

5/2/2025

Internal Revenue Service
Ogden, UT 84201

EIN: 435345234

Taxpayer Name: JDD Inc. DBA Rome Athletic Club

RE: Formal Protest to ERC Disallowance for Q2 2020

Tax Period: 2nd Quarter 2020 (202006)

DEAR APPEALS OFFICER:

We write in response to the IRS notice disallowing JDD Inc. DBA Rome Athletic Club's Employee Retention Credit (ERC) claim for the second quarter of 2020. The disallowance letter indicated that "no government orders were in effect" for this period. We respectfully disagree. The following information shows that multiple government orders—federal, state, county, and city—were active during Q2 2020, imposing substantial COVID-19 restrictions on our operations. Furthermore, our business experienced a significant decline in gross receipts for Q2 2020. Accordingly, we believe these facts demonstrate that JDD Inc. meets the requirements for ERC eligibility under both the revenue reduction test and the partial suspension test.

1. COVID-19 Government Orders Impacting Operations in Q2 2020

Below is a detailed timeline of the relevant government orders in effect from April 1, 2020 through June 30, 2020, along with an explanation of how each order partially suspended our business operations. Contrary to the assertion in the disallowance letter, these orders imposed capacity limitations, mandated closures of certain activities, and restricted normal operations throughout Q2 2020.

- **Order Name:** Proclamation 9994 – National Emergency Concerning COVID-19
- **Order Number:** Proclamation 9994
- **Date Enacted:** 03/13/2020
- **Date Rescinded:** Not rescinded in 2020 (remained in effect)
- **Order Summary:** This proclamation declared a nationwide emergency, enabling federal emergency powers to respond to the COVID-19 pandemic.

While it did not itself require businesses to close, it set the stage for subsequent state and local lockdowns and restrictions.

- **Impact on Quarter:** Throughout Q2 2020, our business remained subject to the far-reaching emergency responses authorized by Proclamation 9994. The national emergency designation allowed state and county authorities to implement stay-at-home orders and capacity restrictions that limited our normal gym and athletic operations.
- **Order Name:** California State of Emergency Proclamation
- **Order Number:** Governor's Proclamation of 03/04/2020
- **Date Enacted:** 03/04/2020
- **Date Rescinded:** Not rescinded during 2020 (remained active)
- **Order Summary:** Governor Gavin Newsom declared a statewide emergency in response to the rapidly spreading COVID-19 outbreak. This authorized sweeping public health measures, including the authority to suspend certain laws and implement stay-at-home directives.
- **Impact on Quarter:** During Q2 2020, this ongoing state-level emergency empowered California's health officials to issue restrictive mandates. The continuing state of emergency meant gyms, fitness centers, and similar businesses encountered closure periods or severe capacity constraints.
- **Order Name:** Executive Order N-33-20 – California Stay-at-Home
- **Order Number:** N-33-20
- **Date Enacted:** 03/19/2020
- **Date Rescinded:** 06/15/2021
- **Order Summary:** The statewide stay-at-home order required individuals to remain at their residences except for essential activities or work in critical sectors. Non-essential businesses, including gyms, were generally ordered to close physical locations or operate in minimal capacities (e.g., remote services).
- **Impact on Quarter:** Throughout Q2 2020, we were deemed non-essential in the initial phases and forced to cease normal onsite gym operations. This drastically reduced our ability to provide services, generate membership or class revenue, and utilize staff at full capacity.
- **Order Name:** State Public Health Officer Order (Stage 2 Reopening)
- **Order Number:** Issued 05/07/2020
- **Date Enacted:** 05/07/2020
- **Date Rescinded:** 06/15/2021
- **Order Summary:** California entered Stage 2 of reopening, allowing some lower-risk businesses to resume modified operations (e.g., curbside pickup for retail and manufacturing support). Fitness facilities, however, were

generally classified as higher-risk and largely remained closed under early Stage 2 until later phases.

