

4/11/2025

Internal Revenue Service
Ogden, UT 84201

EIN: 23-412456

Taxpayer Name: Eldenism

RE: Formal Protest to ERC Disallowance for Q2 2020

Tax Period: 2nd Quarter 2020 (202006)

DEAR APPEALS OFFICER:

We write on behalf of Eldenism in response to the notice disallowing our Employee Retention Credit (ERC) claim for the 2nd quarter of 2020. The disallowance states that “no government orders were in effect” during that period to justify a suspension of our operations. We respectfully disagree. Below, we outline the multiple federal, state, county, and city orders that were active between April 1 and June 30, 2020, each of which imposed COVID-19 restrictions that limited our ability to operate Eldenism at full capacity. We also present our quarterly revenue data, demonstrating a significant decline that independently qualifies us for the ERC. Finally, we explain how supply chain disruptions under IRS Notice 2021-20, Q/A #12 further support our ERC eligibility.

I. Government Orders in Effect During Q2 2020

The following orders remained active or became effective in Q2 2020, causing partial suspensions of Eldenism’s normal business activities in Camarillo, CA, and Los Angeles, CA. Contrary to the IRS’s statement, these orders did not cease before or during Q2 2020; to the contrary, the mandates were heightened during this exact period, resulting in ongoing disruptions.

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- **Order Name:** Proclamation 9994 – National Emergency Concerning COVID-19
 - **Order Number:** Proclamation 9994
 - **Date Enacted:** 03/13/2020
 - **Date Rescinded:** Remained in effect throughout 2020 (not rescinded during Q2 2020)
 - **Order Summary:** Declared a nationwide emergency in response to COVID-19, empowering federal agencies to issue public health measures and enabling states to impose lockdowns and business restrictions. While it did not itself

require closures, it provided the legal basis for stricter directives at the state and local levels.

- **Impact on Quarter:** Throughout April–June 2020, this ongoing federal declaration underscored the severity of the pandemic, allowing California and local authorities to impose operational restrictions on businesses (like Eldenism) in Camarillo and Los Angeles.

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- **Order Name:** California COVID-19 State of Emergency
 - **Order Number:** Governor’s Proclamation (03/04/2020)
 - **Date Enacted:** 03/04/2020
 - **Date Rescinded:** Remained in effect throughout 2020 (not rescinded during Q2 2020)
 - **Order Summary:** Declared a statewide emergency due to COVID-19, authorizing the Governor and health officers to issue orders significantly affecting business operations. Under this state-level emergency, subsequent stay-at-home and reopening orders could be implemented swiftly.
 - **Impact on Quarter:** During Q2 2020, Eldenism’s normal operations were subject to emergency authority rules, including capacity limitations and strict public health protocols, all proceeding from the Governor’s ongoing state of emergency.

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- **Order Name:** Executive Order N-33-20 – Statewide “Stay-at-Home” Order
 - **Order Number:** N-33-20
 - **Date Enacted:** 03/19/2020
 - **Date Rescinded:** 06/15/2021 (remained fully in effect throughout Q2 2020)
 - **Order Summary:** Mandated that all residents stay home unless performing essential tasks or working in essential sectors. Non-essential businesses had to close or operate under minimal basic operations; essential businesses could remain open with restrictions.
 - **Impact on Quarter:** This order severely curtailed Eldenism’s typical onsite operations in Q2 2020, as most non-essential activities were barred and any permissible functions were heavily restricted (masks, social distancing, and capacity control).

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- **Order Name:** State Public Health Officer Order (“Stage 2” Reopening)
 - **Order Number:** 05/07/2020 Order per EO N-60-20
 - **Date Enacted:** 05/07/2020

