

IRS Guidelines: Understanding Income Tax Requirements

If you're claiming the Employee Retention Credit (ERC), it's important to understand [how it may impact](#) your income tax returns.

Refiling Income Tax Returns

- You [may need to refile your income tax](#) returns to account for the ERC. The IRS requires your company's wage expense (deduction) on the income tax return to be reduced by the amount of the ERC for the applicable tax year (2020 or 2021).
- Filing an amended federal and state income tax return for the year in which you claimed the ERC.
- Correct any overstated wage deductions and ensure accurate reporting.
- Amended returns rectify any errors or adjustments related to ERC.

Interest Income Reporting

- Any interest payment from the IRS related to the ERC, it is important to report this on your income tax filing.
- Interest paid by the IRS should be included in your income tax return as per reporting requirements.

For Non-Profit Organizations

- Due to their tax-exempt status, many Non-Profit organizations do not have payroll deductions; therefore, may be subject to different tax requirements.

Client Disclaimer:

Please be sure to consult your tax advisor/preparer to determine how you will incorporate this credit into your income tax returns.

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