

Help! I Owe Taxes!

Thirty bite-sized lessons to get out- and stay out of
IRS tax debt.

Written By Dennis L. Conley

**Certified Public Accountant
Certified Financial Planner®**

Edited By Jena L. Conley

Dennis L. Conley is uniquely positioned to help taxpayers resolve their Internal Revenue Service tax debt. Mr. Conley is both a Certified Public Accountant and a Certified Financial Planner licensee and has over thirty years of experience helping clients resolve IRS tax issues. It is the goal of Mr. Conley to not only help clients find out where they stand today, but to create a road map for clients to rid themselves of IRS debt once and for all, and to take the stress away.

For more information, or to get answers regarding your specific situation, please visit IOweTaxes.com. Mr. Conley can be reached toll free at 1-800-408-3122 for a no obligation consultation, or by email at Dennis@IOweTaxes.com.

Table of Contents

Part One: Getting a letter from the Internal Revenue Service

Page 7- Lesson One: The Dreaded Letter.

Page 9- Lesson Two: But first things first: Let's be sure it's not a scam

Page 11- Lesson Three: Real or fake? Private debt collection notices

Page 13- Lesson Four: And if the notice is real...

Page 15- Lesson Five: You need to be aware that you do have rights

Page 17- Lesson Six: If you need help

Page 19- Lesson Seven: A bit about the big national tax resolution services

Page 21- Lesson Eight: Ok, I checked the notice and I do owe the money, but I can't pay the balance. What now?

Page 23- Lesson Nine: Not all taxes are created equal- The Trust Fund Recovery Penalty is a special kind of penalty

Page 25- Lesson Ten: I haven't gotten the situation resolved and I received a Notice of Intent to Levy from the Internal Revenue Service!!! What does this mean? What is a Levy?

Page 27- Lesson Eleven: What is the difference between a Levy and a Federal Tax Lien?

Page 29- Lesson Twelve: Ok, it's time to organize your finances and find out where you really stand

Page 31- Lesson Thirteen: Contacting the IRS...are you going to do it? Or get help?

Page 33- Lesson Fourteen: What to know if you do decide to get professional help.

Part Two: Doing it Yourself or Getting a Better Idea of What Your Representative Should Do for You.

Page 37- Lesson Fifteen: So, you are making the call yourself

Page 39- Lesson Sixteen: Offer in Compromise: The Basics

Page 41- Lesson Seventeen: Other ways to try to get an Offer in Compromise

Page 43- Lesson Eighteen: If you think you can pay soon, just not today

Page 45- Lesson Nineteen: IRS Installment Agreements- paying in full over time

Page 47- Lesson Twenty: The good news: The Internal Revenue Service doesn't have forever to collect the debt you owe

Page 49- Lesson Twenty-One: But I really don't have any way to even make payments on the debt. What now?

Page 51- Lesson Twenty-Two: If you can pay some of your debt over time, but not all of it

Page 53- Lesson Twenty-Three: Abatement of penalties- reducing or eliminating penalties that are due to IRS

Page 55- Lesson Twenty-Four: Innocent Spouse Relief- When it should be his or her problem, not yours, and how to handle it

Page 57- Lesson Twenty-Five: Taxpayer Advocate Service- A valuable taxpayer resource when all else has failed

Page 59- Lesson Twenty-Six: If you haven't been able to get the situation resolved, you still have the opportunity to appeal the decision.

Page 61- Lesson Twenty-Seven: If you qualify for a Collections Due Process Appeal, this is likely your best opportunity to reach an agreement without having to go to tax court.

Page 63- Lesson Twenty-Eight: If a Collections Due Process hearing isn't right for you and your situation, there are other forms of Appeals that are also worth considering based on your individual situation.

Page 65- Lesson Twenty-Nine: In certain situations, it may be possible to get relief through bankruptcy.

Page 67- Lesson Thirty: And they lived happily ever after

Page 69- Note From Author: Additional Help

Part One: Getting a Letter from the Internal Revenue Service



Lesson One

The Dreaded Letter

Almost no one intentionally plans to not pay the Internal Revenue Service, commonly known as the IRS. But then, life happens. Often, through no fault of their own, tax returns aren't filed, or tax deposits aren't made. Taxpayers begin missing the deadlines to file and pay. For quite some time everything may seem fine. Nobody comes knocking at the door and life is going on as usual. But then one day, it happens. It usually starts with a letter from the Internal Revenue Service. The first letter is friendly, by IRS standards that is. Many people ignore this letter hoping the problem will just go away, but it doesn't. The letters keep on coming, but the letters are not quite as "friendly" any more. Also, as the clock keeps ticking while the letters keep coming and being ignored, you may be losing valuable rights to appeal.

Lesson number one: Never ignore the Internal Revenue Service.

Lesson Two

But first things first: Let's be sure it's not a scam

There are a LOT of scams out there claiming to be the Internal Revenue Service. Whenever you receive anything the first step is to verify that it is a legitimate IRS notice. Remember that the IRS is not going to be making contact with you by email or by social media. They will also not call you threatening to put you in jail, or demanding immediate payment to keep law enforcement from showing up and arresting you. I somehow seem to have gotten on a scammer's list as I personally get one or two of these calls a month, probably from overseas. Several of my clients have called me panicking about receiving these calls, and it makes them feel better immediately knowing that it is a scam and they can safely ignore calls such as these. I am sure that there are more sophisticated scams out there, however I noticed all the scammers who tried contacting me just stated I needed to make a payment immediately, but they did not even know my name. Never give any personal information or send money to these people.

I have received calls which appear to be very serious as the caller identification says it is from Washington DC. Here are two recent sample messages left on my voicemail from area codes 703 and 786 (Florida and Virginia area codes):

"As after audit we found that there was a fraud and misconduct on your tax which you are hiding from the federal government. This needs to be rectified immediately so do return the call as soon as you receive the message. The number is -----."

