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CKR Financial Services

monthly journal

HELPING OUR CLIENTS GET AHEAD OF THE COMPETITION

I've been sounding the warning bell over this very issue, and the day after our August newsletter came out, an article was released with an arrest for millions in faulty ERC monies...

ERC SCANDAL!

Look, the ERC is a wonderful program and has put hundreds of thousands of dollars back in the coffers of small businesses. The issue is that the laws were sometimes complex and changed after the program was released. That is why I referred businesses to REPUTABLE contacts who stayed educated about the law and did not recommend devious practices to simply put money in pockets. I've had to say "no" to my fair share of business owners just on the knowledge I have of the law. For instance, shareholders, or owners must be excluded from the payroll reports and if you do not have employees, you are not eligible for the EMPLOYEE Retention Credit. (It's right there in the name...)

Well, ripped from the headlines, a NJ tax preparer has been arrested for seeking over \$124 Million in

phony tax credits. This crook told some clients that the government was giving out pandemic-related relief money for businesses and that they were eligible because they had a business... He told other clients that the money was a grant! One of the business owners was told the government was giving away "free money" to people with a business – this owner did not have employees or payroll. Most of his clients said that they did not provide information used on the Forms 941. This practitioner also charged the clients 10% of the tax refund the client received. While it is not an unusual practice to charge to prepare these ERC filings, and this percentage is not out of line with other preparers, falsifying documentation so that you can collect this fee is way out of line, which is another reason this man is being arrested. To pour salt

into the wound, these poor folks who trusted this man are now on the hook to pay back all of the money that was acquired falsely ALONG WITH PENALTIES AND INTEREST.

This is why I keep banging on about this program. While there is a WEALTH of GOOD here, there are strict requirements and stipulations that accompany this initiative. Additionally, there are a lot of "ERC Mills" that are just putting a rubber stamp on paperwork in order to collect their fees and push through paperwork that is faulty or does not meet the requirements. This later gets found out and the naïve business owner is now in trouble and those preparers have long closed up shop and cannot be found. In many instances, business owners aren't being supplied with the paperwork put forth to substantiate the credit so they have no defense when the IRS shows up asking for their money back. It's unfortunate, which is why I keep bringing up this subject. Please don't get caught up in this. The IRS has become very aware of bad players in this market.

"We are committed to rooting out pandemic-related fraud and holding accountable anyone seeking to profit from the public health emergency." – Tammy Tomlins, Special Agent in Charge of the Newark Field Office



REMINDER OF OUR ADDRESS!

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**Please change our address in your address book, accounting, and banking platforms. We're still getting a lot of mail at the former address. Please take a moment to update so we don't miss correspondence!



S-Corp Woes

It's been an unusual couple of years in that folks who have been registered as S-Corporations in the past are having their returns rejected or reviewed by the IRS saying they are no longer an S-Corporation...

I am at a loss for how many of my clients have received a notice that their return has been rejected because they are not registered as an S-Corporation. It's unnerving for the client and it places an extra burden on the tax preparer to locate the original paperwork and re-file. I was recently at a NAEA conference where an IRS representative admitted that they were still behind on processing the Form 2553's (Election by a Small Business Corporation) from tax year 2020! This has been an issue, not just for this firm, but it was brought up at this national conference by other

Enrolled Agents who were having the same problem with the IRS. So, while they aren't processing the Form 2553's, they are, nonetheless issuing delinquent notices, rejections, and penalty notices. Sounds about like a government-run institution, doesn't it?

So, what do you do if you receive a notice? First, don't panic. Notify whoever originally filed your paperwork to see if they have a copy of the original form and proof of delivery. If not, re-file the form with a way to track the delivery of the notice. It is a known problem and it is creating extra work to provide documents to the IRS that were previously filed.

Deadlines:

Sept 15 – Deadline to file your 3rd Quarter estimated tax payments for 2023 tax year

Sept 15 – Final Deadline to file partnership and S-Corp tax returns if an extension was requested.

Oct 15 – Final Deadline to file a personal tax return if an extension was requested.

*This is always an unusually busy time in the practice, pushing to get information from clients, meeting deadlines, making Herculean efforts to be sure people are timely filed... Please understand that it may take extra time to respond to emails and phone messages not related to these deadlines.

“Knowledge is power: you hear it all the time but knowledge is not power. It's only potential power. It only becomes power when we apply it and use it. Somebody who reads a book and doesn't apply it, they're at no advantage over someone who's illiterate. None of it works unless you work. We have to do our part. If knowing is half the battle, action is the second half of the battle.” — Jim Kwik

“Always plan ahead: it wasn't raining when Noah built the ark.”

-Richard Cushing

“ IT'S NOT ABOUT GIVING BACK IF YOU'RE SUCCESSFUL OR A CELEBRITY OR HOW MUCH MONEY YOU HAVE: IT'S ABOUT YOUR RESPONSIBILITY AS AN ADULT TO HELP OTHERS.”

-TRISHA YEARWOOD

“Don't worry about failure; you only have to be right once.”

-Drew Houston, Co-Founder & CEO of Dropbox



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