

5/2/2025

Internal Revenue Service
Ogden, UT 84201

EIN: 34252345

Taxpayer Name: 432532

RE: Formal Protest to Letter 105 – ERC Disallowance for Q2 2020

Tax Period: 2nd Quarter 2020 (202006)

DEAR APPEALS OFFICER:

We write in response to the IRS notice disallowing 432532's Employee Retention Credit (ERC) claim for the second quarter of 2020. The stated disallowance reason was "no government orders were in effect." We respectfully disagree. During Q2 2020 (April 1 through June 30, 2020), numerous federal, state, county, and city orders related to COVID-19 were in force in our location. Those orders imposed closures and restrictions that partially suspended our normal operations. Additionally, our quarterly revenue data further substantiates ERC eligibility. We present both sets of evidence below and request a favorable reconsideration of our claim.

1. COVID-19 GOVERNMENT ORDERS IN EFFECT DURING Q2 2020

Below is a detailed list of government orders that were active during the second quarter of 2020, each presented with the required format:

- **Order Name:** Proclamation 9994 – National Emergency Concerning COVID-19
- **Order Number:** Proclamation 9994
- **Date Enacted:** 03/13/2020
- **Date Rescinded:** Terminated by Congressional resolution in 2023 (beyond Q2 2020)
- **Order Summary:** Declared a nationwide emergency due to COVID-19, granting federal agencies latitude to issue subsequent guidelines and regulations. This proclamation, while not directly closing businesses, enabled aggressive public health measures and set the broader context in which states and localities imposed restrictions on non-essential operations.

- **Impact on Quarter:** In Q2 2020, Proclamation 9994 remained active, underscoring the national crisis. It empowered state and local governments to issue and enforce more stringent stay-at-home orders and business closures, causing a partial suspension of normal business activities.
- **Order Name:** California COVID-19 State of Emergency
- **Order Number:** Governor's Proclamation of State of Emergency (03/04/2020)
- **Date Enacted:** 03/04/2020
- **Date Rescinded:** Ended 02/28/2023 (after Q2 2020)
- **Order Summary:** Declared a statewide emergency in California, allowing for swift restrictions on business operations, travel, and public gatherings to curb COVID-19. Gave the Governor and health authorities the legal basis to impose mandatory closures or capacity limits.
- **Impact on Quarter:** Throughout Q2 2020, this state of emergency justified strict public health orders affecting non-essential businesses. Many operations in the region were forced to close or drastically limit in-person services, fulfilling the ERC requirement for partial suspension.
- **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:** Mandated that all California residents remain at home unless performing essential tasks or working in critical infrastructure sectors. Non-essential businesses had to close or move to minimal operations, while critical businesses operated with significant limitations.
- **Impact on Quarter:** During Q2 2020, this order remained solidly in effect. It required numerous businesses to shut down or operate under severe restrictions (e.g., curbside service only), directly causing a partial suspension of normal commercial activity.
- **Order Name:** State Public Health Officer Order (Stage 2 Reopening)
- **Order Number:** Issued under Executive Order N-60-20 (05/07/2020)
- **Date Enacted:** 05/07/2020
- **Date Rescinded:** 06/15/2021
- **Order Summary:** Relaxed some early stay-at-home restrictions by permitting certain “lower-risk” businesses to reopen with modifications (e.g., retailers allowed curbside pickup; manufacturing and logistics reopened). Higher-risk sectors, including dine-in restaurants and personal services, largely remained closed or tightly restricted.
- **Impact on Quarter:** In Q2 2020, businesses fell under this limited reopening framework; though partial operations were allowed, many remained severely

disrupted. Even with phased reopenings, strict capacity and distancing rules caused a partial suspension of typical business activities.