"There is a legal case filed against your name. This is officer Michelle White from the Internal Revenue Service. This call is officially a final notice from the IRS. The nature and the purpose of this call is to inform you that we have received legal petition notice concerning a tax fraud against you. So, before this matter goes to the federal court house or before you get arrested please call immediately on our department number ***-***-****. Make sure you call us as soon as possible."

Notice that neither call said my name or gave any indication that they know anything about me personally. That is because they are making this exact call to thousands of people. They have no information about you and will not unless you call them and answer their questions. If you do call, they will threaten you, pressure you, and can sound very believable. DO NOT respond to these calls.

Lesson number two: Verify that the address or telephone number you are responding to is a legitimate IRS address and any telephone number is a legitimate number.

Lesson Three

Real or fake? Private debt collection notices

It has recently gotten a bit more difficult to weed out the scam notices because the Internal Revenue Service has started to use private debt collectors to collect delinquent taxes. These people do not work directly for the IRS and are supposed to identify themselves as contractors of the Internal Revenue Service collecting taxes on their behalf. Employees of these collection agencies are required to follow the Fair Debt Collection Practices Act, as described below. These collection people are also supposed to be courteous and respect taxpayer's rights.

According to the Fair Debt Collection Practices Act the IRS is supposed to send a notice to you saying that your outstanding tax debt is being assigned to a private debt collector. You are later supposed to receive a second confirmation letter from the debt collection agency that the transfer has in fact taken place. My concern is that people move, and do not always receive, open, or even understand these mailings. This new collection method will create additional confusion for the taxpayer and give an opportunity for the scammers to come up with new and more sophisticated ways to separate taxpayers from their money.

There are still ways to protect yourself however. Know that the Internal Revenue Service, or a legitimate private debt collector will NEVER demand payment through a prepaid debit card, an iTunes card, or a gift card. While you can make payments to the IRS electronically, do not send these payments to a person giving you instructions over the telephone, email, or social media. If you are going to make an electronic payment to the IRS, go to IRS.gov for current and specific instructions for payment procedures to be sure that your payment is going to the proper place. My personal preference is taking the old school route, which is mailing the payment directly to the IRS by regular mail. The payment should be made payable to U.S. Treasury, and sent directly to the Internal Revenue Service and not a private collection agency or anyone else. When doing this, if there is later a problem with the payment being correctly applied to the outstanding debt, the payment can be traced by following the coding that the IRS puts on cancelled checks. You will also be easily able to physically put your hands on the proof of payments you have made.

We have spent a lot of time about IRS contacts and payments, but it can't be stressed enough that no matter how convincing someone is, never pay by gift cards, prepaid debit cards or anything of the sort to pay any IRS debt.

Lesson number three: Always be one hundred percent sure it is truly the Internal Revenue Service you are making your payments to.

Lesson Four

And if the notice is real...

Do not panic but also do not procrastinate in handling the notice and doing what is necessary to satisfy the IRS. Also, know that you aren't alone. The IRS mails out many millions of notices to taxpayers every year. A notice can come for many different reasons and a lot of the notices are really not a big deal, especially if they are dealt with in a timely manner. Notices can come regarding collections, an audit, as a result of an error on your return, and a whole host of other reasons. Read the notice carefully and try to understand what the intent of the notice is. IRS.gov can be helpful in getting more information on what your letter is about. You can go to IOweTaxes.com to see examples of some of the more common notices. Also, remember that just like taxpayers and tax preparers, it is not uncommon for the Internal Revenue Service to make mistakes. Just because you receive a letter from the IRS, do not just assume the notice is correct. The Internal Revenue Service usually allows ample time to research the issue and respond. You can find the response due date on the notice.

Lesson number four: If you receive a notice, do not panic, but also do not procrastinate.

Lesson Five

You need to be aware that you do have rights

A large percentage of the notices taxpayers receive from the Internal Revenue Service are either partially or entirely incorrect. Do not just automatically pay a bill that you receive from the IRS. Many people just pay the bill out of fear of the government, but this can be a very costly mistake. If you receive a notice or bill from the IRS that you do not agree with or understand, it is important to know that you do have rights. You are entitled to a clear explanation of how the IRS determined that a change should be made. If you do not agree with this explanation, you have a right to be heard by the IRS and to state why you believe they are incorrect. However, it is important to follow the instructions on the notice and respond to all notices timely or you could lose valuable rights to appeal later. State your case clearly and include any documentation that you believe will support your position.

If you disagree with the Internal Revenue Services' determination after stating your case, you still have the right to appeal this decision in an independent forum, separate from who you were dealing with the first time. This appeals process can be very helpful, as it is their job to resolve issues and you are also getting a fresh set of eyes on your situation. You also usually have the right to take your case to court, but again, it is very important to take all necessary steps in a timely manner so that you preserve all of your rights, including the right to go to court without paying the IRS first. We will be looking at specific methods of appealing IRS decisions in part two of this book. For now, you need to know that it is very important to meet all response deadlines in order to protect your rights. Do not miss any deadlines and chance losing your day in court without having to pay the amount the IRS claims you owe first.

Lesson number five: As a taxpayer, you do have rights, but it is very important that you respond in a timely manner to ensure your rights are preserved.

Lesson Six

If you need help

You can call the number listed on the IRS notice if you need help understanding it. You can also try clearing up the issue with this telephone call, especially if it is a simple matter. Be prepared for long hold times before getting through to a live person. Some of the simpler issues can be easily resolved by the taxpayer without the need for professional help. You can also enlist the services of a tax professional to help you with your dealings with the Internal Revenue Service. In order to have someone outside your family deal with the IRS for you, they must be a Certified Public Accountant (CPA), an attorney, or an enrolled agent. An enrolled agent is someone who has passed a rigorous exam with the IRS and has met all the qualifications required to resolve federal tax issues. However, less than ten percent of enrolled agents provide this service. Whoever you choose, you will want to be sure the CPA, attorney, or enrolled agent has experience in dealing with the IRS. We will discuss more about getting help later.

Lesson number six: You must decide whether to try to resolve the issue on your own or to have a qualified tax professional assist you.

