experienced a full or partial suspension of operations due to a government order related to COVID-19 or who experienced the required decline in gross receipts are Eligible Employers."</li> <li>"Our records indicate there were no government orders related to COVID-19 in effect during the quarter(s) you claimed ERC which could have fully or partially suspended your trade or business. Our records also show you do not meet the required decline in gross receipts."</li> <li>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this</li> </ul> </li> </ol>

		letter if you disagree, please see IRS.gov/erc106c."
3) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes	The other changes <b>do meet</b> CAT-A criteria when considered separately from the ERC changes reported	<ol style="list-style-type: none"> <li>1. Complete the CAT-A referral as usual.</li> <li>2. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate): <ul style="list-style-type: none"> <li>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.</li> <li>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification.</li> </ul> </li> </ol>
4) The CII case notes indicate <b>multiple</b> RAAS disallowance filters were met		<p><b>Each</b> failed filter must be considered:</p> <ol style="list-style-type: none"> <li>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</li> <li>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.</li> <li>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s).</li> </ol>

#### **IRM 21.7.2.7.8.10(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed for accounts meeting the specified filtering criteria for related individuals. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having failed filtering analysis for related individuals. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.

**Exception:** If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

**Caution:** The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, if a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be sent to CAT-A “HQ Reserved 10” for additional analysis. Take the following actions to refer such a case to CAT-A “HQ Reserved 10” for further consideration:

- 1) Correct case controls as necessary and appropriate.

- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
- 4) Send to CAT-A "HQ Reserved 10".

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10, *COVID-19 Related Employment Tax Credits* for information regarding 2021 tax periods with an extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**IRM 21.7.2.7.8.10(6) Added instructions regarding cases sent to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) **For accounts with a posted TC 150 original return:** After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS or CAT-A "HQ Reserved 10 ERC LUQ" as having been filed for accounts meeting the specified filtering criteria related individuals as follows:

If	And	Then
1) The Form 94XX reports <b>only</b> changes to ERC		<p><b>Disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</li> <li>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs: "Wages paid to related individuals are not qualified wages for purposes of</li> </ol>

		<p>computing the ERC. Related individuals include, among other categories, a corporation's majority owner or constructive majority owner, and their spouse, children, siblings, or other specified relatives."</p> <p>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://irs.gov/erc105c">irs.gov/erc105c</a>."</p>
2) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes	The other changes <b>do not</b> meet CAT-A criteria when considered separately from the ERC changes reported	<p><b>Partially disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.</li> <li>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs:  "Wages paid to related individuals aren't qualified wages for the ERC. Related individuals include, among other categories, a corporation's majority owner, and their spouse, parents, children, siblings, or other relatives as described in the FAQs about ERC on <a href="https://irs.gov">irs.gov</a>."  "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://irs.gov/erc106c">irs.gov/erc106c</a>".</li> </ol>
3) The Form 94XX reports other tax or credit	The other changes <b>do</b>	<ol style="list-style-type: none"> <li>1. Complete the CAT-A referral as usual.</li> </ol>

<p>changes in addition to ERC changes</p>	<p>meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p>2. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate):</p> <ul style="list-style-type: none"> <li>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.</li> <li>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification.</li> </ul>
<p>4) The CII case notes indicate <b>multiple</b> RAAS disallowance filters were met</p>		<p><b>Each</b> failed filter must be considered:</p> <ol style="list-style-type: none"> <li>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</li> <li>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.</li> <li>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s).</li> </ol>

**IRM 21.7.2.7.8.11(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed for accounts meeting the specified filtering criteria for Overclaimed PPP Loan. Forms 94XX so

identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having failed filtering analysis for Overclaimed PPP Loan. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.

