GLO Report – June 2024

Internal Revenue Service:

Check business tax returns for signs of incorrect Employee Retention Credit claims

Some unscrupulous promoters have misrepresented eligibility rules for the Employee Retention Credit, luring well-intentioned businesses to claim the credit when they don't qualify. The IRS is highlighting seven suspicious signs and urging businesses to seek a trusted tax professional to resolve an incorrect claim if they need to.

With ERC compliance work expanding, the IRS reminds businesses to quickly pursue the claim withdrawal process if they need to ask the IRS not to process an ERC claim for any tax period that hasn't been paid yet.

Signs an ERC claim could be incorrect. These seven suspicious signs could indicate an incorrect claim:

- **Too many quarters claimed.** Some promoters urged employers to claim the ERC for all quarters that the credit was available. Qualifying for all quarters is uncommon. Employers should carefully review their eligibility for each quarter.
- **Government orders that don't qualify.** Some promoters told employers they can claim the ERC if any government order was in place in their area, even if their operations weren't affected or if they chose to suspend their business operations voluntarily. This is false. Some promoters also suggested that an employer qualifies based on communications from the Occupational Safety and Health Administration. This is generally not true. Employers should review the frequently asked questions about ERC – Qualifying Government Orders for more information and helpful examples for these topics.
- **Too many employees and wrong calculations.** Employers should be cautious about claiming the ERC for all wages paid to every employee on their payroll. Employers need to meet certain rules for wages to be considered qualified wages, depending on the tax period. Employers should review all calculations to avoid overclaiming the credit. They should not use the same credit amount across multiple tax periods for each employee. For details on credit amounts, see the ERC 2020 vs 2021 Comparison Chart.
- **Supply chain issues.** A supply chain disruption by itself doesn't qualify an employer for ERC. An employer needs to ensure that their supplier's government order meets the requirements. Employers should carefully review the rules on supply chain issues and examples in the 2023 legal memo on supply chain disruptions.
- **Claims for too much of a tax period.** It's possible, but uncommon, for an employer to qualify for ERC for the entire calendar quarter if their business operations were fully or partially suspended due to a government order during a portion of a calendar quarter. A

business in this situation can claim ERC only for wages paid during the suspension period, not the whole quarter. Businesses should check their claim for overstated qualifying wages and keep payroll records that support their claim.

- **Didn't pay wages or didn't exist during eligibility period.** Employers can only claim ERC for tax periods when they paid wages to employees. Records available to the IRS show some businesses that claimed ERC didn't have any employees or they claimed ERC for tax periods before the business existed.
- **Promoter says there's nothing to lose.** Businesses should be on high alert with any ERC promoter who urged them to claim ERC because they "have nothing to lose." Businesses that incorrectly claim the ERC risk repayment, penalties, interest, audit and other expenses.
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The IRS has an interactive ERC Eligibility Checklist that tax professionals and taxpayers can use to check potential eligibility for ERC. It's also available as a printable guide.

IRS reminder: June 17 estimated tax payment deadline fast approaching.
WASHINGTON — The Internal Revenue Service today reminded taxpayers whose income is not subject to withholding that the second quarter estimated tax payment deadline is June 17.

Taxpayers making estimated tax payments should consider this deadline to avoid falling behind on their taxes and facing possible underpayment penalties. And the IRS reminds taxpayers that third quarter payments are due Sept. 16, and the final estimated tax payment for tax year 2024 will be due on Jan. 15, 2025.

For eligible taxpayers, disaster tax relief includes the postponement of filing and payment deadlines. For current tax relief provisions, search Tax relief in disaster situations and visit the IRS news from around the nation page on IRS.gov for the current list of eligible localities.

Estimated tax payments are usually made by taxpayers who are self-employed, retirees, investors, businesses, corporations and other individuals who do not have taxes withheld.

Pay-as-you-go

Taxes are pay-as-you-go, to be paid as income is earned, during the year. There are two ways for taxpayers to do this:

1. Withholding from pay, pension or certain government payments, such as Social Security.
2. Making quarterly estimated tax payments throughout the year.

For taxpayers where not enough taxes are being withheld from their salary, pension or other income, estimated tax payments may have to be made. Taxpayers who are employed can avoid having to make estimated tax payments by asking their employer to withhold a larger amount from their earnings by submitting a new Form W-4, Employee's Withholding Certificate.

Who needs to pay estimated tax?

Taxpayers including sole proprietors, partners and S corporation shareholders must make estimated tax payments if they expect to have a tax liability of $1,000 or more when they file their return.

The IRS Interactive Tax Assistant is an online tool that taxpayers can use to see if they are required to make estimated tax payments. Taxpayers can also see the worksheet in Form 1040-ES, Estimated Tax for Individuals, for more information about who must pay estimated tax.

Corporations that expect to owe tax of $500 or more, generally must make estimated tax payments. For more information, corporations can see Publication 542, Corporations.