Lesson Seven

A bit about the big national tax resolution services

You have seen them on television and heard them on the radio claiming to be able to settle your tax debt for “pennies on the dollar”. From what I understand, it is not technically legal to make these claims, but that doesn't stop a lot of firms from trying to get you to part with your money. Usually the person who is talking with you is a salesperson and not someone who is either knowledgeable or qualified to understand or help you with your issue. Their job is to “close the sale”.

This brings up the question, how do these companies price their services? At this point the person answering your call has listened to your understanding of the issue and may have heard what the IRS notice says. A lot of these services will charge based on the amount of the outstanding tax debt. But does that seem fair, if it takes the same amount of work to resolve a \$25,000 tax debt as it does to resolve a \$95,000 tax debt? At this point, until they have your signed authorization form, they have not researched your situation and cannot know the best resolution for you. Until researching your individual situation, they don't know what needs to be done, and whether it will take two hours to resolve or thirty hours to resolve. How can they price the services appropriately when they do not yet know the work that needs to be done and what will be involved in resolving your situation? It is very important that you hire a reputable service where the professional will do investigation and research of your situation before giving you a price and taking your hard-earned money. I would suggest going to a site such as ripoffreport.com and seeing what, if anything, is being reported about the firm you are considering hiring. While no one can please everybody, seeing a lot of similar complaints should make you think twice. The main concerns of a reputable firm should be about YOU and resolving YOUR problem while keeping you informed throughout the process and keeping you as stress free as possible. **Lesson number seven: Before hiring a tax resolution firm to help you, make sure they have the required credentials and research the firm's reputation.**

Lesson Eight

Ok, I checked the notice and I do owe the money, but I can't pay the balance. What now?

First, and this cannot be stressed enough, do not stick your head in the sand. The Internal Revenue Service is not going to go away until you deal with the situation, so get going now. The first course of action you should take is to make sure that you are current with all your tax filings and that you are compliant, which means you are making your current payments to IRS on time and submitting all tax returns on time and in the required format. Depending on your situation this could require making current years estimated tax payments on a regular basis. Estimated tax payments are payments you make to the government during the year to cover the current year's tax. These payments are usually made when the taxpayer is self employed or retired and is not having adequate withholding taken from their income. The IRS is MUCH easier to work with if you can show you are trying to make the past right, and that your filings are current, and you are presently compliant. Not only will the Internal Revenue Service feel much better knowing that you are taking steps to get your situation under control, but you will feel relieved to face up to your situation and start actively moving forward doing things correctly from this point forward. **Lesson number eight: It is very important to get on the right track and make sure that you are current and compliant with the Internal Revenue Service.**

Lesson Nine

Not all taxes are created equal- The Trust Fund Recovery Penalty is a special kind of penalty

If you are an employer, or someone who may be considered “willful and responsible” for sending in payments to the Internal Revenue Service for taxes withheld from employees’ pay, you may be individually charged with the “Trust Fund Recovery Penalty”, or TFRP. This penalty is also often referred to as “The One Hundred Percent Penalty” as the amount the IRS will penalize you is one hundred percent of the withholding, Social Security, and Medicare taxes you withheld from the check of the employee and did not send in to the government. As you are deemed responsible since you are holding the employees’ money, the IRS takes this very seriously and will not hesitate to take your assets to cover the amount taken from employees’ pay without properly remitting this money. Of course, your best defense to avoid the TFRP is to make sure that all taxes collected from any employee that you could conceivably be held responsible for remitting are properly remitted to the IRS. If it is too late for that, you should make sure any future payments made to the IRS be designated a Trust Fund payment for the specified period so that the IRS is forced to credit the payment where it is most worthwhile to you, and not to them. The IRS, unless specified otherwise, will likely apply payments to penalties and interest first, leaving the amount of any potential recovery from a Trust Fund Recovery Penalty intact.

It is best that early in the process you work to show the Internal Revenue Service, to their satisfaction, that you are not a responsible party and were not willful in not remitting the employee portion of the tax. Know that the IRS will go after the money from each person that they determine to be a responsible party and will get the money from wherever is the easiest for them, and not equally between the responsible parties. The IRS doesn't care where they get the money. They will leave all individuals involved to fight it out amongst themselves after the money is collected.

The actual assessment of a TFRP begins after the IRS has researched the situation and determined who the potentially responsible parties are. The IRS will send out a “Notice of Proposed Assessment of Trust Fund Recovery Penalty.” You will generally have the right to appeal for sixty days from the date of this letter, but you should carefully follow all instructions stated in the letter. It is very important that all time frames be strictly adhered to, in order to retain your rights.

Lesson number nine: The Internal Revenue Service takes trust fund taxes collected but not remitted very seriously. While any amounts due IRS are serious, steps need to be taken immediately regarding trust fund taxes, as the IRS has a track record of swift and severe enforcement in this area.

Lesson Ten

I haven't gotten the situation resolved and I received a Notice of Intent to Levy from the Internal Revenue Service!!! What does this mean? What is a Levy?

If you received this notice, then it is too late to follow the advice from the lessons above, so you must immediately stop procrastinating and take action. If you receive a Notice of Intent to Levy, it is very important that the Internal Revenue Service is contacted right away, as this is very serious. An IRS Levy allows the government to take your property in order to satisfy a debt they believe you owe. This is a required notice that they send to inform you that if appropriate action is not taken to resolve the situation quickly, the Internal Revenue Service may legally seize your property, which includes money from your bank accounts, your vehicles or boats, and any real estate you may own. They may sell them and keep the proceeds and may even take the cash value of any life insurance, rental income, retirement accounts, and other personal items you own. The Internal Revenue Service also has the power to garnish your wages. They can inform your employer of a garnishment and the employer will have no legal choice but to send wages you earned to the IRS instead of paying the money directly to you.

You should be aware that the Internal Revenue Service will usually only actually levy your assets after they have assessed the tax to you, sent you a tax bill in which and you have neglected or refused to pay the tax, and then sent out the Notice of Intent to Levy along with a Notice of your rights to a hearing at least thirty days beforehand. Even though the notice gives thirty days, you should get to work on the situation immediately as it often takes time to resolve the issue. The IRS can send the Notice of Intent to Levy by certified mail to your last known address, give the notice to you in person, leave it at your home or at your place of business. We will be discussing different approaches to resolve the situation depending on the specific circumstances in part two of this book.