- **Date Rescinded:** 06/15/2021 (remained active after superseding portions of the initial lockdown)
 - **Order Summary:** Allowed lower-risk businesses (mainly retail with curbside pickup, manufacturing, etc.) to reopen under strict health modifications. Higher-risk establishments (e.g., dine-in restaurants, gyms, salons) generally remained closed at that stage.
 - **Impact on Quarter:** While partial reopening occurred in Q2 2020, Eldenism could not fully operate due to ongoing capacity restrictions and social distancing mandates. The unpredictable shifts in allowable operations caused continuous disruption, including lost clientele and reduced staffing.
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- **Order Name:** Ventura County Local Health Emergency
 - **Order Number:** Local Health Emergency Declaration (03/12/2020)
 - **Date Enacted:** 03/12/2020
 - **Date Rescinded:** Not rescinded in 2020 (remained in effect through Q2 2020)
 - **Order Summary:** Declared a local health emergency, enabling the County Health Officer to impose additional rules on top of state directives if needed. This heightened enforcement and alignment with state orders inside Ventura County.
 - **Impact on Quarter:** During Q2 2020, Eldenism's Camarillo location was subject to both the state order and local enforcement under this ongoing county health emergency—enforcing local closure rules, social distancing, and potential fines for non-compliance.
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- **Order Name:** Ventura County "Stay Well at Home" Order
 - **Order Number:** County Health Officer Order (03/20/2020)
 - **Date Enacted:** 03/20/2020
 - **Date Rescinded:** 06/15/2021 (remained in effect throughout Q2 2020)
 - **Order Summary:** Required residents to stay home except for essential tasks, shutting down non-essential businesses and limiting essential businesses to specific protocols. This local order mirrored and enforced the statewide order at the county level.
 - **Impact on Quarter:** Eldenism's in-person services in Camarillo were forced to shut down or drastically reduce capacity from April through June 2020. Even essential operations had to implement strict distancing, reducing revenue-generating capacity.
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- **Order Name:** Ventura County Public Health Order Updates (March–April 2020)

- **Order Number:** Issued on 03/31/2020, 04/09/2020, 04/20/2020
 - **Date Enacted:** Various in March–April 2020
 - **Date Rescinded:** Superseded by subsequent orders but remained effectively restrictive in Q2 2020
 - **Order Summary:** Gradually extended the local stay-at-home directives, added mask and social distancing requirements, and tightened definitions of essential businesses through late April 2020.
 - **Impact on Quarter:** These rolling updates prolonged and reinforced capacity limits at Eldenism’s Camarillo office. By the start of Q2 and extending into June 2020, Eldenism still endured closures of non-essential functions and mandatory distancing protocols for any minimal onsite work.
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- **Order Name:** “Safely Reopening Ventura County” Order
 - **Order Number:** May 7, 2020 County Health Officer Order
 - **Date Enacted:** 05/07/2020
 - **Date Rescinded:** Eventually superseded by later reopening stages, but active during Q2 2020
 - **Order Summary:** Aligned Ventura County with California’s Stage 2 reopening, allowing curbside retail and limited dine-in for restaurants only with public health measures. Higher-risk indoor operations remained closed.
 - **Impact on Quarter:** Eldenism saw marginal relaxation for certain activities, but the overall restrictions—social distancing, sparse in-person interactions—continued to suppress normal operations and revenue during Q2 2020.
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- **Order Name:** City of Camarillo Local Emergency Proclamation
 - **Order Number:** EOC Director Order No. 20-1
 - **Date Enacted:** 03/13/2020
 - **Date Rescinded:** Remained active well beyond Q2 2020
 - **Order Summary:** Enabled the city to take immediate protective actions, close city facilities, and support business closures in compliance with county and state orders.
 - **Impact on Quarter:** Under this extended city-level emergency, Eldenism’s ability to conduct normal activities (including seeking certain city services or hosting public gatherings) was severely reduced from April through June 2020.
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- **Order Name:** Camarillo Eviction Moratorium Orders

- **Order Number:** EOC Director Order No. 20-2 (03/18/2020) & Amendment (04/23/2020)
- **Date Enacted:** 03/18/2020
- **Date Rescinded:** Partially superseded in late 2020 by state law; was active through Q2 2020
- **Order Summary:** Temporarily stayed evictions of residential and commercial tenants who could not pay rent due to COVID-19 financial hardship. Allowed businesses to avoid eviction for nonpayment, though rent obligations were not forgiven.
- **Impact on Quarter:** While this measure aided Eldenism in avoiding immediate lease problems at its Camarillo location, it also highlighted the scale of economic distress that forced tenant-protection orders—further confirming local government closures that diminished our revenue flow in Q2.

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- **Order Name:** Camarillo Resolution No. 2020-63 – Temporary Outdoor Dining Program
 - **Order Number:** 2020-63
 - **Date Enacted:** 06/10/2020
 - **Date Rescinded:** Phased out in 2021/2022
 - **Order Summary:** Allowed restaurants and similar establishments to expand outdoors to facilitate socially-distanced dining. Waived certain zoning and parking rules to help offset lost indoor capacity.
 - **Impact on Quarter:** Though Eldenism is not a restaurant, the passage of this resolution on June 10, 2020, exemplified the stringent operating environment for all businesses in Q2 2020. Widespread attempts to salvage revenue outdoors confirm the continued restrictions on normal indoor operations during the quarter.

