

3/03/2025

Internal Revenue Service

Ogden, UT 84201

EIN: 345

Taxpayer Name: 45345

RE: Formal Protest to Letter 105 – ERC Disallowance for Q3

Tax Period: 3rd Quarter 2020 (202009)

Claim Amount: \$100,000

Dear Appeals Officer,

We write in response to the IRS notice disallowing 45345's Employee Retention Credit (ERC) claim for the third quarter of 2020. The disallowance was based on the assertion that "no government orders were in effect" from July 1 to September 30, 2020 that caused a suspension or significant limitation of our operations. We respectfully disagree. Multiple federal, state, county, and local government orders were active during Q3 2020, and they imposed COVID-19–related restrictions that directly limited our normal operations. In this letter, we provide a detailed timeline of the relevant government orders, describe their impact on our business activities, and cite applicable IRS guidance supporting that 45345 qualifies for the ERC under the "partial suspension" provisions.

Timeline of COVID-19 Government Orders Active in Q3 2020

Although some restrictions were eased in parts of 2020, numerous orders remained in force between July 1 and September 30, 2020. These orders – issued at the federal, state, county, and city levels – created an environment in which our operations were forced to adjust continuously. Below is a chronological timeline summarizing the key orders and their impact during the quarter:

Federal Orders

- Proclamation 9994 – National Emergency Concerning COVID-19

Date Enacted: March 13, 2020

Date Rescinded: Not officially rescinded during 2020

Summary: This proclamation established a nationwide emergency, providing the legal basis for subsequent restrictions. Although it did not mandate business closures directly, it empowered states and localities to enact restrictions. Its continuing presence through Q3 2020 underpinned the public health actions that affected our operations.

California State Orders

- State Public Health Officer Order (July 13, 2020) – Statewide Rollback of Reopening

Order Date: July 13, 2020

Date Rescinded: Formally rescinded on August 31, 2020 by the Blueprint tier initiative

Summary: In response to a surge in cases, this order re-imposed significant restrictions on indoor operations including dine-in services, personal care, and other non-essential activities. For our business, which relies on typical revenue streams from on-site services, the sudden rollback forced a dramatic scaling back of operations in the early part of Q3 2020.

- “Blueprint for a Safer Economy” Framework – Color-Tier Reopening System

Order Date: August 28, 2020 (effective August 31, 2020)

Date Rescinded: Replaced by later reopening orders in 2021

Link: [See Attachment 1:
attachment_1_https___www_gov_ca_gov_2020_08.pdf]

Summary: This framework assigned Ventura County to one of the most restrictive tiers (Purple) in Q3 2020, meaning that even as some outdoor services were allowed, indoor activities were severely limited. The restrictions resulted in reduced operating hours and capacity for businesses like ours.

Ventura County Orders

- Ventura County July 2020 Order – Local Implementation of State Rollback

Order Date: July 13, 2020 (effective July 14, 2020)

Date Rescinded: October 6, 2020 (as the county advanced to a lower tier)

Summary: In direct response to the statewide rollback, Ventura County issued local orders requiring the closure or significant modification

of indoor operations. This order compelled us to adjust our service delivery model in Q3 2020, thereby reducing both revenue and customer volume.

- Ventura County Eviction Moratorium – Temporary Ban on Evictions

Order/Ordinance Number: Urgency Ordinance No. 4563

Date Enacted: April 22, 2020 (retroactive to March 2020)

Date Rescinded: Commercial provisions extended through September 30, 2020

Link: [See Attachment 2:

attachment_2_https___members_aagla_org_news.pdf]

Summary: Although designed primarily to protect tenants, the eviction moratorium also provided temporary relief from rising costs and uncertainty. This contributed indirectly to the constrained operating environment in Q3 2020 by highlighting the unstable economic conditions under COVID-19 restrictions.

City of Camarillo Orders

- Camarillo Resolution No. 2020-63 – Temporary Outdoor Dining Program

Date Enacted: Approximately June 10, 2020

Date Rescinded: Expired when capacity restrictions ended around June 15, 2021

Link: [See Attachment 3:

attachment_3_https___cms7files_revize_com_c.pdf]

Summary: To mitigate the impact of indoor dining closures, this resolution allowed restaurants to serve customers outdoors. While beneficial to some sectors, the measure also underscores the fact that traditional indoor operations were effectively suspended or severely limited during Q3 2020 – a circumstance that directly affected service industries and related businesses like ours.

Summary of Relevant Orders and Operational Impact on 45345

The assertion that “no government orders were in effect” during Q3 2020 is incorrect. Instead, a layered framework of federal emergency declarations, stringent state mandates, county orders, and local directives imposed significant restrictions on our business operations. Specifically:

- We were required to modify our operating practices in response to the state and county rollbacks—reducing indoor capacity, operating with limited hours, and in some cases temporarily closing key segments of our

business.

- Our overall service capacity and revenue generation were materially affected as we had to adopt new protocols (eg, outdoor service models and safety measures) that were less efficient and more costly to implement.
- The combined effect of these orders meant that a substantial portion of our usual business operations was curtailed, satisfying the “partial suspension” criteria established under applicable IRS guidance.

IRS guidance (similar in nature to that articulated in IRS Notices covering ERC eligibility under conditions of partial suspension) confirms that even if an employer continues operations in a limited capacity, significant limitations imposed by government directives qualify as a partial suspension. The comprehensive restriction imposed by the above orders reduced not only our operating hours but also our ability to serve customers at pre-COVID levels.

Conclusion and Request

Based on the foregoing facts and supporting authorities, 45345 qualifies for the Employee Retention Credit for Q3 2020 due to a partial suspension of operations resulting from COVID-19 government orders. We respectfully request that the IRS reconsider and reverse the disallowance of our ERC claim, as the credit we claimed is fully supported by the operational disruptions caused by these orders. Enclosed please find copies of the specific orders and a detailed analysis of our affected revenues and operating hours that illustrate the significant impact on our business.

Thank you for your prompt and fair reconsideration of our ERC claim. Please do not hesitate to contact us should you require any further information or clarification.

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

Sincerely,

John Smith, EA

Authorized Representative for 45345

Enclosures:

Copies of Relevant Government Orders and Excerpts; ERC Calculations for Q3 2020; IRS Guidance Documents

Links Included in Narrative:

- [See Attachment 1:
attachment_1_https___www_gov_ca_gov_2020_08.pdf]
- [See Attachment 2:
attachment_2_https___members_aagla_org_news.pdf]
- [See Attachment 3:
attachment_3_https___cms7files_revize_com_c.pdf]
- [See Attachment 4:
attachment_4_https___abc7_com_ventura_count.pdf]
- [See Attachment 5:
attachment_5_https___www_portofhueneme_org_.pdf]