Lesson number ten: If you receive a Notice of Intent to Levy and your right to a hearing, it is imperative that you act quickly, because if you don't act timely, not only can you lose valuable rights, but the Internal Revenue Service can legally begin taking what you own without any further notice to you.

Lesson Eleven

What is the difference between a Levy and a Federal Tax Lien?

As we discussed in the last lesson, the Internal Revenue Service can actually take your property with use of a levy. A lien on the other hand does not actually take what you own. A lien protects the government's interest in all your property when you have outstanding tax debt. A lien attaches to all your assets, including, but not limited to, your vehicles, securities, and any real estate you own. The lien also attaches to anything else you acquire during the life of the lien, even if you don't own the asset at the time the lien is issued.

The IRS files a public document called a Notice of Federal Tax Lien to let creditors know that the government has an interest in all your property. This can hurt your ability to get credit. While there are several actions that can be taken to possibly minimize how much the lien affects you, the best option by far is to pay the IRS in full amounts owed to them. The Internal Revenue Service is supposed to release all liens within thirty days of a tax debt being paid in full. We will be discussing bankruptcy further in part two of this book, but it should be noted that depending on the specific situation, even bankruptcy may not erase your tax debt, and the Notice of Federal Tax Lien may continue even after bankruptcy.

Lesson number eleven: A Federal Tax Lien protects the government's interest by attaching to all your present and future assets, and lets the public know the government has rights to your assets.

Lesson Twelve

Ok, it's time to organize your finances and find out where you really stand

This is where I put my financial planner hat on. What you are going to read next is a very important step in the process, but one that is often left out. Once you have determined that you do owe the Internal Revenue Service money, the next step is to not panic but to find out where you really stand right now, financially speaking. You will need this information to determine what to do next (and, as I often hear, running away overseas is not the best option). Remember, the ultimate goal is not just to get past this financial crisis, but to put yourself in a position where you never have to deal with this again. This will involve figuring out where you stand today financially and then begin to do proper planning for the future. This exercise I suggest is not only good for resolving IRS debt, but is also very helpful to keep current in budgeting for future life goals.

First, you will get four sheets of paper. On the first sheet, you will list all the money you have coming in from all sources. For the purpose of dealing with the Internal Revenue Service, I would prepare this on a monthly cash inflow basis. You may also want to prepare this on an annual basis later, for longer term planning purposes.

On the second sheet, you will list all the cash you have going out, again on a monthly basis. Remember to not only include rent or mortgage payments, but also food, gas utilities, health insurance, car payments etc. and make your best estimate of all other necessary expenses you have over the course of a month.

On the third sheet of paper, you will list everything you own, at the estimated value today.

On the fourth sheet, you will list everything you owe, and include the monthly payments you make on these debts. These monthly payment amounts should also be listed on your second sheet for cash outflows. Also include the number of months remaining on each debt if possible, for your future reference.

Now, look at the sheet showing what you own, especially the cash you have on hand and in banks. This should give you a starting point of what you can pay the IRS today.

After getting the total money coming in from your cash inflow sheet and subtracting the total from your monthly cash outflow sheet, you should now have a better idea of how much you have available to pay the IRS on a monthly basis, if anything. You will see in later chapters that this is a simplified method that is still similar to how the IRS approaches determining payment agreements. Having this information going in will be very valuable, as it puts you way ahead of most taxpayers when they begin discussions with the Internal Revenue Service.

Lesson number twelve: To know where we are going with the IRS, we first have to know where we stand financially today.

Lesson Thirteen

Contacting the IRS.....are you going to do it? Or get help?

Now that you have taken time to analyze your notice to get an idea of why the Internal Revenue Service contacted you, and you have gotten a good idea of where you stand financially, it is time to decide whether you are comfortable handling this yourself or if you would rather enlist the help of a tax professional.

One of the main considerations is the complexity of the matter, and your level of understanding, competence, and patience when going back and forth with IRS personnel. When dealing with your case yourself, you will find that patience and being able to calmly explain the same thing several times without getting frustrated to be very helpful. Also, be prepared to have long hold times so do not make the call when your time is limited.

Obviously, another main factor in the decision of whether to do it yourself or to seek professional help is the cost. When contacting a professional to ask for help, be very wary of anybody who gives you a cost for IRS help without knowing and understanding the issues involved, as there are many "services" who will give you a price for taking care of your work but keep coming back with "add ons" which are necessary for them to finish taking care of your situation. I believe it is in your best interest to give a tax professional all the information you have regarding the issue, so they can quote you a fair, flat fee to resolve the issue for you. Be sure to share all information truthfully if you use a professional as it is next to impossible to adequately help someone who will not fully answer questions. The purpose of a tax professional requesting you fully share your personal situation is not to be judgmental but to be able to fully assess all avenues that may be available to best deal with the IRS. **Lesson number thirteen: The importance of your decision on who is going to work with the Internal Revenue Service to resolve your situation, whether it is you or a tax professional, cannot be overstated. Think your decision through carefully but do take action because the clock is ticking.**

Lesson Fourteen

What to know if you do decide to get professional help.

While there can be no guarantees as to the ultimate results, you want to be sure that your tax professional will stay by your side through the final resolution of your current situation. As I mentioned, I believe that a flat fee for services is in your best interest, with excluded services, if any, specified up front. I would personally not be comfortable paying on an hourly basis unless I had a prior history with this professional. Paying on an hourly basis for tax representation services is pretty much like giving a blank check to the professional. You do not want to be saddled with a second large, unexpected bill to add to your current situation. If your situation has too many variables so that getting a flat fee quote is not possible, at a minimum, you should get a range of fees and the terms so that you have a cap on how much it will cost to have the situation resolved.

