Small businesses throughout the country have reported significant delays in receiving the Employment Retention Tax Credit (ERTC) refund.

For most companies that applied for this credit, it was taken retroactively – and the only way to apply for this credit retroactively is through a Form 941-X. The Form 941-X is a paper form, and so it must be processed manually. The problem is that the IRS has been inundated with paper tax forms and has fallen significantly behind in processing these documents.

At the beginning of the year, the IRS had a backlog of 440,000 Forms 941-X. As of last week, that number is down to around 215,000. In a report just issued to Congress, the IRS was found to have more than ***21 million*** unprocessed paper tax forms. Of those, 900,000 are paper business tax forms. Your 941-X requesting an ERTC is caught in this backlog. Further adding to the delay: large ERTC credit claims are being reviewed twice by the IRS before being issued. In short, while it may be small consolation, you are not the only company experiencing these delays.

This backlog has not gone unnoticed by Congress. More than 70 members of Congress have written the IRS Commissioner to demand action be taken to address the backlog. The IRS has assigned a 1,200 employee "surge team" to try and make inroads and is attempting to hire 10,000 additional employees to help clear out the backlog. Still, it's slow going.

If this wasn't enough, attempts to call the IRS to check on the progress of your ERTC claim often go unanswered – and even if the IRS does answer, they are not able to track down the paper filing, because it has yet to be imported into the IRS computer system. Both of these problems have been pointed out by both the IRS Taxpayer Advocate and the Treasury Inspector General. Still, the IRS refuses to invest in scanner technology to process paper forms or to hire and train more customer service representatives.

The bottom line: the delay in processing requests for ERTCs is part of a much larger problem the IRS is having with clearing out a backlog of 20 million plus paper tax forms. These problems are a combination of the effects of COVID on the IRS workforce and existing problems with IRS technology and personnel that the COVID tax credits further exacerbated.