- **Order Name:** Ventura County Local Health Emergency
 - **Order Number:** County Declaration (03/12/2020)
 - **Date Enacted:** 03/12/2020
 - **Date Rescinded:** Ended in 2022 (beyond Q2 2020)
 - **Order Summary:** Declared a local health emergency, empowering the Ventura County Health Officer to impose countywide restrictions, closures, and enforcement measures. Served as the official basis for subsequent County public health orders.
 - **Impact on Quarter:** Remained active throughout Q2 2020. Under this emergency, county officials issued mandatory rules (e.g., closure of non-essential industries), reinforcing partial suspensions and adding local enforcement that affected businesses in our area.
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- **Order Name:** Ventura County Public Health Order – 03/17/2020
 - **Order Number:** 03/17/2020 Initial Closure Directive
 - **Date Enacted:** 03/17/2020
 - **Date Rescinded:** 03/20/2020 (superseded by “Stay Well at Home”)
 - **Order Summary:** Shut down various venues (bars, gyms, theaters) and limited restaurants to take-out only. A precursor to the statewide shutdown, this local order targeted gathering places to reduce community spread.
 - **Impact on Quarter:** Though rescinded in late March, it paved the way for more comprehensive closures in the early part of Q2. Many businesses could not operate normally even before the statewide order took hold.
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- **Order Name:** “Stay Well at Home” Order – Ventura County
 - **Order Number:** 03/20/2020 County Health Officer Order
 - **Date Enacted:** 03/20/2020
 - **Date Rescinded:** 06/15/2021 (in alignment with statewide reopening)
 - **Order Summary:** Countywide stay-home directive mirroring the state’s. Non-essential businesses were ordered closed; essential ones operated under strict social distancing and face-covering protocols.
 - **Impact on Quarter:** During all of Q2 2020, the Stay Well at Home order forced widespread shutdowns or severe capacity restrictions on businesses. This was a primary driver of partial suspension.
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- **Order Name:** Ventura County Public Health Orders (03/31/2020, 04/09/2020, 04/20/2020)
 - **Order Number:** Extensions and Updates to Stay-Home

- **Date Enacted:** Various – 03/31, 04/09, and 04/20 of 2020
 - **Date Rescinded:** Superseded by subsequent county orders in May 2020
 - **Order Summary:** Extended the duration of the prior stay-home directives, banned gatherings, tightened definitions of “essential,” and required businesses open to the public to implement social distancing protocols.
 - **Impact on Quarter:** These rolling extensions kept businesses in lockdown or restricted operations. Throughout April and part of May, non-essential operations stayed closed, and essential businesses faced strict distancing. This prolonged partial suspension well into Q2.
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- **Order Name:** “Safely Reopening Ventura County” – Stage 2 Local Order
 - **Order Number:** 05/07/2020 County Reopening Order
 - **Date Enacted:** 05/07/2020
 - **Date Rescinded:** 08/31/2020 (transitioned to the state’s Blueprint), then fully ended 06/15/2021
 - **Order Summary:** Implemented California’s Stage 2 reopening at the county level, allowing curbside retail and limited dine-in with capacity constraints for certain sectors once state approval was granted.
 - **Impact on Quarter:** Though it permitted some businesses to resume limited operations in May/June 2020, significant restrictions remained. Many sectors were still barred from normal in-person activities, reinforcing that Q2 2020 was far from normal business operation.
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- **Order Name:** Ventura County Eviction Moratorium
 - **Order Number:** Urgency Ordinance No. 4563 (04/22/2020)
 - **Date Enacted:** 04/22/2020
 - **Date Rescinded:** 09/30/2020 (for commercial), with partial extensions for residents under state law
 - **Order Summary:** Temporarily prohibited evictions of commercial and residential tenants who couldn’t pay rent due to COVID-19 impacts.
 - **Impact on Quarter:** In Q2 2020, helped prevent immediate evictions for businesses that lost revenue due to public health restrictions. Demonstrates that county officials recognized the gravity of the shutdown’s economic harm.
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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:** Followed state/county timelines; not lifted in Q2 2020
 - **Order Summary:** Declared a municipal emergency, closed city facilities, and granted the city authority to enact or enforce COVID-related restrictions.

- **Impact on Quarter:** Reinforced stay-home guidelines and closures in the city. The local emergency supported enforcement of county/state orders, adding another layer of restriction.
- **Order Name:** Camarillo Eviction Moratorium Orders
- **Order Number:** EOC Director Order No. 20-2 (03/18/2020), amended 04/23/2020
- **Date Enacted:** 03/18/2020
- **Date Rescinded:** Superseded by state law in September 2020 for residential; ended with local emergency for commercial
- **Order Summary:** Prohibited evictions of residential and commercial tenants unable to pay rent due to COVID-19. Gave businesses temporary relief from losing leases during mandatory closures.
- **Impact on Quarter:** In Q2 2020, the moratorium was crucial for businesses shuttered by government mandates, averting an eviction crisis while partial or total closures were in place.
- **Order Name:** Camarillo Resolution No. 2020-63 – Temporary Outdoor Dining
- **Order Number:** 2020-63
- **Date Enacted:** 06/10/2020
- **Date Rescinded:** Phased out when indoor dining fully resumed (06/15/2021)
- **Order Summary:** Waived zoning requirements to help restaurants serve customers outdoors. Aimed at offsetting the losses from indoor closures and capacity limits.
- **Impact on Quarter:** Effective toward the end of Q2 2020, it offered limited relief to restaurants by letting them operate outside at partial capacity. Still, standard indoor service remained restricted. This underscores that operations were far from normal in Q2 2020.

