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Tax

Tax Refund Alert: Frost Law Highlights Tight Window For Businesses, Individuals To Get Back IRS Money

By Terry Lemons

WASHINGTON – A rare alignment of court rulings and tax deadlines means businesses and individuals have an opportunity to obtain special Internal Revenue Service refunds for a limited time, according to Frost Law.

For just a few months, certain taxpayers will have a unique chance to obtain refunds related to tariff fees, penalty and interest payments from the pandemic period as well as payments related to the Employee Retention Credit (ERC).

"This is an unusual and historic opportunity for a variety of taxpayers and businesses to obtain refunds from the IRS," said Glen Frost, Frost Law's Founding Partner. "There are billions of dollars at stake, but people have limited time to act. Those with potential money on the table include businesses that paid higher import costs, groups struggling to get Employee Retention Credit refunds and taxpayers who paid interest and penalties during the pandemic. It's important for these taxpayers to explore their options given critical deadlines approaching this summer."

Frost Law, headquartered in metropolitan Washington, D.C., works with clients across the nation and the world. Frost's team handles all of these refund issues, including ERC, tariffs as well as pandemic-era IRS refunds related to the Kwong case.

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"Frost Law has been active on these refund topics, working with hundreds of clients to help them navigate the complexities of these unusual areas," Frost said. "We encourage people to learn more about these situations and whether these refund scenarios apply to them."

Frost Law has a variety of information available to help taxpayers. Frost's attorneys have been quoted on these issues in news articles including the Wall Street Journal, the New York Times, the Associated Press and USA Today. Here's a summary of key refund areas.

Kwong Case Means Billions of Potential Refunds From The Pandemic Period; July 10 Deadline Looms

Following the Kwong v. United States decision, millions of taxpayers that paid IRS penalties or interest during the 2020-2023 pandemic period could be owed a tax refund or abatement.

The affected group ranges from individual taxpayers and small businesses to corporations and partnerships as well as people with international tax requirements or Individual Retirement Accounts (IRAs). Taxpayers and tax professionals should check their records to see if they incurred penalties or interest related to more than a dozen IRS areas during the 2020-2023 period. These groups might be eligible for a refund.

At stake are potentially billions of dollars. While the amounts will vary widely by taxpayer, tax refunds or abatements could be substantial in some cases, particularly for businesses and taxpayers with substantial failure-to-pay penalties. But time is running out to preserve potential refund or abatement claims. Affected taxpayers should review their situation and consider filing IRS Form 843, Claim for Refund and Request for Abatement, by July 10, 2026 to protect their rights.

The Court of Federal Claims decided in Kwong that there was a mandatory suspension of tax deadlines during the pandemic period. This suspension spanned from January 20, 2020, through July 10, 2023. The court held that the IRS was not permitted to assess interest or penalties for obligations occurring during this specific window tied to COVID-19 disaster declarations. Many taxpayers may now be eligible to have previously paid penalties refunded or unpaid assessments abated.

With questions still hovering around Kwong, the team at Frost Law is available to help taxpayers, businesses, and tax professionals navigate questions about potential refunds and abatements as well as helping them determine whether filing IRS Form 843 is needed to protect their rights. People can call (410) 497-5947, or email Info@AskFrost.com.

ERC Refunds Still In Play For Businesses Denied by the IRS

Frost Law has seen numerous instances where the IRS improperly denied ERC to businesses seeking the pandemic-era credit. But by law, these businesses only have a two-year window to appeal the IRS denial – and get the check in hand. The first round of ERC denials came from the IRS nearly two years ago. That means time is running out for some 28,000 businesses to make an appeal – or if they've already appealed, to get an extension before the "Two-Year Clock" runs out on them. And when that two-year legal window closes, taxpayers lose their rights to a refund - even if they've already asked the IRS to reconsider.

Following a recommendation from the National Taxpayer Advocate, the IRS has announced a new process that will allow those challenging an ERC denial to get more time. Frost Law urges businesses to review their situation and file Form 907 quickly – well before the two-year clock expires. The process gives ERC taxpayers a chance to get more time if they do everything right -- and if the IRS agrees and countersigns the forms in time. As the Taxpayer Advocate Service explained: "Taxpayers must act quickly and remain vigilant."

Frost Law has been working dozens of these ERC appeals cases and can help taxpayers work through this complex area to help obtain a refund.

Kwong: Court Case Means Those Who Repaid ERC Claims May Be Entitled To A Refund

The impact of the Kwong case extending federal tax filing and payment deadlines during the pandemic also carries implications for ERC. Kwong means that the 2020 and 2021 income tax returns were not actually due until July 10, 2023, and IRS bills for failure-to-pay penalties and underpayment interest may be overstated. So like other taxpayers, ERC recipients that paid those charges may be entitled to an IRS refund.

Taxpayers who made ERC-related income tax amendments should look closely at the bill they paid for indicators of a refund. That's because the interest and penalty assessment almost certainly included the time between January 20, 2020, and July 10, 2023 – the period covered by Kwong.

Taxpayers with questions on any of these issues can call Frost Law at (410) 497-5947 or schedule time for a confidential evaluation.

Tariffs: Businesses Have Avenue to Recoup Tariff Fees Even If They're Not The Importer Of Record

Following February's U.S. Supreme Court decision overturning a key set of tariffs, businesses face huge potential refund possibilities. Some firms that encountered added tariff costs may not realize they have refund options – even if they weren't the Importer of Record. Billions of dollars are in play.

The court ruled that the government lacked the authority to impose tariffs under the International Emergency Economic Powers Act (IEEPA). Imposed by the Trump Administration, these sweeping taxes came on goods from countries like China, Canada, and Mexico. But there's now a pathway for those that paid tariffs to seek refunds.

Businesses have a refund option for the increased tariff cost handed down by their shippers that imported the goods. But it's possible importers who receive tariff refunds may not pass this money along to the underlying businesses that ultimately bore the extra cost. When an Importer of Record receives a refund of duties that were effectively paid by its client, keeping those funds may constitute an impermissible windfall – known as "Unjust Enrichment."

Businesses have several potential pathways to obtain these refunds – but time is extremely limited. The Frost Law team understands the complexities, and the team can help businesses pursue tariff refund claims. If you are a business owner or an importer with questions, call Frost Law at (410) 497-5947 or visit the Frost Law tariff refunds page to set up a consultation.

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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