For additional details, see Publication 505, Tax Withholding and Estimated Tax. It includes worksheets and examples that can be especially useful for taxpayers who have dividend or capital gain income, owe alternative minimum or self-employment tax or have other situations.

Keep records of income reported on Form 1099-K

Individuals working a part-time job or side hustle must report their income. Earnings may be reported to the IRS on a Form W-2, or type of Form 1099. Recipients of Form 1099-K, Payment Card and Third Party Network Transactions must use it with other tax records to help report income.

Taxpayers earning income not subject to withholding are encouraged to consider making quarterly estimated tax payments during the year to stay current and avoid an unexpected tax bill.

Remember, all income is taxable unless it is specifically excluded by tax law. Taxpayers should report any profits from selling goods or services, regardless of if they receive a Form 1099-K.

Paying estimated tax

Electronic payment is the most secure, fastest and easiest way for taxpayers to make an estimated tax payment. Taxpayers can use their Online Account or IRS Direct Pay to make a payment using their checking or savings account. A credit/debit card or digital wallet can also be used. When using a credit/debit card, taxpayers should be aware that payment processors, not the IRS, charge a fee to do so. Payments can be made at IRS.gov/payments and through the IRS2Go app. Both Direct Pay and credit/debit card and digital wallet options are available.

The Electronic Federal Tax Payment System (EFTPS) can also be used to make an estimated payment. Payment by check or money order made payable to the "United States Treasury" is accepted. For instructions and help figuring out their estimated tax, taxpayers should refer to Form 1040-ES, Estimated Tax for Individuals.

Electronic funds transfer must be used by corporations to make all federal tax deposits, for example deposits of employment, excise and corporate income tax. Installment payments of estimated tax must also be made via this method. Usually, an electronic funds transfer is made via the EFTPS.

Avoiding an underpayment penalty

To avoid an underpayment penalty at tax time, taxpayers should pay most of their taxes during the year, owing less than a $1000 when filing their return. Generally, for 2024 that means paying at least 90% of the tax owed on their 2024 return, or at a minimum 100% of the tax shown on their year 2023 tax return.

Exceptions to the Underpayment of Estimated Tax Penalty and special rules apply for some groups of taxpayers, such as farmers, fishermen, certain higher income taxpayers, casualty and/or disaster victims, those who recently became disabled, recent retirees and those who receive income unevenly during the year.

Tax Withholding Estimator

The use of the Tax Withholding Estimator by taxpayers will help ensure that the right amount of tax is being withheld from their paychecks or other income that is subject to withholding. Estimates provided are as accurate as the information entered by taxpayers.

This tool can help taxpayers avoid having too little tax withheld and facing an unexpected tax bill at tax time next year.

24/7 assistance at IRS.gov

For assistance, tax help is available 24/7 on IRS.gov. Taxpayers can use a variety of tools to find answers to common tax questions, including the Interactive Tax Assistant, Tax Topics and Frequently Asked Questions.

Social Security Administration

In his ongoing commitment to deliver better customer service, while improving workplace morale, Commissioner O'Malley diligently works to accelerate change at the Social Security Administration.

Read the Government Executive article, "*Martin O'Malley is on a one-year sprint to save Social Security*," to learn more.

The Social Security Administration's (SSA) first 2024 Semi-Annual Meeting with the Wage Reporting Community and IRS will be held on Thursday, June 13, from 1 p.m. to 3 p.m. ET. The meeting will be held virtually on Microsoft Teams.

The SSA plans to discuss Taxpayer First Act outcomes, Business Services Online (BSO) registration updates, and digital modernization. Email SSA at **ssa.wrc.meeting@ssa.gov** for questions or to suggest specific topics for discussion.

You must register by June 10 to attend the meeting. To register, click **here**.

Compliance Deadlines:

July 9, 2024 - *EEO-1 Report must be filed*

U.S. Citizenship and Immigration Services (USCIS)

Users of E-Verify reminded to check their bookmarked sites. Beginning June 25, 2024, the site is only accessible by going to https://everify.uscis.gov/.

State and Local Updates:

- **Illinois –** Amended Chicago paid sick leave law to take effect July 1, 2024.
- **Indiana** – New hire reporting requires were updated. Effected July 1, 2024, IN will required that current SOC code be included on new hire reports and the employers will also be required to electronically report.
- **Iowa** – Employee withholding allowance certificate, instructions updated. This can be viewed here.
- **Maine –** The annual withholding reconciliation return will no longer be required – effect with the 2024 forms that would be due January 31, 2025.
- **Maryland –** New pay statement information required. Effective October 1, 2024, employers will be required to provide specific information. Click here for more information.
- **Ohio** – Withholding Tables revised starting July 1, 2024. Click here for more information.

- **South Carolina** – Passes new Earned Wage Access Law effective November 21, 2024. EWA providers must register annually with the South Carolina Department of Consumer Affairs.