

IRM PROCEDURAL UPDATE

DATE: 07/28/2020

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SUBJECT: COVID 19 Related Employment Tax Relief

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

CHANGE(s):

IRM 21.7.2.7 thru IRM 21.7.2.7.7 Added new major subsection with COVID-19 related employment tax relief guidance.

IRM 21.7.2.7, COVID-19 Related Employment Tax Relief

1. This section of the IRM provides guidance on applying recently enacted legislation and administrative tax relief applicable to employment taxes.
2. Recent legislation with direct impact on employment tax administration for tax year 2020 includes:
 - o Sections 7001, 7003, and 7005 of P.L. 116-127, *Families First Coronavirus Response Act (FFCRA)*, established new refundable employment tax credits for employers that apply to qualified sick leave wages and qualified paid family leave wages (collectively "qualified leave wages") new credits paid for the period from April 1, 2020 and through December 31, 2020. Additionally, the qualified leave wages are not subject to the employer's share of security tax (or Railroad Retirement Tax Act Tier 1 tax). See IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages*, for more information.
 - o Section 2301 of P.L. 116-136, *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, established a new refundable employee retention tax credit applicable to qualified wages paid after March 12, 2020 and before January 1, 2021. See IRM 21.7.2.7.2, *Employee Retention Credit*, for more information.
 - o Section 3606 of P.L. 116-136, authorized the Service to provide advance payments of the FFCRA credits identified above to employers prior to the filing of the corresponding employment tax return. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, for more information. Section 2301(l) authorized the Service to provide advance payments of the Employee Retention Credit.
 - o Section 2302 of the CARES Act defers the required payment due date for the employer's share of social security taxes effective March 27, 2020 and applicable to wages paid before January 1, 2021. 50 percent of the amounts for which payment can be deferred are due by

December 31, 2021 with the remaining 50 percent due by December 31, 2022. See IRM 21.7.2.7.3, *Deferred Payment of Employer's Share of Social Security Taxes for 2020*, for more information.

3. The Service has provided administrative relief for certain employment tax obligations in addition to the legislative relief provided in the FFCRA and the CARES Act. The most notable administrative relief provisions for purposes of handling employment tax account related issues addressed in this IRM are described in IRM 21.7.2.7.4, *Other COVID-19 Related Employment Tax Relief — Notice 2020-22, Notice 2020-23, and Notice 2020-35*.
4. Administering the new credits and other employment tax relief requires substantial revision to employment tax forms for 2020:
 - Form 941 was revised effective with the second quarter of 2020 to administer the new credits and deferred payment features of the legislation.
 - Annual employment tax forms (Form 943, Form 944, and Form CT-1) are currently being revised in similar fashion for tax year 2020.
 - In addition, the Service developed Form 7200, *Advance Payment of Employer Credits Due to COVID-19*, for taxpayers to file requests for advance payments.
5. Due to timing matters, Form 941 for the first quarter of 2020 could not be revised before the filing due date to report certain aspects of the legislative employment tax relief applicable to a portion of that tax period. See IRM 21.7.2.7.6, *First Quarter 2020 Form 941 — Employee Retention Credits, Deferred Payments, and Notice 1447*, for guidance on handling taxpayer responses related to first quarter 2020 reporting matters.
6. Adjusting employment tax accounts for 2020 will, in many cases, require special handling. See IRM 21.7.2.7.7, *COVID-19 Related Employment Tax Relief and Forms 94XX*, for more information.

IRM 21.7.2.7.1, Credit for Qualified Sick and Family Leave Wages

1. P.L. 116-127, *Families First Coronavirus Response Act* (FFCRA), provides small and midsize employers refundable tax credits that reimburse them, dollar-for-dollar, for the cost of providing paid sick and family leave wages to their employees for leave related to COVID-19.
2. The FFCRA gives eligible employers funds to provide employees with paid sick and family and medical leave for reasons related to COVID-19, either for the employee's own health needs or to care for family members. The FFCRA requires employers to provide paid leave through two separate provisions:
 - The *Emergency Paid Sick Leave Act* (EPSLA), which entitles workers to up to 80 hours of paid sick time when they are unable to work for certain reasons related to COVID-19, including for their own health needs or to care for others.
 - The *Emergency Family and Medical Leave Expansion Act* (Expanded FMLA), which entitles workers to certain paid family and medical leave, including up to an additional ten weeks of paid family leave to

care for a child whose school or place of care is closed or child care provider is closed or unavailable due to COVID-19 precautions.

3. Eligible Employers are businesses and tax-exempt organizations with fewer than 500 employees that are required to provide paid sick leave under the EPSLA and to provide paid family leave under the Expanded FMLA.
4. The FFCRA covers the costs of this required paid leave by providing eligible employers with tax credits for providing qualified sick leave and qualified paid family leave wages, collectively referred to as "Credit for Qualified Sick and Family Leave Wages".

NOTE: Certain self-employed individuals in similar circumstances are entitled to similar tax credits under sections 7002 and 7004 of the FFCRA.

5. The tax credits apply to qualified sick leave wages and qualified family leave wages paid during the period beginning April 1, 2020, and ending December 31, 2020.
6. The following table summarizes employee eligibility, benefits and associated eligible employer tax credit provision under EPSLA and Expanded FMLA:

Type of Credit	IF an employee is unable to work because:	Then
Paid Sick Leave Credit	<ul style="list-style-type: none"> ○ They're subject to a COVID-19 quarantine or isolation order. ○ They're advised to self-quarantine because of COVID-19. ○ They have COVID-19 symptoms and are seeking a medical diagnosis. 	The credit is at the employee's regular rate of pay, up to \$511 per day and \$5,110 in total up to 80 hours. The employer is also eligible for credits for allocable qualified health plan expenses for the employee and the employer's portion of Medicare tax expenses for the employee.
	<ul style="list-style-type: none"> ○ They're caring for someone who is subject to a COVID-19 quarantine or isolation order, or for someone who is advised to self-quarantine because of COVID-19. ○ They're caring for a child whose school or place of care is closed due to 	The credit is for two-thirds of the employee's regular rate of pay, up to \$200 per day and \$2,000 in total, for up to 80 hours. The employer is also eligible for credits for allocable qualified health plan expenses for the employee and the employer's portion of Medicare tax.

	<p>COVID-19.</p> <ul style="list-style-type: none"> ○ They're caring for a child whose child care provider is unavailable due to COVID-19. 	
Family Leave Credit	<ul style="list-style-type: none"> ○ They're caring for a child whose school or place of care is closed due to COVID-19. ○ They're caring for a child whose child care provider is unavailable due to COVID-19. 	<ul style="list-style-type: none"> ○ This credit is equal to two-thirds of the employee's regular rate of pay, capped at \$200 per day or \$10,000 in total. ○ Up to 10 weeks of qualifying leave can be counted toward the Family Leave Credit. This can be combined with the sick leave credit, so an employer could be entitled to a credit for pay for up to 12 weeks: 2 weeks of sick leave and 10 weeks of family leave. ○ The employer is also eligible for credits for allocable qualified health plan expenses for the employee and the employer's portion of Medicare tax.

7. Credit for Qualified Sick and Family Leave Wages can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Credit for Qualified Sick and Family Leave Wages that can be claimed for a particular tax period and the amount(s) of any other non-refundable credit(s) being reported:
- The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form) and any "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed) reported for the tax period.

- Any amount of Credit for Qualified Sick and Family Leave Wages for a tax period that cannot be applied against amounts of otherwise due employer's share of social security taxes can instead be claimed as a refundable credit on the applicable employment tax return.
8. In addition to other COVID-19 tax relief provisions, qualified sick leave wages and qualified family leave wages paid to employees by eligible employers are exempt from the employer's share of social security taxes.
9. Form 941 has been revised to administer the Credit for Qualified Sick and Family Leave Wages beginning with the second quarter of 2020:
- The employee share of social security tax on qualified sick leave wages is reported on lines 5a(i) of Form 941.
 - The employee share of social security tax on qualified family leave wages is reported on lines 5a(ii) of Form 941.
 - The non-refundable portion of the Employee Retention Credit, if applicable, is reported on Line 11b of Form 941.
 - The refundable portion of the Employee Retention Credit, if applicable, is reported on Line 13c of Form 941 (and will post as a TC 766 with CRN 299).
 - Qualified health plan expenses allocable to qualified sick leave wages are reported on line 19 of Form 941.
 - Qualified health plan expenses allocable to qualified family leave wages are reported on line 20 of Form 941.

REMINDER: Qualified sick and family leave wages aren't subject to the employer share of social security tax (or Railroad Retirement Tax Act Tier 1 tax).

NOTE: The Instructions for Form 941 include a worksheet for calculating amounts of non-refundable and refundable Credit for Qualified Sick and Family Leave Wages to be carried to Lines 11b and 13c (respectively) of Form 941.

NOTE: Annual employment tax forms and instructions are being revised in similar fashion to enable reporting Employee Retention Credit amounts.