**Exception:** If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

**Caution:** The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, if a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be sent CAT-A “HQ Reserved 10 ERC LUQ” for additional analysis. Take the following actions to refer such a case to CAT-A “HQ Reserved 10 ERC LUQ” for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
- 4) Send to CAT-A “HQ Reserved 10 ERC LUQ”.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10, *COVID-19 Related Employment Tax Credits* for information regarding 2021 tax periods with an extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**IRM 21.7.2.7.8.11(6) Added instructions regarding cases sent to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) **For accounts with a posted TC 150 original return:** After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS or CAT-A "HQ Reserved 10 ERC LUQ" as having been filed for accounts meeting the specified filtering criteria Overclaimed Paycheck Protection Program (PPP) and Employee Retention Credit (ERC) as follows:

If	And	Then
1) The Form 94XX reports <b>only</b> changes to ERC		<p><b>Disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</li> <li>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, "Disallowance and Partial Disallowance Procedures" and insert the following text in two open paragraphs:            "The amount of qualified wages you used to calculate your Employee Retention Credit uses the same wages used as payroll costs Paycheck Protection Program (PPP) loan</li> </ol>

		<p>forgiveness. You can't claim the ERC on wages that were reported as payroll costs to obtain PPP loan forgiveness."</p> <p>"For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://irs.gov/erc105c">irs.gov/erc105c</a>."</p>
<p>2) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes</p>	<p>The other changes <b>do not</b> meet CAT-A criteria when considered separately from the ERC changes reported</p>	<p><b>Partially disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (2) in IRM 21.5.3.4.6.1, "Disallowance and Partial Disallowance Procedures") with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.</li> <li>2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, "Disallowance and Partial Disallowance Procedures" and insert the following text in two open paragraphs:          "The amount of qualified wages you used to calculate your Employee Retention Credit uses the same wages used as payroll costs Paycheck Protection Program (PPP) loan forgiveness. You can't claim the ERC on wages that were reported as payroll costs to obtain PPP loan forgiveness."          "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://irs.gov/erc106c">irs.gov/erc106c</a>."</li> </ol>
<p>3) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes</p>	<p>The other changes <b>do meet</b> CAT-A criteria when considered</p>	<ol style="list-style-type: none"> <li>1. Complete the CAT-A referral as usual.</li> <li>2. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when</li> </ol>

	separately from the ERC changes reported	<p>the case is returned including (as appropriate):</p> <ul style="list-style-type: none"> <li>• Completing an adjustment as per guidance in other rows of this table to record a full or partial disallowance.</li> <li>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification.</li> </ul>
4) The CII case notes indicate <b>multiple</b> RAAS disallowance filters were met		<p><b>Each</b> failed filter must be considered:</p> <ol style="list-style-type: none"> <li>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</li> <li>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.</li> <li>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s).</li> </ol>

**IRM 21.7.2.7.8.12(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed for accounts meeting the specified filtering criteria for overclaimed qualified sick and family leave. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all

preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action to disallow the Form 94XX on the basis of it having failed filtering analysis for overclaimed qualified sick and family leave. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.

**Exception:** If there is no posted original return, **do not** follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted* unless directed to do so per instructions in (7) below and **do not** follow procedures in IRM 21.7.2.7.8.4, *Form 94XX ERC Claims Meeting RAAS Filtering Criteria for Missing Original Returns (No TC 150)*. Continue processing as per guidance in this paragraph and then follow guidance in (7) below instead of (6).

**Caution:** The missing TC 150 condition will generally be identified by RAAS in the CII case notes. However, AM employees are responsible for reviewing the account for the presence of an original return when processing the released Form 941-X regardless of whether such a note is present and for applying (6) or (7) guidance below as appropriate.

- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, if a Form 94X-X is received that is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- **In addition**, compare the EIN and tax period entered on the Form 941-X to the EIN and tax period specified in CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be sent to CAT-A "HQ Reserved 10 ERC LUQ" for additional analysis. Take the following actions to refer such a case to CAT-A "HQ Reserved 10 ERC LUQ" for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
- 4) Send CAT-A "HQ Reserved 10 ERC LUQ".