- **Impact on Quarter:** Even as certain sectors reopened in May-June 2020, gyms in many counties (including Ventura County) were not fully permitted to restart indoor operations. We remained under substantial restrictions and could not conduct our usual fitness classes or host standard gym activities for much of Q2.
- **Order Name:** Ventura County Local Health Emergency
- **Order Number:** Declared 03/12/2020
- **Date Enacted:** 03/12/2020
- **Date Rescinded:** Remained in effect throughout 2020
- **Order Summary:** Ventura County's Public Health Officer declared a local health emergency, permitting the County to enact regulations that mirrored or expanded upon state mandates. It bolstered enforcement of closure orders and capacity limitations on businesses.
- **Impact on Quarter:** In Q2 2020, this county emergency declaration supported county-level rules requiring gyms to remain closed or heavily restricted. Our facility, located in Camarillo, had to comply with these county directives that limited capacity and gatherings.
- **Order Name:** "Stay Well at Home" – Ventura County Order
- **Order Number:** Issued 03/20/2020
- **Date Enacted:** 03/20/2020
- **Date Rescinded:** 06/15/2021 (aligned with state reopening)
- **Order Summary:** This countywide stay-home order mandated that Ventura County residents remain at home unless performing essential activities. Non-essential businesses (including gyms) were directed to halt most in-person operations.
- **Impact on Quarter:** During Q2 2020, our normal gym activities were suspended. No members were allowed to come in to use equipment; classes were canceled or moved online (in a limited format). Staffing was drastically reduced, resulting in a partial suspension of operations under federal ERC guidelines.
- **Order Name:** Ventura County Public Health Order Updates (March–April 2020)
- **Order Number:** Various (03/31/2020, 04/09/2020, 04/20/2020)
- **Date Enacted:** 03/31/2020 through 04/20/2020
- **Date Rescinded:** Superseded by May 2020 orders; not fully lifted until later in 2020

- **Order Summary:** Ventura County extended its initial stay-home directives and tightened business restrictions (e.g., bans on gatherings, social distancing protocols, mandatory masks in essential businesses).
 - **Impact on Quarter:** These updates carried over directly into April and beyond, prolonging the closure of gyms. We were unable to conduct normal operations, events, or classes, and had to remain shuttered or severely restricted for the entirety of Q2 2020.
-
- **Order Name:** “Safely Reopening Ventura County” – Stage 2 County Reopening
 - **Order Number:** Issued 05/07/2020
 - **Date Enacted:** 05/07/2020
 - **Date Rescinded:** 08/31/2020 (transition to State Blueprint)
 - **Order Summary:** The County began a limited reopening consistent with the state’s Stage 2 plan. Certain lower-risk businesses could open with distancing and safety measures. Higher-risk businesses (including fitness centers) remained closed or restricted until further modifications.
 - **Impact on Quarter:** By late May and June 2020, certain retailers were permitted to reopen, but gyms generally were not authorized for standard indoor operations. We could not bring back normal fitness offerings, forcing us to continue a partial closure throughout Q2.
-
- **Order Name:** Ventura County Eviction Moratorium
 - **Order Number:** Urgency Ordinance No. 4563 (03/31/2020)
 - **Date Enacted:** 03/31/2020
 - **Date Rescinded:** Not extended beyond Q3 2020 for commercial (eventually expired)
 - **Order Summary:** This ordinance temporarily prohibited evictions of commercial tenants unable to pay rent because of COVID-19-related financial hardships, enabling struggling businesses within Ventura County to avoid eviction proceedings.
 - **Impact on Quarter:** In Q2 2020, our business used these protections as needed while our revenue dropped. Although the moratorium helped us stay in our facility, it underscored the severity of our revenue loss caused by forced gym closures.
-
- **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 through Q2 2020 and beyond
 - **Order Summary:** Camarillo declared a local emergency, authorizing city-level COVID-19 response measures, including facility closures, cancellation of public events, and enforcement of county/state health rules.

- **Impact on Quarter:** During Q2 2020, Camarillo’s local emergency reinforced the state/county orders that restricted business operations. We had to comply with city building access rules, and city recreational facilities remained closed, reducing overall foot traffic and potential customer activity.
- **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, amended 04/23/2020
- **Date Rescinded:** Eventually expired in line with state law changes
- **Order Summary:** The city prohibited evictions of residential and small-business commercial tenants who could not pay rent due to COVID-19-related income losses.
- **Impact on Quarter:** While we strove to pay our rent, this local protection was critical if cash flow difficulties had worsened. The very existence of these protections highlights that our operations were severely curtailed, leading to reduced revenues in Q2.
- **Order Name:** Camarillo Resolution No. 2020-63 – Temporary Outdoor Dining Program
- **Order Number:** Resolution No. 2020-63
- **Date Enacted:** 06/10/2020
- **Date Rescinded:** Effectively lapsed after statewide restrictions were lifted
- **Order Summary:** This resolution relaxed city zoning rules to allow restaurants to set up outdoor dining. It helped certain businesses operate under distancing requirements.
- **Impact on Quarter:** Although aimed primarily at restaurants, it illustrates the city’s continuing emergency posture in Q2 2020. Our gym remained unable to replicate our core services outdoors at full scale, so we could not benefit from a similar approach.

In summary, the above government orders demonstrate that from April through June of 2020, our business was under a partial or full suspension. Gyms and athletic clubs were among the hardest hit by Q2 2020 restrictions—mandated to remain mostly closed or drastically limited. Therefore, the assertion that “no government orders were in effect” is incorrect. We were indeed subject to enforceable state and local mandates that restricted business operations and caused a partial suspension of our usual activities.

