



Department of the Treasury
Internal Revenue Service
Small Business/Self Employed

[Redacted]

[Redacted]

[Redacted]

Dear Taxpayer,

Your employment tax return for the year(s) or period(s) shown above has been selected for examination.

What you need to do

Please call me on or before Friday, March 3, 2023. I can be contacted on Monday - Friday from 8:00 am - 4:30 pm at the telephone number shown above.

During our telephone conversation, we will talk about the items I will be examining on your return, the types of documentation I will ask you to provide, the examination process, and any concerns or questions you may have regarding this examination. We will also set the date, time, and agenda for our first meeting.

We understand that the COVID-19 pandemic may present challenges that could impact your ability to effectively prepare for an examination. During our conversation we can discuss any concerns or questions you may have.

Someone may represent you

You may have someone represent you during any part of this examination. If you want someone to represent you, please provide me with a completed Form 2848, Power of Attorney and Declaration of Representative, or Form 8821, Tax Information Authorization, at our first meeting or mail it to me prior to our first appointment. You can get these forms from our office, from our web site at www.irs.gov, or by calling 800-TAX-FORM (800-829-3676). If you decide you want to have someone represent you after the examination has started, we will delay further examination activity until you are able to secure representation.

Your rights as a taxpayer

We have enclosed Publication 1, Your Rights as a Taxpayer, and Notice 609, Privacy Act Notice. We encourage you to read the Declaration of Taxpayer Rights found in Publication 1. This publication discusses general rules and procedures we follow in examinations. It explains what happens before, during, and after an examination, and provides additional sources of information.

Thank you for your cooperation, and I look forward to hearing from you by March 3, 2023.

Sincerely,



Revenue Agent

Enclosures:
Publication 1
Notice 609

Information Document Request

1

Description of documents requested

Please provide the following documentation as it pertains to the 2020 employment tax examination discussed on Letter 3850, 3851 or 3850-T.

1. Forms W-2's, Wage and Tax Statement for 2020 and Form W-3 transmittal.
2. Form 1120, U.S. Income Tax Return for a Corporation for 2020.
3. All tax returns for any related entities (if applicable) for 2020.
4. Copy of Form 941 for all four quarters of 2020.
5. Copy of Form 940 for 2020.

The following information is needed to determine if you are eligible for the Employee Retention Credit requested on Line 26 of the Form 941-X and if it was computed correctly:

1. Copy of worksheets used to compute the employee retention credit and other amounts included on the Form 941-X to compute the employee retention credit.
2. Supporting documents used to prepare the worksheets and Form 941-X
3. A list of employees who were paid wages for which the Employee Retention Credit was claimed, including as follows:
 - employee name
 - date of payment
 - amount and allocated health costs, if applicable
 - total gross wages
 - wages paid with the Payroll Protection Program (PPP) loans
 - wages for the Employee Retention Credit (ERC)
4. Documentation that you were eligible to claim the Employee Retention Credit and your basis for eligibility (whichever of the following is applicable):
 - Documentation that operations were fully or partially suspended due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19. Provide a copy of the orders.
 - Documentation that your business experienced a significant decline in gross receipts during the calendar quarter for which the Employee Retention Credit was claimed. Provide records to show gross receipts for each quarter in 2019 and 2020 (and 2021 if applicable).

Information Document Request

1

Description of documents requested

- Documentation that your business qualifies as a recovery startup business during the calendar quarter for which the Employee Retention Credit was claimed for the 3rd or 4th quarter of 2021 only (if applicable)
 - Documentation that you were a severely financially distressed employer for 3rd or 4th quarter of 2021 only (if applicable)
5. Documentation for determination of the number of full-time employees in 2019, 2020 (and 2021 if applicable).
 6. Documentation to show how you determined the amount of qualified health plan expenses that were allocated to wages (if applicable)
 7. Copies of income tax returns, employment tax returns, and Forms W-2 for related entities (if you are a member of an aggregated group)
 8. Did you receive a Payroll Protection Program (PPP) loan? If any of the loan was forgiven, provide a copy of the documentation that shows the portion of PPP loan forgiveness that included payroll costs, such as the forgiveness application.
 9. Are you a member of an aggregated group? If so, how did you determine you were a member of an aggregated group? How did the aggregation affect the determination and allocation of the credit?

Additional records may be requested as the examination progresses.