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021. See IRM 25.6.1.9.5.10, *COVID-19 Related Employment Tax Credits* for information regarding 2021 tax periods with an extended ASED. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**IRM 21.7.2.7.8.12(6) Added instructions regarding cases sent to CAT-A "HQ Reserved 10 ERC LUQ".**

(6) **For accounts with a posted TC 150 original return:** After applying the guidance in (5) above, continue handling **processable** Forms 94XX identified to AM by RAAS or CAT-A "HQ Reserved 10 ERC LUQ" as having been filed for accounts meeting the specified filtering criteria overclaimed qualified sick and family leave as follows:

If	And	Then
1) The Form 94XX reports <b>only</b> changes to ERC		<p><b>Disallow the claim:</b></p> <ol style="list-style-type: none"> <li>1. Complete a TC 290 .00 adjustment in Blocking Series 98 or 99 as appropriate (see (1) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i>) to record a full disallowance of the claim.</li> <li>2. Send Letter 105C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs: "The amount of qualified wages you used to calculate your Employee Retention Credit uses the same wages you previously used to claim the Sick and Family Leave credit. You can't claim ERC on wages previously used</li> </ol>

		to claim the Sick and Family Credit." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://irs.gov/erc105c">irs.gov/erc105c</a> ."
2) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes	The other changes <b>do not</b> meet CAT-A criteria when considered separately from the ERC changes reported	<b>Partially disallow the claim:</b>  1. Complete a TC 29X adjustment in Blocking Series 18 or 00 as appropriate (see (2) in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> ) with appropriate IRNs/CRNs to record the allowable portion of the correction requested on the Form 94XX.  2. Send Letter 106C as per instructions in IRM 21.5.3.4.6.1, <i>Disallowance and Partial Disallowance Procedures</i> and insert the following text in two open paragraphs: "The amount of qualified wages you used to calculate your Employee Retention Credit uses the same wages you previously used to claim the Sick and Family Leave credit. You can't claim ERC on wages previously used to claim the Sick and Family Credit." "For more information on Employee Retention Credit (ERC) eligibility requirements and how to respond to this letter if you disagree, please see <a href="https://irs.gov/erc106c">irs.gov/erc106c</a> ."
3) The Form 94XX reports other tax or credit changes <b>in addition to</b> ERC changes	The other changes <b>do meet</b> CAT-A criteria when considered separately from the ERC	1. Complete the CAT-A referral as usual.  2. Take action to complete processing of the Form 94XX based on instructions received from Exam Classification when the case is returned including (as appropriate): • Completing an adjustment as per

	changes reported	guidance in other rows of this table to record a full or partial disallowance. <ul style="list-style-type: none"> <li>• Issuing an appropriate 105C or 106C full/partial disallowance letter with text as per guidance in other rows of this table or as instructed by Exam Classification.</li> </ul>
4) The CII case notes indicate <b>multiple</b> RAAS disallowance filters were met		<p><b>Each</b> failed filter must be considered:</p> <ol style="list-style-type: none"> <li>1. As appropriate, consider handling guidance provided in this subsection as well as any applicable guidance in other subsections based on the identified failed filters.</li> <li>2. If the Form 94XX is deemed processable after all applicable guidance has been considered (i.e., did not meet rejection or "no consideration" criteria), then take action as appropriate to fully or partially disallow the Form 94XX.</li> <li>3. When issuing the appropriate 105C or 106C disallowance letter, insert text into the letter as described in the previous rows of this table as well as any text provided in other subsections applicable to the other failed filter(s).</li> </ol>

**IRM 21.7.2.7.8.13(5) Updated routing guidance for cases to be risked.**

(5) All other Form 94XX processing guidelines and requirements also apply to Forms 94XX reporting changes to ERC that have been identified to AM by RAAS as having been filed for accounts meeting the specified filtering criteria for risked ERC-exam potential. Forms 94XX so identified by RAAS have generally **not** been reviewed for completeness (e.g., presence of signature, certification block(s) marked, etc.) and processability (e.g., prior figures match, mathematically correct, etc.). As such, all preliminary reviews to ensure the Form 94XX is complete for processing **must** be conducted **before** taking action on the Form 94XX on the basis of RAAS determination risked ERC-exam potential. As usual:

- Review the Form 94XX for completeness and processability (e.g., for a Form 941-X claim, see (2) and (3) in IRM 21.7.2.4.5.6.2, *Form 941-X Tax Decrease — Claim*). Perfect or reject any unprocessable Forms 94XX as appropriate.
- AM employees must review the account for the presence of an original return when processing the released Form 941-X. If there is no posted original return, follow guidance in IRM 21.7.2.4.4.6, *Adjusted Employer's Tax Return or Claim for Refund Return Filed — No TC 150 Posted*, per instructions in (7) below
- Review for account conditions that require special handling (i.e., open CAT-A or AIMS status, RICS/RIVO/IDT, etc.) which must be addressed prior to taking further action on the Form 94XX. Suspend, route, or otherwise address the account condition encountered as appropriate.
- **In addition**, if a Form 94X-X is received is a duplicate of a previously processed ERC claim, do not rework the original claim based on any subsequent RAAS analysis.
- Compare the EIN and tax period match on the Form 941-X to the EIN and tax period specified in RAAS CII case notes releasing the case to be worked.

**Caution:** If the tax period or EIN shown on the form do not match CII case controls **or** the tax period or EIN specified in CII case notes releasing the case to be worked do not match CII case controls, the case **must** be sent CAT-A “HQ Reserved 10 ERC LUQ” for additional analysis. Take the following actions to refer such a case to CAT-A “HQ Reserved 10 ERC LUQ” for further consideration:

- 1) Correct case controls as necessary and appropriate.
- 2) Enter/update the case with **Priority Code 6**.
- 3) Enter the appropriate case note as follows: "EIN mismatch" or "Tax Period mismatch" or "EIN and Tax Period mismatch"
- 4) Send CAT-A “HQ Reserved 10 ERC LUQ”.

**Reminder:** The ASED has expired on Form 94XX for 2020 and 2021 except for certain ERC credits for 2021 IRM 25.6.1.9.5.10. *COVID-19 Related Employment Tax Credits*. The suspended inventory was reviewed for statute imminent 2020 and 2021 account situations prior to normal ASED expirations of April 15, 2024 and April 15, 2025. There is still heightened risk of encountering statute barred assessments in this work. Consider guidance in (2) of IRM 25.6.1.13.2.6, *Routing and Controlling Form 9355*, if such cases are identified.

**Note:** Procedures found in (6) below do not apply to Form 94XX cases rejected or "no-considered" as the result of following guidance in (5) above and such cases **do not** require further RAAS consideration.

**IRM 21.7.2.7.8.13(6) Updated routing guidance for cases to be risked.**

(6) Use the table below and the RAAS CII case note indicating the specified filtering criteria to determine the appropriate paragraph to refer to.

Case Note	Refer to
"Risky ERC-Review" or "Risky ERC-Exam Potential"	Paragraph 7
"Risky ERC-Exam Potential – Group 1"	Paragraph 8
"Risky ERC-Exam Potential – Group 2"	Paragraph 9

**IRM 21.7.2.7.12(8) Updated second row in table with additional instructions for cases with -Q freeze.**

(8) Certain Form 94X-X claiming ERC had the refunds manually or systemically stopped for review. A TC 810 was input generating a -Q freeze. Use the table below to resolve the -Q freeze and determine timeliness.

If	Then
1) Claim is determined to be timely per paragraph 4 above	<ol style="list-style-type: none"> <li>1. Ensure the ERC claim was worked correctly.</li> <li>2. Release the -Q Freeze. Follow paragraph 1 and 3 only in, IRM 25.25.1.3.3.5, # [REDACTED] # . # [REDACTED] # In the remarks field enter "NSD TS AM".</li> </ol>
2) Claim is determined to not be timely per paragraph 4 above	<ol style="list-style-type: none"> <li>1. Reverse the prior ERC adjustment that created the credit.</li> <li>2. Disallow per paragraph 5 row 3, above.</li> <li>3. Release the -Q Freeze. Follow paragraph 1 and 3 only in, IRM 25.25.1.3.3.5, # [REDACTED] # . # [REDACTED] # In the remarks field enter "NSD TS AM."</li> </ol> <p><b>Note:</b> See, IRM 25.6.1.9.5.10, <i>COVID-19 Related Employment Tax Credits</i>,. for information on the extended ASSED for assessments.</p>