10. In anticipation of claiming the Credit for Qualified Sick and Family Leave Wages, eligible employers can:
- Obtain immediate access to the credit by retaining (i.e., not paying) a corresponding amount of the employment taxes that otherwise would have been deposited. The amount retained can include federal income tax withholding, the employees' share of social security and Medicare taxes, and the employer's share of social security and Medicare taxes for all employees, up to the amount of the credit. Amounts eligible to be retained for this purpose will not be subject to federal tax deposit penalties.
 - Request an advance payment of the Credit for Qualified Sick and Family Leave Wages (for amounts that cannot be obtained by reducing federal tax deposits and payments) by submitting Form 7200.

See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19* for more information on advance payments.

11. If a taxpayer has:
 - Questions on eligibility for the new credits and delayed payment provisions, impact on payment or depositing, or how to report these amounts on tax returns, general information as described above can be provided to the taxpayer. The taxpayer can also be referred to the first page of Pub 5419, *New COVID-19 Employer Tax Credits*.
 - For more complex questions, including those which are out-of-scope, refer the taxpayer to the [irs.gov](https://www.irs.gov) website at New Employer Tax Credits and Coronavirus Tax Relief for Businesses and Tax-Exempt Entities which include links to Frequently Asked Questions (FAQs) and other guidance.
12. For handling inquiries related to Notice 1447 or other matters related to the lack of first quarter lines for claiming the credit, see IRM 21.7.2.7.6 *Notice 1447 — First Quarter 2020 Form 941 Employee Retention Credits and Deferred Payments*.
13. This IRM will be updated to address adjusting the Credit for Qualified Sick and Family Leave Wages on tax accounts once procedures are developed.

IRM 21.7.2.7.2, Employee Retention Credit

1. Section 2301 of P.L. 116-136, *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, established a new Employee Retention Credit:
 - The Employee Retention Credit is a fully refundable credit designed to encourage employers to keep employees on their payroll.
 - The Employee Retention Credit is a tax credit against certain employment taxes reported on quarterly and annual employment tax returns for 2020.
 - The amount of the credit is equal to 50 percent of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021.
 - For each employee, wages up to \$10,000 (including certain health plan costs) can be counted to determine the amount of the 50% credit.
 - The maximum credit amount per employee is \$5,000.
2. Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 and experience either:
 - A full or partial suspension of their trade or business operations during any calendar quarter because of governmental orders limiting commerce, travel, or group meetings due to COVID-19; or,
 - A significant decline in gross receipts.

NOTE: A significant decline in gross receipts **begins** on the first day of the first calendar quarter of 2020 for which an employer's gross receipts are less than 50 percent of its gross receipts for the same calendar quarter in 2019. The significant decline in gross receipts **ends** on the first day of the first

calendar quarter following the calendar quarter in which gross receipts are more than of 80 percent of its gross receipts for the same calendar quarter in 2019.

3. The definition of qualified wages depends on the average number of individuals employed by an eligible employer during 2019:
 - If an employer averaged 100 or fewer full-time employees during 2019, qualified wages are those wages (up to \$10,000 per employee (including certain health care costs) paid to any employee during the period operations were suspended or the period of the decline in gross receipts, regardless of whether or not its employees were providing services.
 - If an employer averaged more than 100 full-time employees during 2019, qualified wages are generally those wages (up to \$10,000 per employee including certain health care costs) paid to employees that were not providing services because operations were suspended or due to the decline in gross receipts. These employers can only count wages up to the amount that the employee would have been paid for working an equivalent duration during the 30 days immediately preceding the period of full or partial suspension or decline in gross receipts.

NOTE: If an employer is eligible to claim the credit due to a full or partial suspension of operations, only wages paid during the period of suspension will be considered qualified wages.

4. An eligible employer's ability to claim the Employee Retention Credit is impacted by other credit and relief provisions as follows:
 - Employers who receive a Small Business Interruption Loan under the Paycheck Protection Program (authorized under the CARES Act) administered by the Small Business Administration (SBA) are **not** eligible for the Employee Retention Credit. However, employers that applied for Paycheck Protection Program (PPP loans), received payment and repaid the loans by May 18, 2020 will be treated as though they had not received the loan.
 - Wages for this credit **do not include** wages for which the employer received a tax credit for paid sick and family leave under the Families First Coronavirus Response Act.
 - Wages counted for this credit **can't be counted** for the credit for paid family and medical leave under section 45S of the Internal Revenue Code.
 - Employees **are not counted** for this credit if the employer is allowed a Work Opportunity Tax Credit under section 51 of the Internal Revenue Code for the employee.
5. The Employee Retention Credit can be a non-refundable credit, a refundable credit, or both, depending on the amount of the Employee Retention Credit that can be claimed for a particular tax period and the amount(s) of any refundable and other non-refundable credit(s) being reported:

- The credit is first applied, to the extent possible, as a non-refundable credit against amounts of otherwise due employer's share of social security taxes as previously reduced (in order) by credits for the "Qualified Small Business Payroll Tax Credit for Increasing Research Activities" (QSB Research Credit) from Form 8974 (filed with Form 941 or other employment tax form), the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans" from Form 5884-C (filed after original employment tax forms are filed), and any credit for qualified sick and family leave wages reported for the tax period.
 - Any amount of Employee Retention Credit for a tax period that cannot be applied against amounts of otherwise due employer's share of social security taxes can instead be claimed as a refundable credit on the applicable employment tax return.
6. Form 941 has been revised to administer the Employee Retention Credit beginning with the second quarter of 2020:
- The non-refundable portion of the Employee Retention Credit, if applicable, is reported on Line 11c of Form 941.
 - The refundable portion of the Employee Retention Credit, if applicable, is reported on Line 13d of Form 941 (and will post as a TC 766 with CRN 296).
 - Qualified wages (excluding qualified health plan expenses) for the employee retention credit are reported on line 21 (these amounts should also be included as wages on lines 5a and 5c, and, if applicable, line 5d).
 - Qualified health plan expenses allocable to the qualified wages for the employee retention credit are reported on line 22.
 - For the second quarter Form 941 only, qualified wages (excluding qualified health plan expenses) for the employee retention credit and qualified health plan expenses allocable to the qualified wages for the period from March 13, 2020, to March 31, 2020, are reported on lines 24 and 25, respectively.

NOTE: The Instructions for Form 941 include a worksheet for calculating amounts of non-refundable and refundable Employee Retention Credit to be carried to Lines 11c and 13d (respectively) of Form 941.

NOTE: Annual employment tax forms and instructions are being revised in similar fashion to enable reporting Employee Retention Credit amounts.

7. In anticipation of claiming the Employee Retention Credit, eligible employers can:
- Obtain immediate access to the credit by retaining (i.e., not paying) a corresponding amount of the employment taxes that otherwise would have been deposited. The amount retained can include federal income tax withholding, the employees' share of social security and Medicare taxes, and the employer's share of social security and Medicare taxes for all employees, up to the amount of the credit, taking into account

- any reduction for deposits in anticipation of the paid sick and family leave credit provided in the Families First Coronavirus Response Act. Amounts eligible to be retained for this purpose will not be subject to federal tax deposit penalties.
- Request an advance payment of the Employee Retention Credit (for amounts that cannot be obtained by reducing federal tax deposits and payments) by submitting Form 7200. See IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19* for more information on advance payments.
8. If a taxpayer has:
 - Questions on eligibility for the new credits and delayed payment provisions, impact on payment or depositing, or how to report these amounts on tax returns, general information as described above can be provided to the taxpayer. The taxpayer can also be referred to the first page of Pub 5419, *New COVID-19 Employer Tax Credits*.
 - For more complex questions, including those which are out-of-scope, refer the taxpayer to the irs.gov website at New Employer Tax Credits and Coronavirus Tax Relief for Businesses and Tax-Exempt Entities which include links to Frequently Asked Questions (FAQs) and other guidance.
 9. For handling inquiries related to Notice 1447 or other matters related to the lack of first quarter lines for claiming the credit, see IRM 21.7.2.7.6 *Notice 1447 — First Quarter 2020 Form 941 Employee Retention Credits and Deferred Payments*.
 10. This IRM will be updated to address adjusting Employee Retention Credits on tax accounts once procedures are developed.

IRM 21.7.2.7.3, Deferred Payment of Employer's Share of Social Security Taxes for 2020

1. Section 2302 of P.L. 116-136, *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, allows **all employers** to defer the deposit and payment of the employer's share of social security taxes and certain railroad retirement taxes.

NOTE: Employers that received a Paycheck Protection Program (PPP) loan are no longer prohibited from deferring deposit and payment of the employer's share of social security tax after the receipt of the lender's decision forgiving all or a portion of the loan. A provision in the CARES Act that barred such employers from deferring payment was repealed with enactment of the Paycheck Protection Program Flexibility Act of 2020 (PPP Flexibility Act) on June 5, 2020.

NOTE: Self-employed individuals may defer the payment of 50 percent of the social security tax on net earnings from self-employment income.