In sum, the assertion that “no government orders were in effect” during Q2 2020 is incorrect. From federal proclamations down to city-level directives, multiple orders compelled businesses to close, reduce capacity, or operate under stringent limitations. These mandates created a clear partial suspension of our normal operations.

2. REVENUE REDUCTION DATA

In addition to the government orders discussed above, we are submitting quarterly revenue data that demonstrates the revenue reductions for 432532. 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	\$34,252,345.00	\$523,452.00	\$33,728,893.00	98.47%	YES
Q2 2019-2020	\$522,345,234.00	\$345,234.00	\$522,000,000.00	99.93%	YES
Q3 2019-2020	\$52,345.00	\$12,341.00	\$40,004.00	76.42%	YES
Q4 2019-2020	\$2,345,234.00	\$25,612,346.00	\$23,267,112.00	-992.10%	NO
Q1 2019-2021	\$34,252,345.00	\$4,236.00	\$34,248,109.00	99.99%	YES
Q2 2019-2021	\$522,345,234.00	\$2,345,234.00	\$520,000,000.00	99.55%	YES
Q3 2019-2021	\$52,345.00	\$41,234.00	\$11,111.00	21.23%	YES

As shown in the revenue table, multiple quarters meet the ERC eligibility threshold, including Q2 2019–2020, where a 99.93% decline clearly qualifies. These revenue reductions, combined with the impact of government orders described earlier, substantiate our ERC claim for the second quarter of 2020.

3. CONCLUSION & REQUEST

Per IRS guidance (including Notices 2021-20 and 2021-49 for the general ERC framework), a government order that fully or partially suspends an employer's normal operations qualifies the employer for ERC if the order's restrictions are neither nominal nor trivial. In Q2 2020, our business was subject to a statewide stay-at-home mandate, county public health directives (closing non-essential operations and imposing capacity limits), and city-level emergency orders. These restrictions severely affected our ability to operate normally and, when coupled with the corresponding revenue decline, demonstrate ERC eligibility.

We respectfully request that the IRS reverse its disallowance of our ERC claim for Q2 2020. Legislative intent behind the Employee Retention Credit was to support employers that retained employees despite COVID-19 shutdowns or capacity constraints. Our circumstances align with that intention: we maintained our workforce even though required closures and restrictions severely limited our operations.

Thank you for your time and consideration. We affirm, under penalties of perjury, that the facts presented are true and correct to the best of our knowledge. Should you have any questions or require additional information, please contact us at your earliest convenience.

Sincerely,

[Signature]

AUTHORIZED REPRESENTATIVE

432532

ATTACHMENTS:

1. source_1_federalregister.gov.pdf - Federal Proclamation 9994 (National Emergency)
2. source_2_gov.ca.gov.pdf - California State of Emergency Proclamation
3. source_3_gov.ca.gov.pdf - Executive Order N-33-20 (Stay-at-Home)
4. source_4_cdpd.ca.gov.pdf - California Stage 2 Reopening Order (05/07/2020)
5. source_5_vcportal.ventura.org.pdf - Ventura County Local Health Emergency Declaration
6. source_6_vcportal.ventura.org.pdf - Ventura County Public Health Order (03/17/2020)
7. source_7_vcportal.ventura.org.pdf - "Stay Well at Home" Order (Ventura County, 03/20/2020)
8. source_8_vcportal.ventura.org.pdf - Ventura County 03/31/2020 Extension Order
9. source_9_vcportal.ventura.org.pdf - Ventura County 04/09/2020 Update
10. source_10_vcportal.ventura.org.pdf - Ventura County 04/20/2020 Extension
11. source_11_vcportal.ventura.org.pdf - Safely Reopening Ventura County Order (05/07/2020)
12. source_12_vcportal.ventura.org.pdf - Ventura County Eviction Moratorium (04/22/2020)
13. source_13_cityofcamarillo.org.pdf - City of Camarillo Local Emergency (03/13/2020)
14. source_14_cityofcamarillo.org.pdf - Camarillo Eviction Moratorium Orders (03/18/2020)
15. source_15_cityofcamarillo.org.pdf - Camarillo Resolution No. 2020-63 (Temporary Outdoor Dining)