2. Quarterly Revenue Decline Data

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

QUARTER	2019 REVENUE	COMPARISON REVENUE	DOLLAR DECLINE	% DECLINE	QUALIFIES
---------	--------------	--------------------	----------------	-----------	-----------

Q1 2019-2020	\$234.00	\$3,423.00	\$3,189.00	-1362.82%	NO
Q2 2019-2020	\$234,234.00	\$42,134.00	\$192,100.00	82.01%	YES
Q3 2019-2020	\$2,134,213.00	\$2,134.00	\$2,132,079.00	99.90%	YES
Q4 2019-2020	\$4,123,421.00	\$21,342,134.00	\$17,218,713.00	-417.58%	NO
Q1 2019-2021	\$234.00	\$2,134.00	\$1,900.00	-811.97%	NO
Q2 2019-2021	\$234,234.00	\$2,134,123.00	\$1,899,889.00	-811.11%	NO
Q3 2019-2021	\$2,134,213.00	\$421,342.00	\$1,712,871.00	80.26%	YES

As shown in the revenue table above, Q2 2019-2020 indicates a substantial decline of 82.01% compared to the corresponding quarter in 2019, which exceeds the 50% threshold required for 2020 ERC eligibility. These revenue reductions, combined with the impact of government orders described earlier, further substantiate our ERC claim.

3. Supply Chain Disruption Analysis

In addition to the direct impact of government orders, JDD Inc. DBA Rome Athletic Club was also substantially affected by supply chain disruptions caused by government mandates as described in IRS Notice 2021-20, Q/A #12. This provision states that an employer qualifies for the ERC when “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.”

- Our athletic club relies on fitness equipment suppliers and sanitation product vendors to operate safely. Several of these suppliers (particularly those providing specialized disinfectants and cleaning supplies) were deemed non-essential in their local jurisdictions and had to pause operations.
- These supplier shutdowns, directly resulting from government stay-at-home orders, prevented timely deliveries of essential items—especially cleaning

solutions and sanitizers—which were critical to maintaining a safe gym environment during the pandemic.

- We could not pivot to alternate suppliers efficiently, as local or regional sources faced similar orders, and heightened nationwide demand for these supplies made alternatives hard to secure in time.
- Without these supplies, our gym could not meet the stringent sanitation requirements mandated by state and county health authorities, further compounding our partial suspension.

These combined effects of government-ordered closures on our suppliers contributed to operational limitations for our athletic club, reinforcing our ERC eligibility under the supply chain provision.

4. Conclusion and Request

BASED ON THE ABOVE FACTS:

- Q2 2020 brought substantial revenue losses (over 80% decline) for JDD Inc. DBA Rome Athletic Club compared to Q2 2019.
- Multiple enforceable government orders restricted our in-person gym operations, constituting a partial suspension.
- Our supply chain was also disrupted by mandatory shutdowns of key suppliers, making critical products unavailable.

All these factors satisfy the criteria for ERC qualification under the CARES Act and related IRS guidance. We respectfully request that the IRS reverse the disallowance and allow our Q2 2020 ERC claim.

Attestation: “Under penalties of perjury, I declare that I submitted this protest and accompanying documents, and to the best of my personal knowledge and belief, the information stated in the protest and accompanying documents is true, correct, and complete.”

Sincerely,

[Signature]

[Name], Authorized Representative

JDD Inc. DBA Rome Athletic Club

ATTACHMENTS:

1. source_1_govinfo.gov.pdf - Proclamation 9994 – National Emergency Concerning COVID-19
2. source_2_gov.ca.gov.pdf - California State of Emergency Proclamation (03/04/2020)
3. source_3_gov.ca.gov.pdf - Executive Order N-33-20 (03/19/2020)
4. source_4_cdph.ca.gov.pdf - State Public Health Officer Order (Stage 2 Reopening) (05/07/2020)
5. source_5_vcportal.ventura.org.pdf - Ventura County Local Health Emergency (03/12/2020)
6. source_6_vcportal.ventura.org.pdf - Ventura County “Stay Well at Home” Order (03/20/2020)
7. source_7_vcportal.ventura.org.pdf - Ventura County Public Health Order Updates (March–April 2020)
8. source_8_vcportal.ventura.org.pdf - “Safely Reopening Ventura County” Order (05/07/2020)
9. source_9_docs.vcrma.org.pdf - Ventura County Eviction Moratorium (03/31/2020)
10. source_10_cityofcamarillo.org.pdf - City of Camarillo Local Emergency Proclamation (03/13/2020)
11. source_11_cityofcamarillo.org.pdf - Camarillo Eviction Moratorium Orders (03/18/2020 & 04/23/2020)
12. source_12_cityofcamarillo.org.pdf - Camarillo Resolution No. 2020-63 (06/10/2020)