In order to get the best possible results, the professional will likely have to ask you many questions over several conversations as your case progresses. Even though you are hiring someone to deal with the Internal Revenue Service for you, you still will have to be a part of the process. It is also very common for the process to be “hurry up and wait”. The IRS will require a response quickly, so there will be a lot of activity in a short period of time and then you may not hear anything for several weeks or even months once it is the IRS’s turn to respond.

Lesson number fourteen: When working with a tax professional, expectations on both sides need to be set in advance, and even with a professional on your side, patience will be required as it will usually take time to fully resolve your situation.

Part 2: Doing it Yourself or Getting a Better Idea of What Your Representative Should Do for You.



Lesson Fifteen

So, you are making the call yourself

The first thing you will need to do is to create a file to document all telephone conversations and all correspondence with the Internal Revenue Service. When you call the telephone number at the top of your notice be ready for the IRS representative to give their name and employer identification number as soon as they answer your call. Make sure to write the employee name and number down, as well as the date and time of the call. Sometimes they give this information very quickly, and you may have to ask them to repeat it, but this could be important later if there is an issue. Just as with most things in life, you will find some representatives to be very friendly, patient, and helpful, and others to come across with a bad attitude and try to rush you off the telephone while just doing the bare minimum towards helping you resolve your issue. When talking with a representative of the IRS it is best to remember that on the other end of the telephone is a person who is just doing his or her job and is constantly talking with unhappy and complaining callers day after day. I have found that I get the best results by being friendly and organized, having notes in front of me, and making sure that all major points are covered during the call without allowing the representative to rush me off the telephone. Although not all that common, in the best case scenario all outstanding issues will be resolved during this initial call. If not, you should have a clear understanding at the end of the call as to what action you should take next. Even if you believe the situation is resolved, be sure to keep notes of the entire call and what the representative told you, as this will be important if your case doesn't go through the system cleanly and conclude as expected.

Lesson number fifteen: Before speaking with Internal Revenue Service representatives, have notes in front of you to remind you of everything you hope to accomplish on the call. Be friendly and organized and be sure to keep accurate notes of every telephone call and all correspondence with the IRS.

Lesson Sixteen

Offer in Compromise: The Basics

When you hear that pitch on tv and radio about settling the amount of tax you owe for far less than the total balance due this is what they are talking about- the Offer in Compromise or the OIC. The main thing that you need to know is that getting a successful Offer In Compromise through the Internal Revenue Service is not nearly as easy as the advertisers make it sound when giving you the sales pitch. In fact, far less than one half of one percent of cases are resolved using the OIC, and this will most likely not be the way your situation is resolved either.

When the Internal Revenue Service considers an Offer in Compromise it is really a business decision on their part. The most common form of Offer in Compromise is a “doubt as to collectability” of the debt on the part of the IRS. In order to qualify for an OIC under “doubt as to collectability” you have to be able to show the IRS that it is in the best interest of the government to accept less than is owed, because it is better to get something now rather than the possibility of getting little or nothing later. You show this by filling out a lot of paperwork showing that you have very few assets and what you do own cannot be easily converted into substantial cash. You also have to give the IRS details of all sources of money coming in to you and all your expenses going out. The IRS is also going to request at least three months bank statements from all accounts that confirm the information you are supplying them. From this information the IRS adheres to strict formulas as to what the minimum acceptable offer is. Submitting an Offer in Compromise based on “doubt as to collectability” is one of the very few times in life when it is best to have few or no assets and no additional income coming in over the basic amount required to survive. The taxpayers most likely to qualify for an OIC would be older, retired taxpayers on a fixed income as well as the very sick or disabled taxpayer.

Lesson number sixteen: Having an Offer In Compromise accepted is much more difficult than most people have heard. However, in cases where there are few assets, very little income- especially when you have an ability to borrow money from family or friends, or be gifted money to offer The Internal Revenue Service, this could be a great alternative to get a fresh start with the IRS.

Lesson Seventeen

Other ways to try to get an Offer in Compromise

A second, lesser used form of requesting an Offer in Compromise is filing a “doubt as to liability” offer. This can be done when there is a legitimate dispute as to either the existence of or the amount of an Internal Revenue Service debt. Using this method, you should not be working with other branches of the IRS to resolve the dispute. You will need to give the IRS a written statement explaining why you believe the tax debt (or a portion of the debt) is invalid. The offer when filing a “doubt as to liability” should be for the amount you believe should be actually due.

For completeness, there is also a third type of Offer in Compromise, however it is one I have never seen or even heard of anyone using in actual practice. The IRS refers to it as “Exceptional Circumstances” (Effective Tax Administration). With this request you are saying that you do owe the money and that you also have the money to pay the debt, but due to exceptional circumstances, requiring full payment to the IRS would create a hardship or would be unfair and inequitable. You then give a written statement explaining the special circumstances. This explanation had better be good because it would be a huge task to convince the Internal Revenue Service to allow you not to pay a debt you not only agree with but also have the money to pay. The following lessons will give you far more likely but lesser advertised options of getting beyond your IRS debt. **Lesson number seventeen: While there are many ways to approach getting beyond tax problems with the IRS, the automatic one that most people think of is the Offer In Compromise, in its various forms. While getting an OIC accepted is possible, the OIC is also one of the least likely ways to have your debt situation ultimately resolved.**

Lesson Eighteen

If you think you can pay soon, just not today

If you can't pay the balance due today but think you will be able to make the payment soon after you've organized your finances, taking care of the situation may be as easy as calling the Internal Revenue Service, answering a few basic questions, and letting them know you plan to pay the balance due very soon. They will normally put a note in your file and collection action should stop during this period, giving you a little time to come up with the money. Do understand though that penalties and interest on the full amount owed will continue to be added to the amount due until the balance is paid in full.

It is much easier to deal with a balance due that is under \$10,000. Usually you can just call IRS and tell them you want to start paying on an installment agreement when a balance due is under \$10,000. However, it is important that you realize that you will continue to be charged penalties and interest on the outstanding balance until the debt is completely paid off. The Internal Revenue Service also charges additional fees to set up installment agreements. Also, a late or missing payment on an installment agreement can void the agreement and collection efforts from the IRS can begin all over again so it is very important to pay as you agree. It is in your best interest to pay the full balance due to the IRS as soon as possible.