2. The deferral applies to deposits and payments of the employer's share of social security tax that would otherwise be due on or after March 27, 2020, and before January 1, 2021 (i.e., the "payroll tax deferral period"), as well as deposits and payments due after December 31, 2020 that are required for wages paid during the quarter ending on December 31, 2020.

NOTE: See (10) below and IRM 21.7.2.7.6, *First Quarter 2020 Form 941 — Employee Retention Credits, Deferred Payments, and Notice 1447*, for guidance on handling taxpayer inquiries relative to amounts reported on first quarter 2020 Form 941 accounts for which payment could be deferred.

3. Generally, the employer's share of social security tax is 50 percent of column 2, Line 5a of Form 941 plus 50 percent of column 2, Line 5b of Form 941. However, the maximum amount that can be deferred is modified for certain third-party payers of sick pay and employers reporting Section 3121(q) Notice and Demand amounts:
 - Third-party payers of sick pay who aren't an agent (e.g., an insurance company) must reduce the amount of the employer's share of social security tax reported on line 5a by any adjustment taken on Form 941, Line 8 for the employer share of social security tax transferred to their client to determine the maximum amount of tax for which payment can be deferred.
 - Employers who receive a Section 3121(q) Notice and Demand for tax due on unreported tips (Letter 3263 or Letter 4520) must report the amount for the employer share of social security tax and Medicare tax on Form 941, Line 5f. The employer's share of social security tax is shown on an attachment to Letter 3263 or Letter 4520 and payment for that amount can be deferred.
4. An employer that is eligible to claim the refundable Credit for Qualified Sick and Family Leave Wages (see IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages*) or the Employee Retention Credit (see IRM 21.7.2.7.2, *Employee Retention Credit*) can defer its deposit and payment of the employer's share of social security tax prior to determining the amount of employment tax deposits that it may retain in anticipation of these credits, the amount of any advance payments of these credits, or the amount of any refunds with respect to these credits.

NOTE: The ability to defer deposits of the employer's share of social security tax is in addition to the relief provided in Notice 2020-22. (Notice 2020-22 provides relief from the failure to deposit penalty for not making deposits of employment taxes, including taxes withheld from employees, in anticipation of the Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit.)

5. The maximum amount that can be deferred each quarter is the smaller of:
 - The employer's share of social security tax; or,

- Total taxes after adjustments (from Line 10 of Form 941) **less** any amount of QSB Research Credit (from Line 11a of Form 941) and **less** total deposits made for the quarter (from Line 13a of Form 941).

REMINDER: Qualified sick and family leave wages aren't subject to the employer share of social security tax. Therefore, employers cannot include the employee social security taxes reported on lines 5a(i) and 5a(ii) in determining amounts for which payment can be deferred.

NOTE: Employers do not reduce the maximum amount for which payment can be deferred by any amounts of non-refundable credits reported on Line 11a, Line 11b, or Line 11c of Form 941.

CAUTION: The deferred amount of the employer's share of social security tax is a deferral of deposits and payments, not a deferral of liability. Accordingly, employers can't defer tax that they already paid and will **not** receive a refund or credit of any amount of the employer's share of social security tax that was already deposited or paid for a quarter (unless such refund is with respect to the nonrefundable portion of the credit for qualified sick and family leave wages reported on line 11(b) or the employee retention credit reported on line 11(c)).

6. Amounts eligible to be deferred must be paid by the following dates (i.e. "applicable dates") in order to avoid late payment or federal tax deposit penalties:
 - 50 percent of the deferred amount is due on or by December 31, 2021.
 - The remaining 50 percent of the deferred amount is due on or by December 31, 2022.
7. Employers may pay deferred amounts electronically using EFTPS (preferred), by credit or debit card, or by a check or money order (the address for payment is found in the instructions for the appropriate employment tax return).

NOTE: For deferred payment administration purposes, deposits and payments will generally be considered as being applied to the employee's share of social security tax and Medicare taxes, the employer's share of Medicare taxes, income tax withholding, and employer's share of social security taxes, in that order.

8. As indicated above, one-half of the employer share of social security tax is due by December 31, 2021, and the remainder is due by December 31, 2022. Any payment(s) or deposit(s) the employer makes before December 31, 2021 is first applied against the deferred amount due on December 31, 2021 and then applied against the deferred amount due on December 31, 2022.

EXAMPLE: The employer's share of social security tax for the second quarter of 2020 was \$20,000. The employer deposited \$5,000 of the \$20,000 during the quarter and reported a deferred payment amount of \$15,000 on line 13b

of Form 941. In this situation, the employer must pay \$5,000 by December 31, 2021 (half of the \$20,000 maximum deferral less the \$5,000 already paid), and the remaining \$10,000 by December 31, 2022.

EXAMPLE: The employer's share of social security tax for the second quarter of 2020 was \$24,000. The employer deposited \$18,000 of the \$24,000 during the second quarter and reported a deferred payment amount of \$6,000 on line 13b of Form 941. In this situation, no payment is due by December 31, 2021 because the amount already paid exceeds the 50 percent due by that date. The \$6,000 deferral amount must be paid in full instead by December 31, 2022, the second due date for deferral amounts.

9. Form 941 has been revised to administer the deferred payment of employer's share of social security tax beginning with the second quarter of 2020:
 - o The amount of the employer's share of social security tax that the taxpayer is deferring for the quarter is entered on Line 13b of Form 941 (and will post as a TC 766 with CRN 280).

CAUTION: In no case will employers be required to make a special election to be able to defer deposits and payments of these employment taxes.

NOTE: Annual employment tax forms and instructions are being revised in similar fashion to enable reporting deferred payment amounts.

10. Due to timing matters, the first quarter 2020 Form 941 could not be revised to include a line for reporting amounts due on or after March 27, 2020 for which payment could be deferred. See IRM 21.7.2.7.6, *First Quarter 2020 Form 941 — Employee Retention Credits, Deferred Payments, and Notice 1447*, for guidance on handling taxpayer inquiries with regards to that topic.

11. Credit Reference Number (CRN) 280:

- o The Service is administering deferred payments of employer's share of social security taxes for 2020 on employment tax accounts by means of the posting of CRN 280 "credit" transactions to and reversing them in part or full as of appropriate effective dates.
- o Although a CRN is being used for this purpose, the amounts posted with CRN 280 do **NOT** represent a refundable credit. Rather, CRN 280 amounts are a "false" credit solely used for the tax administrative purpose of "masking" balances owing specifically attributable to deferred payment amounts **until** the earlier of payment being made or the due dates for payment (December 31, 2021 and December 31, 2022).
- o The posting of CRN 280 and subsequent reversals as of appropriate effective dates will ensure that penalty and interest calculations associated with 2020 deferred payment amounts are accurately computed and posted by Masterfile.
- o The figure reported by a taxpayer on Line 13b of Form 941 (or equivalent line on annual employment tax returns) is transcribed (up to

the maximum calculated deferral amount) and posted with the original return as a CRN 280 "credit" for the same amount.

- When return posting analysis is conducted, module balance computations are completed to ensure that CRN 280 amount being posted with the original return does not trigger an overpayment condition that would include a portion of the CRN 280 deferral "credit". To the extent that some portion of a CRN 280 amount would otherwise be incorrectly included in the overpayment figure upon settlement, BMF Masterfile will simultaneously post one or more CRN 280 reversal transactions such that any remaining overpayment upon posting will consist solely of amounts permitted to offset or refund.
- Subsequent to the posting of an original return with a CRN 280 amount, any payment made to the account, or overpayment arising on the account (e.g., an overpayment created by the processing of a Form 941-X), will trigger computer analysis of the CRN 280 amount and CRN 280 reversals for appropriate amounts and effective dates (i.e., payments and overpayments on the account will generally be applied to deferred payment amounts prior to being considered available for refund or offset).
- The Service currently plans on issuing reminder notices shortly before December 31, 2021 and December 31, 2022 the due dates for payment of deferred amounts. Payments made will trigger module analysis and CRN 280 reversals as discussed above. If the taxpayer does not pay the amounts owing when due, the computer will reverse the appropriate amount of posted CRN 280 "credit" as of the payment due date (December 31, 2021 and/or December 31, 2022) and penalties and interest will begin to accrue.

NOTE: This IRM will be updated as more information becomes available with regards to administering 2020 deferred payment amounts, including any necessary manual adjustments when payments are applied to accounts or tax adjustments need to be made. In the meantime, if action needs to be taken on an account with a posted CRN 280 amount, contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

12. If a taxpayer contacts the Service for more information about the deferral of employment tax deposits, general information as described above or as found in form instructions can be provided. For out of scope inquiries, refer the taxpayer to guidance on the [irs.gov](https://www.irs.gov) website at Deferral of employment tax deposits and payments through December 31, 2020.

REMINDER: If a taxpayer has questions on other new employment tax credits or Coronavirus relief provisions, refer the taxpayer to guidance on the [irs.gov](https://www.irs.gov) website at New Employer Tax Credits and Coronavirus Tax Relief for Businesses and Tax-Exempt Entities.

