



Frost Law Calls on IRS to Accept National Taxpayer Advocate's Recommendations on Refund Delays Involving Employee Retention Credits

By Terry Lemons

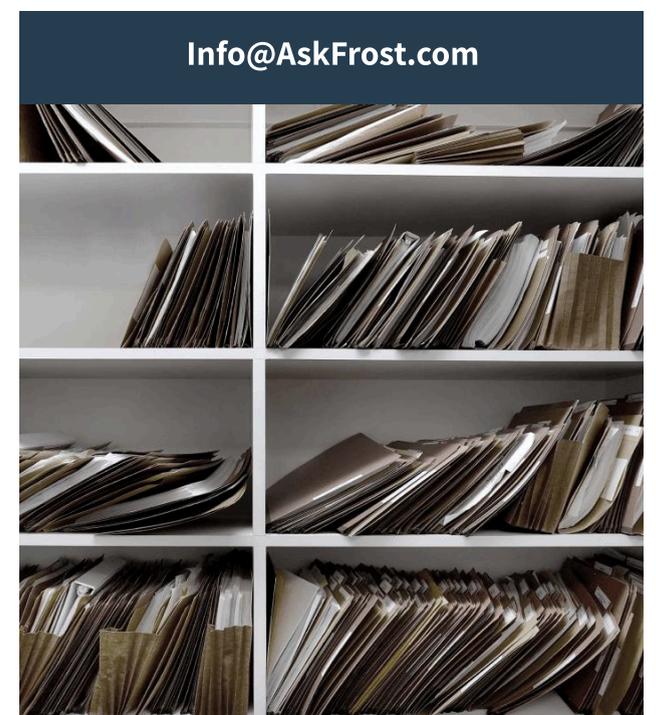
IRS Should Expedite Use of Form 907 to Protect Taxpayers, Businesses Disputing Denials; Other Taxpayers May Overlook Appeal Rights Due to Lack of Transparency on ERC Claim Status

WASHINGTON – With time running out for tens of thousands of taxpayers and a continuing case backlog, Frost Law urged the Internal Revenue Service to quickly establish procedures to allow more time for consideration of Employee Retention Credit (ERC) appeals.

For taxpayers whose ERC claims were denied by the IRS, they have a two-year clock before the window closes to receive a refund. Many taxpayers with potentially valid claims have challenged their denials to the IRS and the IRS Independent Office of Appeals, but the agency faces a large backlog of work stalling ERC and other cases. This creates real risk that thousands of taxpayers with valid claims could start losing their potential refunds this summer because of the bottleneck.

National Taxpayer Advocate Erin Collins, who heads the IRS Taxpayer Advocate Service, recently made a proposal that would help avoid this scenario and protect taxpayers caught in this ERC trap. She called on the tax agency to set up procedures that would allow taxpayers and businesses more time to have their disputed cases heard either from IRS Examination or IRS Appeals. The additional time would be available if the IRS expedited the use of Form 907, which would extend the amount of time taxpayers could legally appeal their ERC denials.

“The IRS quickly expediting the use of Form 907 and agreeing to time extensions will protect hard-working individuals and businesses from losing potential refunds while saving the government costly, time-consuming legal headaches,” said Glen Frost, the firm’s Founder and Managing Partner. “Our firm is seeing numerous instances where the two-year deadline is dangerously close to running out on refund claims. This unfairly blocks taxpayers from having their cases





heard. At the same time, many people with rejected ERC claims may not realize they have protest rights due to unclear communications from the IRS.”

The [Government Accountability Office in February](#) highlighted that the IRS had not provided an update on ERC processing status since October, 2024. In addition, the Taxpayer Advocate’s report highlighted that IRS refund denials routinely miss informing taxpayers of their appeal rights and Form 907, with 30 percent not receiving the valuable information.

“The IRS extending time for challenges to ERC claims is a common-sense solution that protects taxpayer rights and avoids costly litigation for the government,” Frost said. “This is also important since many taxpayers may not realize they have options to challenge a claim denial.

Frost Law is headquartered in the Washington, DC, metro area and has helped hundreds of clients on ERC issues. ERC, a pandemic-era relief program started in 2020 that went through several versions, has been one of the most complex laws ever administered by the IRS, making it difficult for both applicants and the tax agency to navigate.

Some 28,000 ERC denials will hit the two-year expiration window in the next few months since the IRS began sending out denial letters in 2024. More than 300 have already lapsed, according to the Taxpayer Advocate. In all, the IRS has either disallowed, reversed, or recaptured approximately 214,000 ERC claims. The Advocate’s report said IRS communications have been “unclear and confusing,” and denials frequently lacked critical information on appeals.

“When the IRS disallows a refund claim, taxpayers may find themselves racing against the clock to navigate a confusing and complex administrative process,” the Advocate’s report noted, adding that the additional time provided by the Form 907 process amounted to a “broken safeguard.”

Frost Law has seen numerous cases where taxpayers have legitimate claims pending in Appeals but risk losing a refund because the two-year deadline is quickly approaching.

“Our firm continues to see refund deadlines approaching or lapsing, including clearly legitimate ERC claims that were initially disallowed by the IRS,” Frost said. “These are not abstract delays as real businesses and families are being harmed. Without getting an extension of time through a Form 907, taxpayers are left with no choice but to pursue litigation to preserve their rights. They can file a lawsuit in a U.S. district court or the U.S. Court of Federal Claims.”

Frost praised IRS CEO Frank Bisignano for identifying the Appeals backlog as a priority area for the agency to tackle. Frost noted that expediting the use of Form 907 for ERC cases would also take pressure off Appeals, an approach consistent with helping the independent office move forward and resolve pending cases.

Frost Law Can Help Business With Disallowed or Stalled ERC Claims

Given the complex situation involving ERC claims, many business owners mistakenly believe that protesting or appealing a claim protects their legal deadlines. In reality, the two-year statute of limitations keeps ticking even while they wait for a response from the IRS. If the business doesn’t file a lawsuit or secure a Form 907 extension within that





short window, refund eligibility no longer matters. The refund claim is void under the law.

In addition, some businesses may believe a denial from the IRS ends their ERC claim. Frost Law has seen instances where valid claims are being improperly denied by the IRS. A review of denied claims by the Frost Law team may turn up something that the IRS missed. This is especially important given the two-year window to challenge an IRS refund denial.

About Frost Law: The firm is headquartered in the Washington, D.C., metro area. With multiple offices, the firm works with clients across the nation and around the world. Currently, more than 80 Frost employees include skilled attorneys focusing on tax, business, litigation and estates as well as Certified Public Accountants, Certified Financial Planners™, Enrolled Agents and other tax professionals. Frost's team can help people and businesses on issues including tax planning, tax strategy, tax minimization as well as helping scam victims with tax issues.

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