Lesson number eighteen: Keep the IRS informed of your situation, and pay the balance due as quickly as possible

Lesson Nineteen

IRS Installment Agreements- paying in full over time

Yes, the Internal Revenue Service allows you to pay over time but it does come with a significant cost. First, with some exceptions, such as being a low income taxpayer, the IRS charges a user fee for you to set up an installment agreement. Secondly, as previously noted, it cannot be stressed enough that you continue to pay penalties and interest on money owed to IRS, so it is best to get this debt cleared up as soon as possible. It is usually cheaper to borrow the money from some other source and to pay IRS in full. Besides the additional financial costs, depending on the balance due, the Internal Revenue Service may be asking a lot of detailed questions of you. You can expect their inquiry to include questions about your income sources and expenses as well as questions regarding your bank account information. Many people do not realize that when they give the IRS this information they are making the job of the IRS much easier because, if you later do not keep to the terms of your payment agreement, you have told them where they can go to get the money to pay off your debt. We will discuss IRS levies and garnishment in more detail later, but for now it is important to understand why the government is asking for this information from you.

The IRS will allow you to set up payment plans either online, by telephone, or by filling out certain forms. The IRS has been encouraging setting payment plans up online and may have a reduced user fee when setting up the plan this way. The amount of your payment will depend on how much you owe and can often be stretched out over a six year period, but again, those penalty and interest costs keep piling up. If you later find you cannot pay the IRS as agreed, it is very important that you stay in close touch with them and keep them fully aware of your situation so that you can try to avoid the government taking enforcement action on your outstanding debt.

Lesson number nineteen: It is usually better to find other places to borrow money to get the Internal Revenue Service paid in full. However, if you do need to get an installment agreement with IRS, be sure to follow the terms of your agreement exactly, in order to avoid IRS enforcement action, including wage garnishments and levies.

Lesson Twenty

The good news: The Internal Revenue Service doesn't have forever to collect the debt you owe

Yes, it is true that there is a statutory expiration date for the Internal Revenue Service to collect debts from taxpayers. Generally, there is a ten year statutory period that the IRS has to collect tax debts before the IRS is forced to write off any balance still owed. This expiration date is actually a double edged sword though, because in the final years and months before the statute ends, the IRS is likely to become much more aggressive to try to collect the tax before the statute runs out. The ten years doesn't start until the later of the due date of the tax return, or when the return has actually been filed, and if you don't pay in full, a bill is issued. The day on the initial notice starts the ten year countdown toward the "Collection Statute Expiration Date" or "CSED". Ten years is a long time to try and wait out the IRS and to constantly be concerned about what types of enforcement action they are going to use to gain compliance and get payment of the debt. Additionally, there are many events that will temporarily stop the ten year collection period from running. For example, these include filing an Offer In Compromise, bankruptcy, being out of the country for six or more months, filing an appeal of the IRS debt, suing the IRS, or voluntarily agreeing to extend the ten year period. I highly recommend speaking with a professional before you agree to extend the ten year period, no matter how much the Internal Revenue Service tries to convince you it is in your best interest.

Lesson number twenty: It is usually in your best interest to either pay the IRS as soon as possible or to agree to a payment arrangement with the Internal Revenue Service. Ten years or more is a long time to try to wait out the IRS, while always having to be worried that the Internal Revenue Service could levy your bank account or garnish your wages at any time after giving you a Notice of Intent to do so.

Lesson Twenty-One

But I really don't have any way to even make payments on the debt. What now?

If your situation is such that making even a partial payment toward the outstanding debt would create a severe hardship, it is possible that you could qualify for “Currently Not Collectible” or “CNC” status. While this status does not eliminate your debt, it puts collection activities of the Internal Revenue Service on hold for a period of time. During this time, levies are stopped, as well as threatening letters and other types of collection enforcement, giving you an opportunity to breathe and get your financial house in order. The tax debt does not go away, and penalties and interest continue to accrue while in CNC status, but you will get a break from enforcement action during this period.

Of course, it isn't as simple as just telling the IRS you can't afford to pay. You are going to have to prove it to them. This is one of those places where the information you gathered in lesson number twelve will come in handy. In order to get Currently Not Collectible status approved, you can expect the Internal Revenue Service to be very nosy and ask a lot of questions about you and your life. You will be required to have forms filled out explaining all sources of your income including wages, investment income, rental income, self employment income, farming income, and more.

You will then be required to give the IRS all of your expenses, including estimated costs of housing, utilities, transportation, medical costs, food, clothing, and other costs. They compare your costs to local or national standards to determine the expenses they consider allowable for their calculations. They will also probably be asking for several months bank statements to verify the information you are providing, as well as to see where all your money is going. They will not appreciate seeing expenses for entertainment or liquor for example, as they will believe this money could have been put toward paying your IRS debt. It is your job to show them that after considering all your income and subtracting necessary expenses they allow, there is very little, or no money left over to pay your IRS debt at this time.

The good news is that if you are able to get into Currently Not Collectible status, the ten year statute expiration we discussed in the last lesson continues to run. You will be expected to keep all your current tax filings and liabilities with the Internal Revenue Service current or else you run the very real risk of them terminating your CNC status. You can also expect they will be taking a look at your tax returns each year to see if your financial situation has improved and determine if it may be appropriate to remove you from Currently Not Collectible status. Also, a year or two down the road, it is likely the IRS will be once again requiring current financial information from you to see if your situation has improved enough to begin making payments. If you are removed from CNC status, you are back to negotiating other payment arrangements with the IRS, but at least you will be that much closer to the Collection Statute Expiration Date when you are forced to consider your other options.

Lesson number twenty-one: While both penalties and interest continue to accrue while in Currently Not Collectible status, getting into CNC status can be an excellent option for some taxpayers, and while in CNC status, the Collection Statute Expiration Date continues to run.