IRM 21.7.2.7.4, Other COVID-19 Related Employment Tax Relief — Notice 2020-22, Notice 2020-23, and Notice 2020-35

1. The Service has provided administrative relief for certain employment tax obligations in addition to the legislative relief provided in the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The most notable administrative relief provisions for purposes of handling employment tax account related issues addressed in IRM 21.7.2 are described in the paragraphs which follow.
2. Notice 2020-22:
 - Employers who pay qualified sick and family leave wages and/or qualified retention wages may reduce federal tax deposits by an amount equal to (or less than) their anticipated associated employment tax credits.
 - Notice 2020-22 provides that employers who reduce deposits will not be subject to FTD penalties so long as they paid qualified wages prior to the time such deposit was due, the amount not deposited was less than or equal to the anticipated amount of the associated credits as of when the deposit was due, and the employer did not request an advanced payment of the credits on Form 7200 in addition to reducing deposits.
3. Notice 2020-23:
 - Notice 2020-23 extended the due date for the filing of a claim for credit or refund of any tax.
 - Any claim otherwise required to be filed on or after April 1, 2020 and before July 15, 2020 will be considered timely so long as it is filed on or before July 15, 2020.
4. Notice 2020-35:
 - Notice 2020-35 extends the timeframe for making corrections of employment tax reporting errors using the interest-free adjustment process.
 - If a Form 94XX was required to be filed and paid on or after March 31, 2020 and before July 15, 2020 to be considered timely for interest free adjustment provisions, it will be considered to be timely filed and paid so long as it is filed and paid on or before July 15, 2020.
 - See IRM 21.7.2.4.6.2 Interest-Free Adjustments (Employment Tax Returns), and the appropriate subsection within this IRM specific to the Form 94XX type being filed for more information on processing interest free employment tax adjustments.

REMINDER: The administrative relief provision described above are those which most directly apply to the handling of employment tax account issues addressed in this IRM. However, the notices listed above (and other recent notices not addressed here) include other important administrative relief provisions which may need to be considered in handling taxpayer inquiries and submissions addressed in other IRMs.

IRM 21.7.2.7.5, Form 7200, Advance Payment of Employer Credits due to COVID-19

1. Section 3606 of P.L. 116-136, *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, authorized the Service to provide advance payments of the Credit for Qualified Sick and Family Leave Wages (see IRM 21.7.2.7.1, *Credit for Qualified Sick and Family Leave Wages*) prior to the filing of the associated employment tax return (Form 941, Form 943, Form 944, and Form CT-1). Similarly, Section 2301(l) of the CARES Act authorized the Service to provide advance payments of the Employee Retention Credit (see IRM 21.7.2.7.2, *Employee Retention Credit*). Form 7200, *Advance Payment of Employer Credits due to COVID-19*, was developed by the Service for employers to use to make advance payment requests.
 - When employers pay their employees, they're required to withhold federal income tax and the employees' share of social security and Medicare taxes. Employers are required to deposit these taxes, along with their employer share of social security and Medicare taxes, with the IRS and file employment tax returns (Form(s) 941, 943, 944, or CT-1) with the IRS.
 - However, eligible employers who pay qualified sick and family leave wages or qualified wages eligible for the employee retention credit should retain an amount of the employment taxes equal to the amount of qualified sick and family leave wages (plus certain related health plan expenses and the employer's share of the Medicare taxes on the qualified leave wages) and their employee retention credit, rather than depositing these amounts with the IRS. The employment taxes that are available for this purpose include withheld federal income tax, the employee share of social security and Medicare taxes, and the employer share of social security and Medicare taxes with respect to all employees.
 - If there aren't sufficient employment taxes to cover the cost of qualified sick and family leave wages (plus the qualified health expenses and the employer share of Medicare tax on the qualified leave wages) and the employee retention credit, employers who file Form 941, Form 943, Form 944, or Form CT-1 can file Form 7200 to request an advance payment from the IRS.

CAUTION: Employers should not reduce their deposits as described above and also request advance credit payments for the same expected credit.

NOTE: As discussed below, employers will reconcile advance credit payments and reduced deposits when filing their employment tax return.

EXAMPLE: If an employer is entitled to a credit of \$5,000 for qualified sick leave wages, certain related health plan expenses, and the employer's share of Medicare tax on the leave wages and is otherwise required to deposit \$8,000 in employment taxes, the employer could reduce its federal employment tax deposits by \$5,000. The employer would only be required to

deposit the remaining \$3,000 on its next regular deposit date.

EXAMPLE: If an employer is entitled to an employee retention credit of \$10,000 and was required to deposit \$8,000 in employment taxes, the employer could retain the entire \$8,000 of taxes as a portion of the refundable tax credit it is entitled to and file a request for an advance payment for the remaining \$2,000 using Form 7200.

2. Employers are directed in the Instructions for Form 7200 to file Forms 7200 with the Service via e-fax:
 - Form 7200 **can** be filed for an advance payment of the credits anticipated for a quarter at any time before the end of the month following the quarter in which qualified wages were paid.
 - If necessary, Form 7200 **can** be filed several times during each quarter.
 - Form 7200 **cannot** be filed to request an advance payment for any anticipated credit for which the taxpayer already reduced otherwise required federal tax deposits.
 - Employers **cannot** file a corrected Form 7200. The taxpayer is instead directed in the form instructions to account for any errors made on Form 7200 when filing their associated Form 941, Form 943, Form 944, or Form CT-1. See (5) and (6) below for more information on how advance payments are reconciled when employment tax returns are filed and processed.
 - Clients of aggregate employment tax return filers (Section 3504 Agents, CPEOs, and PEOs) are entitled to any credits for sick and family leave wages or the employee retention credit with respect to their common-law employees and **may** file Form 7200 advance payment requests on their own behalf. Such clients must provide their Section 3504 Agent, CPEO, or PEO with copies of the Form(s) 7200 they submitted to the IRS so the 3504 Agent, CPEO, or PEO can reconcile the credits on their aggregate employment tax return (with Schedule R attached).
 - Any Form 7200 which is not processed by the time the associated employment tax return has been processed **cannot** subsequently be processed. See discussion of UPC 306 RC 3 in the note following (3) below and discussion of advance payment reconciliation in (5) and (6) below.

NOTE: Reporting Agents may sign and file Form 7200 on behalf of clients. For more information, see: Payroll Reporting Agents Can Sign and Submit Form 7200 on Behalf of Clients.

NOTE: Although employers are directed to file Form 7200 via fax, some forms may be received on paper. See IRM 21.7.2.7.5.3, *Form 7200 — Paper Handling Guidance*, if Form 7200 is received on paper either by itself or attached to correspondence/amended returns.

3. Form 7200 is processed by a specialized work operation referred to internally as the "Employer Credit Team":
 - Forms 7200 are retained and managed on a shared drive file system until they are worked. Access to the shared drive used for this purpose is restricted to employees tasked with processing the forms and associated management/support staff.
 - Until the Form 7200 is processed, there will be no indication on the account to reflect its receipt. The Employer Credit Team does not control the tax accounts until inputting transactions for resolution of a Form 7200 or recording the issuance of a letter for an unprocessable form.
 - Processed Forms 7200 can be identified on an account by a pending or posted TC 290 .00 transaction with first position Reason Code 219, Hold Code 3, and a CRN 299 for the amount requested by the taxpayer.
 - When posted, the CRN 299 generates a TC 766 credit on the module and the amount (only) of the overpayment associated with that TC 766 will either offset or refund (TC 826 or TC 846) as appropriate. These transactions will post and the refund or offset will occur before the TC 150 is posted. Generated refund transactions from this processing are accelerated and cannot be intercepted. The date printed on the refund check for these transactions is the 23c date less 13 days.
 - Form 7200 transactions are input via Command Code ADJ54 as "No Source Document" (NSD) adjustments. Accordingly, the Form 7200 cannot be obtained from Files. Instead, the Form 7200 remains as a file record within the shared drive used by the Employer Credit Team.

NOTE: Programming will allow the specific transactions described above to post, and a refund or offset(s) to generate, before a TC 150 is posted to the tax module. However, once the TC 150 is posted, any adjustment as described above with Reason Code 219 will unpost (i.e., an advance payment cannot be issued after the original return is posted).

NOTE: Forms 7200 filed by clients of aggregate employment tax return filers (Section 3504 Agent, CPEO, or PEO) are processed under the client's EIN rather than the EIN of the aggregate filer.

4. The Employer Credit Team issues the following letters when corresponding with employers regarding unprocessable Forms 7200:
 - Letter 6312, *Form 7200 Response*.
 - Letter 6313, *Address Change Verification for Form 7200*.

NOTE: See IRM 21.7.2.7.5.2, *Form 7200 — Letter 6312 and Letter 6313 Replies*, for guidance on handling common responses to these letters.

