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NAPEO Calls IRS Decision to Focus on Existing ERTC Claims a “Step in the Right Direction”

Outstanding ERTC claims remain on the rise, now at more than 600,000

September 15, 2023, Alexandria, VA – The Internal Revenue Service’s (IRS) decision to pause new Employee Retention Credit (ERTC) claims should allow the agency to focus on processing legitimate claims and finally clear the backlog that has left tens of thousands of small businesses waiting years for funds, the National Association of Professional Employer Organizations (NAPEO) said Friday.

“Over the past year, we’ve stood shoulder-to-shoulder with the IRS, warning our members and their small business clients of the perils of ERTC mills. This is a step in the right direction for small businesses that have waited months, or in some cases, years, for their deserved ERTC monies,” said NAPEO President and CEO Pat Cleary. “We hope the IRS can expeditiously clear the backlog of legitimate ERTC claims, so that the thousands of small businesses still waiting can get the money they are entitled to.”

The IRS on September 14 announced that it would pause the processing of new ERTC claims through at least the end of this year to focus on fraudulent claims that have exacerbated in recent months. The agency also said normal processing times of existing ERTC claims – many of which are legitimate claims from small businesses– would increase from the standard 90 day processing time to 180 days or longer. NAPEO supports the IRS’s decision to quell these bad actors so it can focus on legitimate claims as quickly as possible.

These delays have led to the rise of so-called "ERTC mills" that prey on small businesses and have collectively defrauded them out of millions of dollars. NAPEO has long maintained that the easiest way to end the mills – which advertise heavily on television and radio – is by clearing the ERTC backlog, which now stands at 637,000 outstanding applications. Cleary warned federal lawmakers in July of the dangers of these predatory mills during his testimony before the House Ways and Means Committee’s Oversight Subcommittee.

Congress enacted the ERTC in March 2020 as part of the CARES Act to encourage businesses to keep employees on the payroll during the COVID-19 pandemic. Despite lawmakers' intent

that the ERTC provide immediate tax relief to employers experiencing financial harm during the pandemic, tens of thousands of employers are still waiting for the IRS to process their ERTC claims. These businesses have laid off employees, shuttered facilities, and taken on high interest loans as they wait just to stay afloat.

NAPEO recently surveyed 43 of its members and found among just those respondents—a small sampling—that nearly 18,000 small business clients are still waiting for the IRS to approve at least \$3 billion in ERTC credits that were filed before 2023.

NAPEO's grassroots campaign to urge action on clearing the backlog of ERTC claims has generated nearly 2,000 letters from PEOs and their clients to Congress detailing the very real consequences of the processing delays. Excerpts from these letters can be found on ertcdelayshurtsmallbiz.com.

About NAPEO

The National Association of Professional Employer Organizations (NAPEO) is The Voice of the PEO Industry™. NAPEO's 230 PEO members provide payroll, benefits, workers' comp, regulatory compliance assistance, and other HR services to more than 173,000 small and mid-size businesses employing 4 million people. Our members account for more than 90 percent of the industry's \$273 billion in revenue. An additional 250 companies that provide services to PEOs are associate members of NAPEO. For more information, please visit www.napeo.org.

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