Lesson Twenty-Two

If you can pay some of your debt over time, but not all of it

If you are able to make some payment on your debt over time, it is possible that you can convince the Internal Revenue Service to accept a Partial Pay Installment Agreement (PPIA). You will again have to give the Internal Revenue Service a lot of personal information, including what you own, and all your sources of income and your expenses. Your goal with a PPIA is to pay the IRS something every month, but this amount will not pay off your total debt before the Collection Statute Expiration Date. If you have little in terms of assets to currently pay off the debt, then the IRS may work with you on an agreement that you can live with that will give the IRS something on a monthly basis and will stop collection enforcement activities. The calculation is much like the Currently Not Collectible status discussed in lesson number twenty-one, except this calculation will go a long way toward determining your monthly payment amount. A Partial Pay Installment Agreement is in some ways more like a negotiation, with you having to make the first move. Expect the IRS to ask you how much you are able to pay even before they get financial information from you. After they get your financial information, which could happen over the telephone, they will tell you their calculation of your minimum payment if it is more than you have already suggested you can pay. It is very important to make sure the IRS has included all of your allowable expenses in their calculations, as this directly affects the amount of your payment, on a dollar for dollar basis.

Once you have a payment plan in place, it is very important that you make all agreed payments on time, or the IRS can cancel the agreement. It is also important to understand the IRS is supposed to look at your financial situation again in two years and evaluate whether your financial situation has improved and see if you can pay a higher amount. As the IRS has limited resources available, this does not always happen. The longer you can keep paying a low amount as you close in on the ten year Collection Statute Expiration Date the better, but you need to understand the IRS has the right to revisit your PPIA after two years to see if your financial situation has changed.

Lesson number twenty-two: Much like Currently Not Collectible status, with a Partial Pay Installment Agreement both penalties and interest continue to accrue. While in PPIA status, the Collection Statute Expiration Date continues to run, and it is possible for the CSED to expire during this agreement, relieving you of the remainder of the balance due to IRS.

Lesson Twenty-Three

Abatement of penalties- reducing or eliminating penalties that are due to IRS

Penalties are often a large part of the balance due to the Internal Revenue Service. If you are in this position, know that it is very possible to get these penalties reduced or eliminated, depending on the situation. It is good to become familiar with the term “abatement of penalties”, as this is often the term used when requesting the removal of penalties with the IRS.

Rather than not making estimated tax payments when due, the three most common reasons that a taxpayer gets a notice which includes a penalty are 1) failure to timely file a tax return 2) failure to timely pay taxes, and 3) an accuracy related penalty because the IRS believes you filed an inaccurate return.

To be successful in the abatement of penalties, it must be established to the satisfaction of the IRS that you had reasonable cause. The IRS is much more lenient, and you have a much better chance of success with a penalty abatement if this is the first time you have requested an abatement, and you are otherwise current and compliant with your IRS filings.

In order to establish reasonable cause, you must show that you acted with reasonable care and it was a situation beyond your control that resulted in the penalty being assessed. There are a lot of different reasons that a taxpayer can have that can establish reasonable cause. Some of the more common are death or serious injury, including death of an immediate family member, incapacitation, an extended absence that was unavoidable, fire, hurricanes, and other natural disasters (especially when the taxpayer is in an official disaster area), being ignorant of the law, and relying on erroneous advice from the IRS or a tax professional. The better documentation you can provide when you state your case will improve your chances of ultimate success because the abatement request can often come down to a judgement call. It is for this reason that even if your abatement request is initially denied, a taxpayer should consider appealing the decision. We will be discussing the appeals process in future lessons. **Lesson number twenty-three: Penalty assessments can represent a large portion of an amount owed to IRS, but before accepting the amount that IRS says is owed, consideration should be given to establishing reasonable cause to attempt to have the penalties abated.**

Lesson Twenty-Four

Innocent Spouse Relief- When it should be his or her problem, not yours, and how to handle it

Married couples often elect to file tax returns with a "Married filing jointly status" because of the tax benefits they would otherwise not be entitled to if they are separately. However, this status also means that both individuals are "jointly and severally liable" for all taxes, penalties, and interest due. This means that the Internal Revenue Service can come after either person on a joint return for the entire balance owed. This remains true even if in the future the couple divorces. You also can't avoid this liability just because your divorce decree states that only your former spouse is liable for any additional tax, penalties, and interest. The IRS is going to try to collect the entire balance owed from whoever they can and then leave it up to the taxpayers to fight it out amongst themselves later.

However, it is possible that with appropriate documentation a taxpayer can qualify for "innocent spouse relief" when your spouse or former spouse omitted income on the return, or deductions or credits are improperly taken on the tax return. To accomplish this, you would have to show that it is due only to your spouses erroneous items. You will also have to show you did not know, and could not have been expected to know, about these items that were incorrectly reported or omitted from the return. You also have to establish that, when taking all the facts and the circumstances into account, it would not be fair to hold you responsible for the additional tax.

You can also possibly qualify for "separation of liability relief" in certain circumstances when items were not properly reported on a joint return. To qualify, you must not have had knowledge of the additional items when you signed the return. If you qualify under separation of liability you will only be responsible for the amount, if any, of additional tax, penalties, and interest specifically allocated to you. To qualify for separation of liability, you must be divorced, legally separated, or widowed, or not have lived with the person you filed the joint return with for at least a year before the date you request this relief.

It is also possible to obtain "equitable relief" if you can show through facts and circumstances that it would be unfair to hold you liable for taxes, penalties, and interest. Here, the IRS can be surprisingly understanding in situations of spousal abuse or a financially controlling spouse.

It should be noted that if you request innocent spouse relief, the other spouse will be notified that you are making this request. They will also be able to participate in the process and will be notified of the ultimate decision and the other spouse will also have appeal rights.

Lesson number twenty-four: You should consider requesting innocent spouse relief if you become aware of taxes, penalties, and interest due for which you believe that only your spouse or former spouse should be held responsible.