5. Advance credit payments are reconciled by the employer when completing their associated employment tax return for the associated tax period:

- a. The Instructions for Form 941 include a worksheet for the taxpayer to calculate the entries to be made on Form 941 for non-refundable and refundable credits. For an aggregate employment tax return filer (Section 3504 Agents, CPEOs, and PEOs), the amount entered must include any amounts to which they or their clients are entitled. These figures are then carried to Lines 11b, 11c, 13c, and 13d on Form 941 (or the equivalent lines on annual employment tax returns) as appropriate. The figures entered on these lines of the Form 941 (or the equivalent lines on annual employment tax return) are **not** reduced for any amounts requested or received as advance payments via the filing of Form 7200.
 - b. The taxpayer is instructed to enter the amount of all advance payments **received** for the tax period on Line 13f of Form 941 (or the equivalent line on annual employment tax returns). For an aggregate employment tax return filer (Section 3504 Agents, CPEOs, and PEOs), the amount entered must include any amounts requested and received by their clients. Any amount requested as an advance payment but not received by the taxpayer (or their clients) by the time they file their employment tax return is not to be included on this line.
 - c. As a function of entering data as described above, the taxpayer's bottom-line overpayment or balance due calculations will properly account for employment tax credits for which they were eligible and any advance payments received.
6. Advance credit payments are reconciled by the Service when the taxpayer's employment tax return is processed:
- a. When an original employment tax return is posted to a tax module for which one or more Form 7200 advance payments were systemically refunded, all previously posted TC 766 transactions with CRN 299 amounts and Reason Code 219 are systemically reversed with corresponding TC 767 transactions.
 - b. The figures reported by the taxpayer (or as corrected by the Service) on Lines 11b and 11c of their Form 941 (or the equivalent lines on annual employment tax returns) for non-refundable credits (factoring into the TC 150 total tax amount) and on Lines 13c and 13d (or the equivalent lined on annual employment tax returns) for refundable credits (TC 766 amounts recorded with CRN 299 and CRN 296) are then posted to the account.
 - c. As a function of the processing described above, the "temporary" CRN 299 credit figure used to generate advance payment(s) is essentially replaced with actual total credit amounts for which the taxpayer is eligible. And, having thus properly accounted for any advance payments received, the correct amount remaining due the taxpayer, or due the Treasury, is correctly calculated by the computer system.

CAUTION: Once a TC 150 has been processed to a tax account and the computer has reversed the CRN 299 Reason Code 219 amounts, any CRN 299 amount with Reason Code 219 attempting to post to the module will unpost with UPC 306 RC3. Any corrections to refundable credits allowed with

the original return must be made with CRN 296 or with CRN 299 and any corrections to non-refundable credits must be made with a TC 29X and appropriate IRNs. Such corrections made after the TC 150 posts cannot be accompanied by Reason Code 219.

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7. The following subsections, including IRM 21.7.2.7.5.1, *Form 7200 — Phone Inquiries*, provide guidance on handling common inquiries received in Accounts Management with regards to Form 7200.

IRM 21.7.2.7.5.1, Form 7200 — Phone Inquiries

1. The following table provides guidance on handling common phone inquiries relating to Form 7200:

If	And	Then
The taxpayer has general questions on eligibility or how/where to file Form 7200		Refer the taxpayer to guidance on the Form 7200 landing page on irs.gov: About Form 7200, Advance Payment of Employer Credits Due to COVID-19.
The taxpayer has received either Letter 6312 or Letter 6313		See IRM 21.7.2.7.5.2, <i>Form 7200 — Letter 6312 and Letter 6313 Replies</i> .
The taxpayer is an aggregate employment tax filer (Section 3504 Agents, CPEOs, and PEOs)	Is inquiring about a refund generated from the processing of their original employment tax return (either expected but not received or received but not expected)	See IRM 21.7.2.7.5.4, <i>Reconciliation of Advance Payment Amounts for Aggregate Employment Tax Return Filers</i> .
The taxpayer has questions	A TC 766 transaction with	<ul style="list-style-type: none"> o The dates and amounts of any refunds/offsets

<p>about the processing of a previously filed Form 7200</p>	<p>CRN 299 and Reason Code 219 corresponding to the Form 7200 described by the taxpayer is present on the tax module</p>	<p>previously generated by the processing of Forms 7200, as recorded on the tax account, may be relayed verbally or in writing to the taxpayer.</p> <ul style="list-style-type: none"> ○ The date printed on the refund check is the 23c date less 13 days. ○ Refunds issued from the processing of Form 7200 are accelerated and cannot be intercepted.
<p>The taxpayer is inquiring as to whether one or more specific advanced payments have been issued</p>	<p>A TC 766 transaction with CRN 299 and Reason Code 219 corresponding to the Form 7200 described by the taxpayer is not present on the tax module</p>	<ul style="list-style-type: none"> ○ Advise the taxpayer that their Form 7200 is not available for our review and that we are therefore unable to provide more specific information with regards to its processing. ○ Advise the taxpayer if they have a fax confirmation of having filed their Form 7200 that they will receive an advance payment when it is processed, or a letter if it cannot be processed, or they will receive credit for the amounts requested as an advance payment when their original employment tax return claiming credits for which they are eligible is processed. ○ Alternately, if they do not have a fax confirmation they may fax the Form 7200 as specified in the form instructions.
<p>Taxpayer states they made a computation error on Form</p>	<p>The advance payment received was less than what they could have requested</p>	<p>Advise the taxpayer that corrected/amended Forms 7200 cannot be filed. However, they can:</p>

7200		<ul style="list-style-type: none"> ○ Reduce any remaining required deposits for the tax period in question until the amount of credit to which they are entitled to is fully absorbed. ○ Or, file another Form 7200. ○ Or, claim the correct credit amounts on their original tax return. ○ Or file a Form 94XX (specify form) if their original tax return has been filed and reported incorrect information.
Taxpayer states they made a computation error on Form 7200	The advance payment requested and received was more than the taxpayer is eligible to receive	<p>Advise the taxpayer that corrected/amended Forms 7200 cannot be filed, that they should claim the correct amount of credits on their original return, and that their account will reflect a balance due when the return settles unless there are sufficient credits applied. Accordingly, they should make a federal tax deposit for the excessive advance payment amount, or pay the excessive advance payment amount with their original return (along with any other amounts owed).</p> <p>NOTE: Do not advise the taxpayer to return the advance payment check received unless the entire amount of the payment was in error.</p>

IRM 21.7.2.7.5.2, Form 7200 — Letter 6312 and Letter 6313 Replies

1. Letter 6312, *Form 7200 Response*, is issued by the Employer Credit Team when the form cannot be processed as filed by the taxpayer. The following table provides guidance on handling common phone replies to Letter 6312:

If	Then
The taxpayer is asking for general information on the purpose or filing of Form 7200	As appropriate, provide the taxpayer with general information on the purpose of Form 7200 and refer the taxpayer to guidance on the Form 7200 landing page on irs.gov: About Form 7200, Advance Payment of Employer Credits Due to COVID-19 .
The taxpayer does not understand the Letter 6312 received or disagrees with the reasons provided in Letter 6312 for rejection of their Form 7200	<ol style="list-style-type: none"> 1. Access the template for Letter 6312 on the website. 2. Have the taxpayer read their letter and determine the selective paragraph used when the letter was generated. 3. See Exhibit 21.7.2-1, <i>Letter 6312 — Assistance by Selectable Paragraph Table</i>, for guidance on responding to the taxpayer based on the specific letter content.
The taxpayer wants to file a corrected or amended Form 7200 to obtain the previously requested advance payment	<p>Advise the taxpayer that corrected/amended Forms 7200 cannot be filed. However, they can:</p> <ul style="list-style-type: none"> ○ Reduce any remaining required deposits for the tax period in question until the amount of credit to which they are entitled to is fully absorbed. ○ Or, if the timeframe for doing so has not expired, file another Form 7200. ○ Or, claim the correct credit amounts on their original tax return.

NOTE: Paper responses to Letter 6312 should rarely be received in Accounts Management. If they are, the directions in the table above for handling phone responses would generally also apply to paper responses. However, if specific guidance on handling a paper response to Letter 6312 is needed, contact the IRM author through your management chain and the site P&A Staff.

2. Letter 6313, *Address Change Verification for Form 7200*, is issued by the Employer Credit Team when the address on Form 7200 differs from what is reflected in the IRS records. The letter requests the taxpayer complete and return Form 8822-B, *Change of Address or Responsible Party - Business*, via fax with a copy of the letter or to confirm any advance payment should be issued to the address of record by marking a checkbox on the letter and faxing it back to the processing group. The following table provides guidance on handling common phone replies to Letter 6313:

If	And	Then
The timeframe specified in the Letter 6313 for responding has not expired		Advise the taxpayer to fax their response as specified in the letter.
The timeframe specified in the Letter 6313 for responding has expired	The due date for filing Forms 7200 for the tax period in question has not expired	Advise the taxpayer to fax their response as specified in the letter.
The timeframe specified in the Letter 6313 for responding has expired	The due date for filing Forms 7200 for the tax period in question has expired	Advise the taxpayer that the timeframe for filing Form 7200 has expired and an advance payment for this tax period can no longer be considered. Instead, the taxpayer will receive credit for amounts not issued as advance payment(s) when their original employment tax return claiming all the credits for which they are eligible is processed.
The taxpayer requests an address change be made to their account		See (2), Item (e) in IRM 21.7.1.4 and (3) in IRM 21.1.3.20 to determine if the address change can be made based on oral statement authority. Otherwise, advise the taxpayer to file Form 8822-B with their letter reply as above via fax or by mail to the appropriate address specified in the form instructions.

