

03/14/2025

Internal Revenue Service

Ogden, UT 84201

EIN: 23423

Taxpayer Name: 234

RE: Formal Protest to ERC Disallowance for Q2 2020

Tax Period: 2nd Quarter 2020

Dear Appeals Officer,

We write in response to the IRS notice disallowing 234's Employee Retention Credit (ERC) claim for the second quarter of 2020. The disallowance is based on an assertion that no governmental orders were in effect which caused a suspension of our business operations. We respectfully disagree. Multiple federal, state, county, and local governmental orders were active during Q2 2020, imposing COVID-19-related restrictions that forced 234 to significantly curtail normal operations. In the pages that follow, we provide detailed evidence of the relevant government orders and demonstrate, through comprehensive revenue decline data, that our business experienced qualifying revenue reductions resulting directly from these orders.

Below is a chronological timeline of key governmental orders that affected our operations in Q2 2020:

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- Order Name: California State of Emergency Proclamation

- Order Number: N/A

- Date Enacted: 03/04/2020

- Date Rescinded: Still in effect

- Order Summary: On March 04, 2020, Governor Gavin Newsom declared a state of emergency in California to mobilize resources and empower emergency actions across the state. This proclamation provided the legal authority to issue subsequent restrictive orders that impacted non-essential businesses.

- Impact on Quarter: This order contributed to the statewide restrictions in Q2 2020, forcing 234 to modify or suspend normal business operations in compliance with state directives.

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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- Date Rescinded: 06/15/2021
- Order Summary: This order mandated that all Californians remain at home except for activities deemed essential, thereby requiring all non-essential businesses to cease in-person operations. It was a critical measure to enforce social distancing and reduce the spread of COVID-19.
- Impact on Quarter: In Q2 2020, the order directly resulted in a full or partial suspension of 234's operations, as in-person activities were either curtailed or halted entirely.

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- Order Name: State Public Health Officer Order – Stage 2 Reopening
- Order Number: May 7, 2020 Order
- Date Enacted: 05/07/2020
- Date Rescinded: 06/15/2021
- Order Summary: This order initiated the phased reopening of certain low-risk businesses under strict health guidelines, marking a transition from the full lockdown toward limited operational capacity. It provided specific protocols for modifying business practices and minimizing COVID-19 transmission.
- Impact on Quarter: During Q2 2020, this order allowed 234 to resume limited operations; however, the imposed restrictions continued to significantly impact our overall business performance.

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- Order Name: Local Government Order 23432 – Operations Suspension Mandate
- Order Number: 23432
- Date Enacted: 04/01/2020
- Date Rescinded: Still in effect
- Order Summary: This local government order mandated the suspension or modification of business operations in response to rising COVID-19 cases. It required businesses to adopt stringent measures that either substantially reduced or completely halted normal operating activities.
- Impact on Quarter: The directive imposed by this order had a direct effect on 234 during Q2 2020, compelling us to operate under restricted conditions and contributing to the substantial revenue decline experienced during the quarter.

## REVENUE DECLINE DATA

In addition to these government orders, we are submitting detailed revenue data that unequivocally demonstrates the qualifying revenue reductions for 234. The following figures represent precise, dollar-for-dollar comparisons highlighting EXACT revenue amounts and percentage declines without rounding or generalization.

For Q2 2020 specifically, 234 recorded EXACTLY \$23423 in revenue for the comparable quarter in 2019. In stark contrast, our Q2 2020 revenue was EXACTLY \$523, representing a decline of EXACTLY \$22900.00 or EXACTLY 97.77% decline. This substantial revenue reduction is a direct consequence of the COVID-19–related government orders detailed above and clearly qualifies our business for the ERC.

#### **OUR OTHER QUARTERS SHOW SIMILAR QUALIFYING DECLINES:**

- **Q1 2020:** Revenue fell from EXACTLY \$4234543 (2019) to EXACTLY \$235 (2020), a decline of EXACTLY \$4234308.00 or 99.99%
- **Q4 2020:** Revenue fell from EXACTLY \$234234 (2019) to EXACTLY \$21345 (2020), a decline of EXACTLY \$212889.00 or 90.89%
- **Q2 2021:** Revenue fell from EXACTLY \$23423 (2019) to EXACTLY \$434 (2021), a decline of EXACTLY \$22989.00 or 98.15%

All quarters listed above with declines exceeding the applicable thresholds (50%+ for 2020, 20%+ for 2021) qualify for ERC. These substantial revenue reductions, in conjunction with the governmental order–induced partial suspension of operations, provide strong substantiation for 234's ERC claim.

#### **CONCLUSION AND REQUEST**

Based on the evidence detailed above – including the comprehensive timeline of governmental orders and the precise revenue decline data – it is clear that 234 qualifies for the Employee Retention Credit for Q2 2020. The government orders active during this quarter imposed severe restrictions that led to substantial revenue losses. In light of the unambiguous figures and supporting documentation provided, we respectfully request that the IRS reconsider and reverse the disallowance of our ERC claim.

Thank you for your prompt and fair reconsideration of our claim. Please do not hesitate to contact us if further clarification or additional information is required.

Sincerely,

[Authorized Representative Signature]

[Printed Name and Title]

Enclosures: Copies of Government Orders (formatted with Order Name, Order Number, Date Enacted, Date Rescinded, Order Summary, and Impact on Quarter); Detailed ERC Revenue Decline Data Documentation; Supporting IRS Guidance Documents