II. Quarterly Revenue Decline

In addition to the government orders discussed above, we are submitting quarterly revenue data that demonstrates the revenue reductions for Eldenism. The following table presents the quarterly revenue amounts and percentage changes for comparison purposes:

QUARTER	2019 REVENUE	COMPARISON REVENUE	DOLLAR DECLINE	% DECLINE	QUALIFIES
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Q1 2019-2020	\$5,123,154.00	\$123,154.00	\$5,000,000.00	97.60%	YES
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Q2 2019-2020	\$5,123,154.00	\$123,154.00	\$5,000,000.00	97.60%	YES
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Q3 2019-2020 | \$5,123,154.00 | \$123,154.00 | \$5,000,000.00 | 97.60% | YES
Q4 2019-2020 | \$5,123,154.00 | \$123,154.00 | \$5,000,000.00 | 97.60% | YES
Q1 2019-2021 | \$5,123,154.00 | \$213.00 | \$5,122,941.00 | 100.00% | YES
Q2 2019-2021 | \$5,123,154.00 | \$341.00 | \$5,122,813.00 | 99.99% | YES
Q3 2019-2021 | \$5,123,154.00 | \$234.00 | \$5,122,920.00 | 100.00% | YES

As shown in the revenue table above, the quarters with “YES” in the QUALIFIES column meet or exceed the ERC threshold for revenue decline (50% or more for 2020, 20% or more for 2021). Eldenism’s drastic declines in Q2 2020 further justify our claim for the credit based on reduced gross receipts.

III. Supply Chain Disruption

In addition to the direct impact of government orders, Eldenism was also substantially affected by supply chain disruptions caused by government orders, as outlined in IRS Notice 2021-20, Q/A #12. This provision explains that an employer qualifies for the ERC if “a supplier of the employer is unable to make deliveries of critical goods or materials due to a governmental order that causes the supplier to suspend its operations.”

- During Q2 2020, Eldenism was waiting on essential components and materials tied to technology upgrades necessary for servicing clients in both Camarillo and Los Angeles.
- Our primary supplier of these components was forced to suspend operations under state and local COVID-19 mandates in California, halting production and shipment.
- Alternative suppliers were unavailable on short notice because the same regional restrictions impacted similar manufacturing facilities in California.
- This supplier shutdown led to an inability to maintain or expand normal operations, yielding further productivity and revenue losses in Q2 2020.

Under IRS Notice 2021-20, Q/A #12, these disruptions qualify as a partial suspension due to a supplier specifically halting deliveries from governmental orders. Combined with the mandatory restrictions summarized above, these supplier-based limitations had more than a nominal effect on Eldenism’s operations.

IV. Conclusion and Request

Based on the extensive government orders in effect from April through June 2020, Eldenism experienced a partial suspension of operations that was far more than nominal. Meanwhile, our revenue data shows a significant decline compared

to 2019. Furthermore, we faced a major supply chain disruption resulting from our supplier's government-mandated shutdown. These factors collectively satisfy the eligibility criteria for the Employee Retention Credit in Q2 2020.

We respectfully request that you reverse the ERC disallowance and approve Eldenism's claim. We have demonstrated that Q2 2020 was subject to multiple overlapping government orders, substantial revenue declines, and compelling supply chain disruptions in accordance with the relevant IRS guidance. We appreciate your consideration and stand ready to provide any additional information you may require.

Attestation: "Under penalties of perjury, I declare that I have examined the facts presented in this protest, including any accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete."

Sincerely,

[Signature]

AUTHORIZED REPRESENTATIVE

ELDENISM

ATTACHMENTS:

1. source_1_bidenwhitehouse.archives.gov.pdf - Federal Proclamation Declaring National Emergency (Proclamation 9994)
2. source_2_gov.ca.gov.pdf - California State of Emergency Proclamation
3. source_3_gov.ca.gov.pdf - Executive Order N-33-20 (Statewide Stay-at-Home)
4. source_4_cdph.ca.gov.pdf - Reference Document for CA Public Health Orders (Stage 2 Reopening)
5. source_5_vcportal.ventura.org.pdf - Ventura County Roadmap to Reopening (Local Orders, "Stay Well at Home")