NOTE: Paper responses to Letter 6313 should rarely be received in Accounts Management. If they are, the directions in the table above for handling phone responses would generally also apply to paper responses. However, if specific guidance on handling a paper response to Letter 6313 is needed, contact the IRM author through your management chain and the site P&A Staff.

IRM 21.7.2.7.5.3, Form 7200 — Guidance on Handling Paper Receipts

1. Handle any paper Forms 7200 received in Accounts Management as follows:

If	And	Then
Form 7200 is attached to correspondence or	It is intended as supporting documentation (whether previously processed or	Leave Form 7200 attached and resolve the other

an amended return	not)	issues presented as appropriate.
Form 7200 is attached to a Letter 6312 or Letter 6312 reply		See guidance in IRM 21.7.2.7.5.2, <i>Form 7200 — Letter 6312 and Letter 6313 Replies.</i>
Form 7200 is submitted by itself on paper	Account research shows it was previously processed (whether adjusted or rejected via Letter 6312)	Treat the document as classified waste.
Form 7200 is submitted by itself on paper	There is no indication it was previously processed (neither an adjustment for the amount requested nor an indication it was rejected via Letter 6312)	Fax the document to 855-248-0552.

NOTE: For any paper Form 7200 response scenario not addressed above, contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.

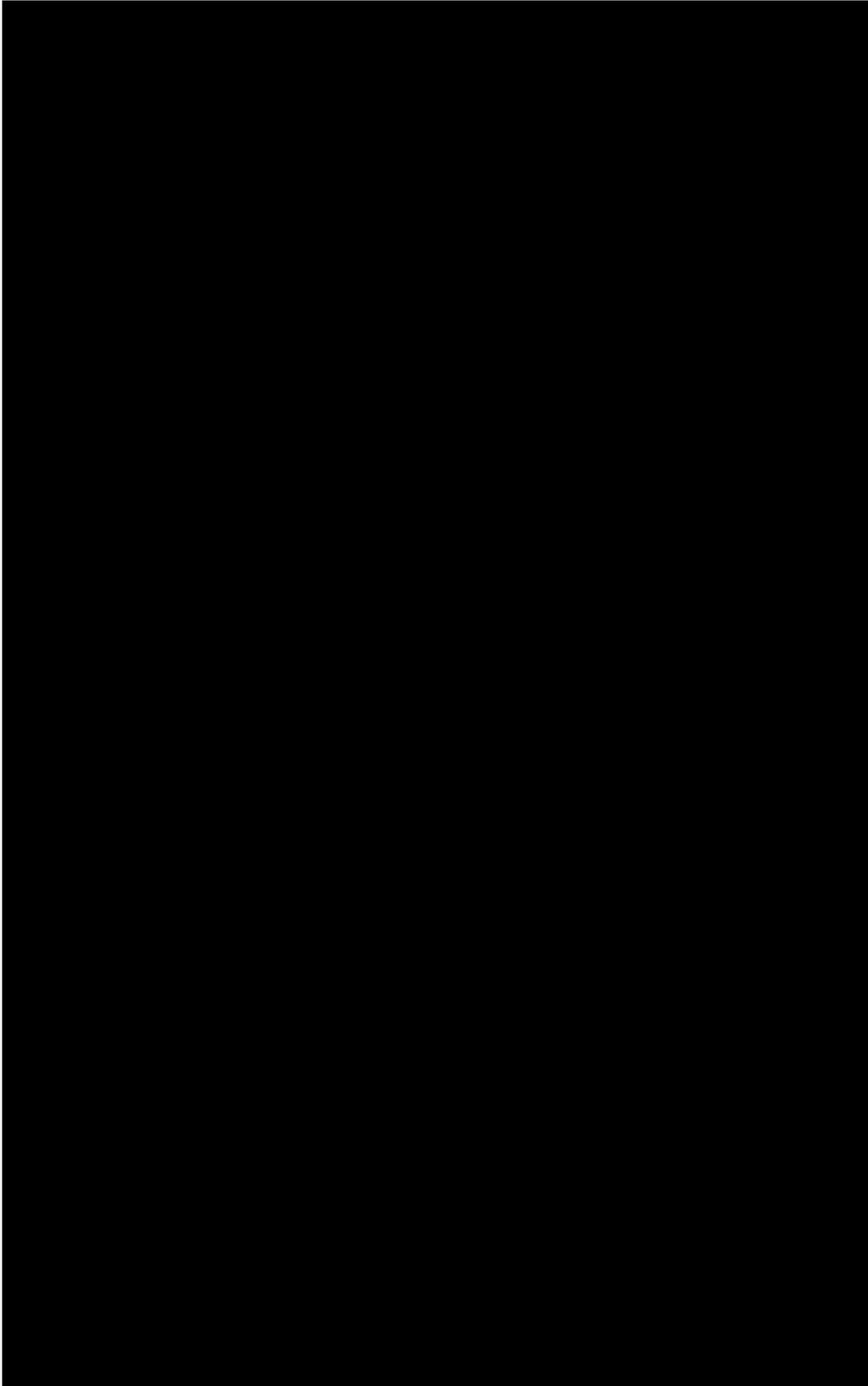
IRM 21.7.2.7.5.4, Reconciliation of Advance Payment Amounts for Aggregate Employment Tax Return Filers

1. As noted in (6) of IRM 21.7.2.7.5, *Form 7200, Advance Payment of Employer Credits due to COVID-19*, # [REDACTED]

[REDACTED]

- o As discussed in (2) of that IRM section, clients of aggregate employment tax return filers (Section 3504 Agents, CPEOs, and PEOs) file Form 7200 on their own behalf to request advance payments of credits for sick and family leave wages or the employee retention credit with respect to their common-law employees. And, clients who choose to file such advance payment requests must provide their Section 3504 Agent, CPEO, or PEO with copies of the Form(s) 7200 they submitted so the 3504 Agent, CPEO, or PEO can reconcile the credits on their aggregate employment tax return (with Schedule R attached).
- o As discussed in (5) of that IRM section, such aggregate return filer will report the correct amounts of employment tax credits for which they and their clients are entitled on Lines 11b, 11c, 13c, and 13d of Form 941 and must include the amount of any advance payment received by a client on Line 13f of Form 941 (or the equivalent lines on annual employment tax returns).

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NOTE: This subsection will be updated as additional information on handling becomes available.

IRM 21.7.2.7.6, First Quarter 2020 Form 941 — Employee Retention Credits, Deferred Payments, and Notice 1447

1. Due to timing matters, Form 941 for the first quarter of 2020 could not be revised before the filing due date to account for COVID-19 related employment tax legislation. As such, there are no lines on the first quarter 2020 Form 941 for the taxpayer to use to report any Employee Retention Credit (see IRM 21.7.2.7.2, *Employee Retention Credit*) for which they qualified or to report delayed payment amounts (see IRM 21.7.2.7.3, *Delayed Payment of Employer's Share of Social Security Taxes for 2020*) which might apply.
2. Accordingly, some taxpayers may have a balance due as a result of reducing otherwise required federal tax deposits and tax payments in anticipation of qualifying for Employee Retention Credit or deferring payment of employer's share of social security taxes.
3. To address this circumstance, the Service developed Notice 1447 to be mailed with initial balance due notices issued for first quarter 2020 Form 941 accounts. The notice directs taxpayers who have a balance due to this situation to contact the Service for assistance either in writing or by phone.

NOTE: Some taxpayers received Notice 1447 in error with initial balance due notices for tax periods other than the first quarter of 2020. See SERP Alert 20A0283 dated July 6, 2020 for more information.

4. Procedures for addressing these inquiries are currently under development. This IRM will be updated as additional information on handling becomes available.

