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April 17, 2023

The Honorable Dr. Janet Yellen
 Secretary
 U.S. Department of the Treasury
 1500 Pennsylvania Avenue, NW, Room 3330
 Washington, DC 20220

The Honorable Daniel I. Werfel
 Commissioner
 Internal Revenue Service
 1111 Constitution Avenue, NW
 Washington, D.C. 20224

Dear Secretary Yellen and Commissioner Werfel:

Just over a year ago, I wrote a letter to you and the former IRS Commissioner to draw your attention to an issue adversely impacting small businesses – the delay in processing the Employee Retention Tax Credit (ERTC). Unfortunately, I must write again to inform you that the backlog has gotten *far worse*. As you can see, the backlog of unprocessed tax forms used to make ERTC claims is on track to hit one million – a six-fold increase from its August 2022 low.

DATE	IRS BACKLOG OF UNPROCESSED FORM 941-X
January 26, 2022	445,000
August 10, 2022	135,000 (low point of numbers reported by IRS)
January 25, 2023	468,000
April 5, 2023	929,000

A survey of 28 professional employer organizations (PEOs) who belong to the National Association of Professional Employer Organizations (NAPEO) - reflecting about 10% of our membership - found that 13,650 small business PEO clients claiming \$2.98 billion in ERTC credits are awaiting processing at the IRS. *Some have waited up to two years.* While they wait for their ERTC to be processed, PEO small business clients have had to take additional loans, lay off employees, and get second mortgages on their own homes – all to keep their businesses afloat.

Last week, the Internal Revenue Service released its long-term plan to improve tax processing and customer service. Nowhere in this 150-page plan was there any mention of this current delay or a plan to eliminate the backlog of ERTC claims.

The situation is dire for thousands of small businesses who did the right thing during COVID and kept employees on payroll. We ask that you both take immediate action to ensure this backlog is cleared.

Sincerely,

Pat Cleary
 President and CEO

NAPEO is the voice of the PEO industry. PEOs provide payroll, employee benefits, human resources, tax administration, and regulatory compliance assistance for small and mid-sized businesses. Through a PEO, the employees of their small and mid-sized business clients may also gain access to employee benefits such as: 401(k) plans; health, dental, life, and other insurance; dependent care; and other benefits they might not typically receive as employees of a small company. There are 487 PEOs in the United States providing services to 173,000 small and mid-sized businesses employing 4 million people - roughly the same as the combined number of employees for Walmart (United States only), Amazon, Kroger and Home Depot. The 173,000 PEO clients represent 15 percent of all employers with 10 to 99 employees.