

## The One Big Beautiful Bill Spells Trouble for ERC Claimants



By [Randall P. Andreozzi](#) , [Samantha L. Gozlan](#), [Robert B. Rowe](#)

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*This post is a continuation of our review of the developments of budget reconciliation 2025 and its product, officially titled the One Big Beautiful Bill.[i] Here's the latest.*

In the early morning on May 22, the House passed the One Big Beautiful Bill 215-214.[ii] Now the Bill is off to the Senate with a July 4 goal to get the package passed.[iii]

This update focuses on the provisions that affect the Employee Retention Credit (“ERC”) for 2020 and 2021. These provisions amend the CARES Act[i] and Section 3134 of the Internal Revenue Code, Employee retention credit for employers subject to closure due to COVID–19.

### Summary of ERC Provisions in the Bill

#### The Bill *Restricts* the Statute of Limitations for Taxpayers:

The bill prohibits any “credit or refund” of any ERC after the date of enactment of the Bill *unless* a claim was filed or

or before January 31, 2024.[iv] This provision retroactively eliminates taxpayers' ability to rely on the normal period of limitations on credits or refunds under Section 6511. So, if a taxpayer filed a timely ERC refund claim after January 31, 2024, and the IRS has failed to process the refund or credit, or if the IRS is currently auditing the claim, the claim is now time-barred under the Bill.

### **The Bill *Extends* the Statute of Limitations for the IRS:**

The Bill extends the statute of limitations for the IRS to assess and collect taxes related to the ERC to six years.[v] This extension gives the IRS the additional time to audit and investigate the vast inventory of all ERC claims.

### **Penalties for Improper Claims:**

The bill introduces increased penalties under Section 6701 for promoters and businesses involved in aiding or abetting improper ERC claims.[vi] Specifically, penalties are set at the greater of \$200,000 or 75% of the gross income derived from providing assistance related to ERC claims.

*We understand how frustrating it has been for many taxpayers to experience significant delays from the IRS regarding legitimate ERC claims—especially when your business is depending on those funds. The professionals at Lippes Mathias are committed to helping you navigate the complexities and work toward the answers and outcomes you deserve.*

*If you've already filed for the ERC but haven't received your refund—or if you're facing delays, confusion, or uncertainty as to what these provisions might mean for you and your business—contact our team today. We're here to help you track your claim, troubleshoot issues, and pursue the funds your business is owed. Please contact the authors or a member of the [Tax Controversy Practice Team](#) and [Tax Planning Practice Team](#).*

[i] Public Law 116-136.

[ii] <https://www.congress.gov/bill/119th-congress/house-bill/1/all-actions?overview=closed#tabs>.

[iii] <https://www.taxnotes.com/tax-notes-today-federal/legislation-and-lawmaking/senators-eye-changes-salt-cap-permanency-tax-bill/2025/05/23/7s7v9>.

[iv] H.R. 1, Report No. 119-106, Sec. 112205(h).

[v] H.R. 1, Report No. 119-106, Sec. 112205(i).

[vi] H.R. 1, Report No. 119-106, Sec. 112205(a).

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**Randall P. Andreozzi**  
Partner | Team  
Leader - Tax  
Controversy



**Samantha L. Gozlan**  
Senior Associate



**Robert B. Rowe**  
Senior Associate



**Justin J. Andreozzi**  
Partner



**Tiffany D. Bell**  
Partner | Office  
Leader, Clarence



**Ronald Faso**  
Director of Business  
Development