IRM 21.7.2.7.7, COVID-19 Related Employment Tax Relief and Forms 94XX

1. Form 941 as revised for the second quarter (and remainder) of 2020 includes new lines for reporting tax information related to COVID-19 employment tax relief.
2. Due to timing issues, the associated new fields and field values reported on revised Form 941 could not be posted in the posted return information sections of Command Codes (CC) TXMOD and BMFOLR. Instead, the field names and field values will be recorded in the posted transaction sections of CC TXMOD and CC BMFOLT with a TC 970 transaction. The TC 970 field displays, corresponding Form 941 line numbers, and Item Reference Number (IRN) or Credit Reference Number (CRN) for adjustment purposes are as follows:

TC 970 Field Name	Form 941 Line Number	IRN/CRN
SSW-COVID-SICK-LEAVE-AMT	Line 5a(i), Col. 1	IRN 200 for wages, IRN 112 for associated tax
QLFY-EMPL-MARCH-WG-PD-AMT	Line 5a(ii), Col. 1	IRN 201 for wages, IRN 112 for associated tax
CREDIT-QLFY-COVID-SICK-FAM-AMT	Line 11b	IRN 202
CREDIT-COVID-EMPL-RTNTN-AMT	Line 11c	IRN 203
DEFERRED-SECT-2302-AMT	Line 13b	CRN 280 to alter posted transaction amount, posted field value will not change.
RFDBL-COVID-SICK-FAM-AMT	Line 13c	CRN 299 to alter posted transaction amount, posted field value will not change.
RFDBL-EMPL-RTNTN-CR-COVID-AMT	Line 13d	CRN 296 to alter posted transaction amount, posted field value will not change.
F7200-ADVANCE-PAYMENTS-AMT	Line 13f	N/A
QLFY-HLTH-PLN-EXPNS-AI-AMT	Line 19	IRN 204
QLFY-HLTH-PLN-EXPNS-AII-AMT	Line 20	IRN 205
QLFY-WGS-EMPL-RTNTN-COVID-AMT	Line 21	IRN 206
QLFY-HLTH-PLN-EXPNS-RPT-AMT	Line 22	IRN 207
QTR-CREDIT-F5884C-AMT	Line 23	IRN 208

QLFY-EMPL- MARCH-WG-PD- AMT	Line 24	IRN 209
QLFY-HLTH-PLN- MARCH-AMT	Line 25	IRN 210

CAUTION: All other IRN and CRN usage for Form 941 remains in place. However certain existing lines of Form 941 were renumbered with the current revision. Most notably, previous Line 11 is now Line 11a and will continue to be adjusted with IRN 119.

NOTE: During 2020 end of year conversion, the TC 970 fields and values will be migrated to the posted return information sections of Command Codes (CC) TXMOD and BMFOLR and the associated TC 970 "carrying" transactions will no longer be displayed.

3. The adjustment formula for second, third and fourth quarter 2020 Form 941 for CC ADJ54 purposes will be as follows: the sum of IRNs 111, 112, 114, and 113 **less** IRN 119 **less** IRN 202 **less** IRN 203.
4. Procedures for adjusting 2020 employment tax accounts are currently under development. This subsection will be updated as additional information becomes available.

Exhibit 21.7.2-1 Added new Exhibit with supplemental guidance on handling certain letter replies.

Letter 6312 — Assistance by Selectable Paragraph Table

The following table can be used when assisting taxpayers responding to rejection Letter 6312 issued by the Employer Credit Team when Form 7200 can't be processed (see IRM 21.7.2.7.5.2, *Form 7200 — Letter 6312 and Letter 6313 Replies*, for more information).

If the Letter 6312 received by the taxpayer included:	And	Then
<p>Paragraph B: Incomplete or Illegible Information</p> <ul style="list-style-type: none"> • You didn't complete one or more sections of your Form 7200, or the information you entered was 	The TP has not filed their employment tax return	<p>Explanation: The form was incomplete or could not be read.</p> <p>You can submit a new, completed Form 7200 and fax it to the fax number at the top of the letter you received.</p> <p>Make sure all lines and boxes are filled out. Use N/A or zero (0) when needed.</p>

<p>illegible.</p>	<p>TP has filed their employment tax return</p>	<p>TP can't submit a Form 7200 for a tax period if they've already filed their employment tax return. May claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which you are eligible, on your applicable employment tax return for the applicable period in 2020.</p>
<p>Paragraph C: Multiple Quarters Selected/Future Quarter</p> <ul style="list-style-type: none"> You checked more than one applicable calendar quarter or listed a future quarter. See page 3, Instructions for Form 7200, Advance Payment of Employer Credits Due to COVID-19, "Applicable Calendar Quarter." 	<p>The TP has not filed their employment tax return</p>	<p>Explanation: TP has selected the wrong quarter or more than one quarter in completing the Form 7200.</p> <p>Check ONE box to indicate the applicable quarter.</p> <p>The TP can submit a new, completed Form 7200 and fax it to the fax number at the top of the letter they received.</p>
	<p>TP has filed their employment tax return</p>	<p>The TP cannot file Form 7200 for the quarter covered by the filed employment tax return.</p> <p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the applicable period in 2020.</p>
<p>Paragraph D: Filing Requirement Mismatch</p> <ul style="list-style-type: none"> The filing requirement information you provided on Part I, Line A, of Form 7200 doesn't match 	<p>The TP has not filed their employment tax return</p>	<p>Explanation: The filing requirement information listed on the submitted Form 7200 does not match our records.</p> <p>Advise the TP of the open filing requirement listed in IDRS.</p> <p>The TP can submit a new, completed Form 7200 and fax</p>

<p>our records.</p>	<p>TP has filed their employment tax return</p>	<p>it to the fax number at the top of the letter they received.</p> <p>Advise the TP of the open filing requirement listed in IDRS.</p> <p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the applicable period in 2020.</p>
<p>Paragraph E: Missing Signature</p> <ul style="list-style-type: none"> You didn't sign your Form 7200. See page 6, Instructions for Form 7200 Advance Payment of Employer Credits Due to COVID-19, "Sign Here (Approved Roles)," for a list of persons authorized to sign Form 7200 for each type of business entity. 	<p>The TP has not filed their employment tax return</p>	<p>Explanation: There was no signature on the submitted Form 7200.</p> <p>(Approved Roles)</p> <p>The following persons are authorized to sign Form 7200 for each type of business entity.</p> <ul style="list-style-type: none"> Sole proprietorship— The individual who owns the business. Corporation (including a limited liability company (LLC) treated as a corporation)—The president, vice president, or other principal officer duly authorized to sign. Partnership (including an LLC treated as a partnership) or unincorporated organization—A responsible and duly authorized partner, member, or officer having knowledge of its affairs.

		<ul style="list-style-type: none"> • Single-member LLC treated as a disregarded entity for federal income tax purposes—The owner of the LLC or a principal officer duly authorized to sign. • Trust or estate—The fiduciary Form 7200 may be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed. <p>An authorized person must sign the form.</p> <p>The TP can submit a new, completed Form 7200 and fax it to the fax number at the top of the letter they received.</p>
	TP has filed their employment tax return	The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the applicable period in 2020.
<p>Paragraph F: Unauthorized Signature</p> <ul style="list-style-type: none"> • An unauthorized person signed your Form 7200. See page 6, Instructions for Form 7200 Advance Payment of Employer Credits Due to COVID-19, "Sign Here (Approved 	The TP has not filed their employment tax return	<p>Explanation: The signature on the submitted Form 7200 is not from an authorized person.</p> <p>(Approved Roles)</p> <p>The following persons are authorized to sign Form 7200 for each type of business entity.</p> <ul style="list-style-type: none"> • Sole proprietorship—The individual who owns the business. • Corporation (including a limited

<p>Roles)," for a list of persons authorized to sign Form 7200 for each type of business entity.</p>		<p>liability company (LLC) treated as a corporation)—The president, vice president, or other principal officer duly authorized to sign.</p> <ul style="list-style-type: none"> • Partnership (including an LLC treated as a partnership) or unincorporated organization—A responsible and duly authorized partner, member, or officer having knowledge of its affairs. • Single-member LLC treated as a disregarded entity for federal income tax purposes—The owner of the LLC or a principal officer duly authorized to sign. • Trust or estate—The fiduciary Form 7200 may be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed. <p>An authorized person must sign the form.</p> <p>The TP can submit a new, completed Form 7200 and fax it to the fax number at the top of the letter they received</p>
	<p>TP has filed their employment tax return</p>	<p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the</p>

		applicable period in 2020.
<p>Paragraph G: Missing Name / EIN</p> <ul style="list-style-type: none"> The name or employer identification number (EIN) on your Form 7200 is missing or doesn't match our records. Make sure that the name and EIN exactly match the name of your business and the EIN that the IRS assigned to your business. See page 3, Instructions for Form 7200 Advance Payment of Employer Credits Due to COVID-19, "Enter Your Business Information". 	<p>The TP has not filed their employment tax return</p>	<p>Explanation: The TP name or EIN is missing from the submitted Form 7200.</p> <p>Make sure the TP name and complete EIN are on the form.</p> <p>The TP can submit a new, completed Form 7200 and fax it to the fax number at the top of the letter they received.</p>
	<p>TP has filed their employment tax return</p>	<p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the applicable period in 2020.</p>
<p>Paragraph H: Form 8822-B Not Received</p> <ul style="list-style-type: none"> We haven't received your completed Form 8822-B, Change of Address or Responsible Party - Business. We can't process your Form 7200 because the 	<p>The TP has not filed their employment tax return</p>	<p>Explanation: The address verification response to the Letter 6313, Address Change Verification for Form 7200, was not received within the notice timeframe (25 days for domestic addresses, 35 days for foreign addresses)</p> <p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are</p>

<p>address on your Form 7200 doesn't match our records. See page 3, Instructions for Form 7200 Advance Payment of Employer Credits Due to COVID-19, "Enter Your Business Information".</p>		<p>eligible, on their applicable employment tax return for the applicable period in 2020.</p>
	<p>TP has filed their employment tax return</p>	<p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the applicable period in 2020.</p>
<p>Paragraph I: Invalid Third-Party Payer Information</p> <ul style="list-style-type: none"> We couldn't verify the third-party payer information on your Form 7200. The information must match the name and employer identification number (EIN) used by the third-party payer to report and pay your federal employment taxes. 	<p>The TP has not filed their employment tax return</p>	<p>Explanation: Third party payer information listed on the submitted Form 7200 does not match our records.</p> <p>Advise TP of the third-party payer information on file.</p> <p>The TP can submit a new, completed Form 7200 and fax it to the fax number at the top of the letter they received.</p>
	<p>TP has filed their employment tax return</p>	<p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the applicable period in 2020.</p>
<p>Selectable Paragraph J: Business Opened Within Last 30 Days</p> <ul style="list-style-type: none"> To apply for an advance of the credits under the FFCRA and CARES Act, you must have been 		<p>Out of scope</p>

<p>operating a business and paying qualified wages. According to our records, you opened your business shortly before filing your Form 7200.</p>		
<p>Paragraph K: Unable to Verify Wages</p> <ul style="list-style-type: none"> The amount shown on Part 1, Line C, of your Form 7200 doesn't equal the amount shown on your most recently filed employment tax return. Enter the amount listed on your employment tax return. See page 3, Instructions for Form 7200, Advance Payment of Employer Credits Due to COVID-19, Part 1, "Tell Us About Your Employment Tax Return", Lines A-D. 	<p>The TP has not filed their employment tax return</p>	<p>The wages listed on the Form 7200 do not match the wages indicated on your previously filed return.</p> <p>You can submit a new, completed Form 7200 and fax it to the fax number at the top of the letter you received.</p>
<p>Paragraph L: Return on File (TC 150 Present on the Module)</p>	<p>TP has filed their employment tax return</p>	<p>Explanation: TP has filed their tax return for the quarter listed on the submitted Form 7200.</p>

<ul style="list-style-type: none"> We can't process your advanced payment for this tax period because you already filed an employment tax return for this tax period. See page 3, Instructions for Form 7200, Advance Payment of Employer Credits Due to COVID-19, "When May You File". 		<p>They cannot file a form 7200 for the quarter covered by the employment tax return.</p> <p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the applicable period in 2020.</p>
<p>Paragraph M: Rejection - More Than 500 Employees</p> <ul style="list-style-type: none"> You entered amounts for eligible sick leave or family leave wages on Part II, Lines 2 and 3, of your Form 7200. Because you also listed 500 or more employees on Part 1, Line D, you can't request an advanced payment for sick leave or family leave wages under the FFCRA. 	<p>The TP has not filed their employment tax return</p> <hr/> <p>TP has filed their employment tax return</p>	<p>Out of scope</p>

<p>Paragraph N: Amended Form 7200</p> <ul style="list-style-type: none"> You filed a Form 7200 marked "Amended" seeking to correct a previously filed Form 7200. You can't file a corrected or amended Form 7200. If you made an error on your previously filed Form 7200, you can correct the error by claiming the correct credit when you file your Form(s) 941, 943, 944, or CT-1 for 2020. See page 3, Instructions for Form 7200, "Advance Payment of Employer Credits Due to COVID-19", "Correcting Form 7200". 	<p>The TP has not filed their employment tax return</p>	<p>Explanation: The TP has attempted to file a prior submitted Form 7200 with amended or corrected information.</p> <p>The TP cannot file an amended or corrected Form 7200.</p> <p>If the TP made an error on Form 7200, the error will be corrected when they file your Form(s) 941, 943, 944, or CT-1 for 2020.</p> <p>The TP can submit a new, completed Form 7200 and fax it to the fax number at the top of the letter they received.</p>
<p>Paragraph O: Line D - Over the \$5,000 Limit</p> <ul style="list-style-type: none"> You indicated you're eligible for the employee retention credit on Part II, Line 1, of your Form 	<p>TP has filed their employment tax return</p>	<p>The TP cannot file an amended or corrected Form 7200.</p> <p>If the TP made an error on Form 7200, the error will be corrected when they file your Form(s) 941, 943, 944, or CT-1 for 2020.</p> <p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the applicable period in 2020</p> <p>Out of scope</p>

<p>7200, but the employee retention credit may not exceed \$5,000 for any employee for all quarters. See page 4, Instructions for Form 7200, "Advance Payment of Employer Credits Due to COVID-19".</p>		
<p>Paragraph P: Line 6 - Prior Credits</p> <ul style="list-style-type: none"> The amount on Part II, Line 6 of your Form 7200 doesn't match our records. See page 5, Instructions for Form 7200, Advance Payment of Employer Credits Due to COVID-19. 	<p>The TP has not filed their employment tax return</p>	<p>Explanation: The line 6 amount on the submitted Form 7200 does not match the sum of all previously requested advance payments.</p> <p>The TP can submit a new, completed Form 7200 and fax it to the fax number at the top of the letter they received.</p>
	<p>TP has filed their employment tax return</p>	<p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the applicable period in 2020.</p>
<p>Selectable Paragraph Q:</p> <p>Line 2</p> <ul style="list-style-type: none"> You indicated you paid qualified sick leave wages eligible for the credit on Form 7200, Part II, Line 2. The 		<p>Out of scope</p>

<p>amount you indicated you paid appears to exceed the qualified sick leave wages that could have been paid per employee, considering the maximum of \$5,110 in qualified sick leave wages, the employer's share of Medicare tax on those wages, and an estimate of the qualified health plan expenses per employee. For more information, please see "COVID-19-Related Tax Credits: Determining the Amount of Allocable Qualified Health Plan Expenses FAQs" on IRS.gov and pages 4 and 5 of the Form 7200 instructions.</p>		
<p>Selectable Paragraph R:</p> <p>Line 3</p> <ul style="list-style-type: none"> You indicated you paid 		<p>Out of scope</p>

<p>qualified family leave wages eligible for the credit on Form 7200, Part II, Line 3. The amount you indicated you paid appears to exceed the qualified family leave wages that could have been paid per employee, considering the maximum of \$10,000 in qualified family leave wages per employee, the employer's share of Medicare tax on those wages, and an estimate of the qualified health plan expenses per employee. For more information, please see "COVID-19-Related Tax Credits: Determining the Amount of Allocable Qualified Health Plan Expenses FAQs" on IRS.gov and page 5 of the Form 7200 instructions.</p>		
<p>Paragraph S: Line 8 -</p>	<p>The TP has</p>	<p>Explanation: The amount</p>

<p>Is Zero</p> <ul style="list-style-type: none"> The amount you entered on Part II, Line 8, on Form 7200 is zero. 	<p>not filed their employment tax return</p>	<p>listed on line 8 is zero (0) or a negative number.</p> <p>TP must have a positive number on line 8.</p> <p>The TP can submit a new, completed Form 7200 and fax it to the fax number at the top of the letter they received.</p>
	<p>TP has filed their employment tax return</p>	<p>The TP may claim a credit for qualified sick leave wages or qualified family leave wages, or the employee retention credit for which they are eligible, on their applicable employment tax return for the applicable period in 2020.</p>
<p>Selectable Paragraph T:</p> <p>Duplicate Form</p> <ul style="list-style-type: none"> We received duplicate Forms 7200 for tax period. We processed one Form 7200. We did not process the duplicate forms. 		<p>Explanation: The same Form 7200 was submitted more than once. One was processed, the others were not processed.</p>
<p>Paragraph U: Withdrawal</p> <ul style="list-style-type: none"> We received your request to withdraw your Form 7200 [dated]. We granted your request to withdraw your Form 7200. We will not process the Form 7200 		<p>Explanation: The TP requested that the submitted Form 7200 be removed from processing.</p> <p>The form was not processed at the TP's request.</p>

dated.		
<p>Paragraph V:</p> <p>Government Entity</p> <ul style="list-style-type: none"> As a government entity, you are not entitled to the advance payment. See page 1, Instructions for Form 7200, Advance Payment of Employer Credits Due to COVID-19. 		<p>Explanation: The TP filing the Form 7200 is considered a government entity.</p> <p>Government entities aren't entitled to the credit.</p>
<p>Selectable Paragraph W:</p> <p>Form 7200 Received After the Quarter Ends</p> <ul style="list-style-type: none"> You submitted a Form 7200 after the end of the month following the quarter in which you paid the qualified wages. You must file Forms 7200 requesting an advance payment of the credits anticipated for a quarter before the end of the month following the quarter in which you paid the qualified wages. See 		<p>Explanation: TP submitted the Form 7200 after the due date of the employment tax return.</p> <p>TP may claim the credit when they file their employment tax return.</p>

page 3, Instructions for Form 7200, Advance Payment of Employer Credits Due to COVID-19, "When May You File?"		
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