Lesson Twenty-Five

Taxpayer Advocate Service- A valuable taxpayer resource when all else has failed

There are times when you have called and written, and tried to do all the right things, but the IRS system has just broken down, or you can't get anyone to properly understand the issue. While this isn't for every situation, the Taxpayer Advocate Service (TAS) may be able to help. The TAS is an independent organization within the Internal Revenue Service. Congress created the TAS for taxpayers who need special assistance after normal remedies have failed. The job of the TAS is to assure that all taxpayers are treated fairly and that all taxpayers understand their rights. The Taxpayer Advocate Service has offices in every state as well as the District of Columbia and Puerto Rico.

The TAS may be helpful in resolving your situation when you have tried to resolve the problem through the normal procedures of the Internal Revenue Service but the process has broken down. The TAS may be helpful if the taxpayer is experiencing some financial difficulty, an emergency, or a hardship that will get worse if your situation with the IRS isn't resolved quickly. Examples would be upcoming levies or placement of liens by the IRS. The Taxpayer Advocate may be able to help speed up or redirect a case through the system. The Taxpayer Advocate Service may also be helpful when a taxpayer is presenting a unique set of facts and circumstances and is having a difficult time getting the IRS to listen.

Besides calling the Taxpayer Advocate Service, you also have the option of filling out an IRS form 911 "Request for Taxpayer Advocate Service Assistance". This form can be mailed to the Internal Revenue Service, but the quickest way to get it to the IRS is by fax. You can find the appropriate fax number at IRS.gov.

The services offered by the Taxpayer Advocate Service are totally free to the taxpayer. If the situation qualifies for the help of the TAS, a Taxpayer Advocate will be assigned to your case and will be with you every step of the way, working with both you and the IRS to help get your situation resolved.

Lesson number twenty-five: You should consider seeing if you qualify for help through the Taxpayer Advocate Service when, despite all your best efforts, you are not able to get the Internal Revenue Service to work with you to get your situation resolved.

Lesson Twenty-Six

If you haven't been able to get the situation resolved, you still have the opportunity to appeal the decision.

If you haven't been able to get things taken care of, or had problems getting people to listen, appealing the decision is yet another great way to get a fresh set of eyes and perspective on your situation. If you disagree with the findings of the Internal Revenue Service, you have the right to file a formal written protest with the Office of Appeals with the IRS. The Office of Appeals is independent from the core functions of the IRS, to help ensure that you are getting an unbiased, fresh look at your situation. The Office of Appeals has been able to resolve a majority of the cases that come before it, without the need for going further and taking the case to court. However, if after you go through the appeals process, and you are still not satisfied with the determination, you do still usually have the right to take your case to court if you choose.

There are many requirements to filing an appeal, which generally must be filed within thirty days of receiving your IRS notice that offers you the right to appeal. Some of the main information the IRS is looking for you to include in this appeal letter is a list of each item you disagree with and the reasons for your disagreement. The IRS also wants to know the facts that support your position as well as the law or authority you are using to support your position. It is very important to have organized records to support your position. If the total amount of taxes and penalties due for each tax period is relatively low, currently \$25,000 as of this writing, you may qualify for a "Small Case Request", however the main information the IRS looks for is still the same. It is also very important to exactly and timely follow the instructions on the notice you receive to ensure all your rights are preserved. Although the time frame for appeals greatly varies, you can generally expect to hear from someone in appeals within sixty days. You should be using this time to bolster your case in every way and to be sure you can clearly explain your situation. Remember that you should NOT sign any agreement forms the Internal Revenue Service sends to you if you are planning on appealing the decision.

Lesson number twenty-six: If you receive a notice that offers you the right to appeal, this is a great opportunity to get a fresh set of eyes on your situation in order to come to an agreement and get the situation behind you. Follow all the instructions on the notice in a timely manner to preserve all your rights.

Lesson Twenty-Seven

If you qualify for a Collections Due Process Appeal, this is likely your best opportunity to reach an agreement without having to go to tax court.

After you have received a “Notice of Federal Tax Lien Filing and Your Right to A Hearing” or “Notice of Intent to Levy and Notice of Your Right to A Hearing”, you now have what will probably be your best opportunity to reach an agreement short of going to court. You now have an opportunity for what is called a “Collections Due Process Appeal” (CDP appeal). You only have thirty days to request this hearing though without losing some valuable rights, so make sure you mail any correspondence Certified Mail, return receipt requested, and keep good track of all communication with the Internal Revenue Service for proof of timely action on your part. Once you have responded timely and followed all the rules, don't expect the IRS to act nearly as timely as you were required to act. However, you can actually use this time to your benefit to get all your financial documents and a workable plan together because you can expect the IRS to be requesting a lot of information from you, including your personal financial situation as we discussed in lesson twelve.

You request a Collections Due Process Appeal by timely filling out Form 12153 with the Internal Revenue Service. Your hearing will be heard by an independent appeals officer who is trained in settling cases, as opposed to collecting taxes due, which is a huge advantage to you. The cases are normally heard by telephone. However, if your circumstances are unusual, or you believe that a hearing officer may be more sympathetic to your situation with a face-to-face conference, you do have that right. Requesting a CDP hearing, besides the advantage of buying you time to get your situation better under control, will usually temporarily stop enforcement activity for the tax periods that are being appealed, with a few unusual exceptions. This stoppage of enforcement activity does come at a cost though, as during this time the Collection Statute Expiration Period also ceases to run. One major consideration you should have before deciding to request a CDP hearing is how soon your CSED date is approaching. Although it is separate for liens and levies, you are only entitled to one CDP hearing per year for each type of tax owed, so be prepared the first time, and make your hearing count! If you are still not able to come to an agreement after your hearing, a Notice of Determination is issued, but you still have the right to take your case to tax court.

Lesson number twenty-seven: A Collections Due Process Hearing is a great opportunity to come to an agreement with a hearing officer from the IRS who is trained to settle cases instead of going to tax court. It is very important to follow all instructions timely to preserve your rights.

Lesson Twenty-Eight

If a Collections Due Process hearing isn't right for you and your situation, there are other forms of Appeals that are also worth considering based on your individual situation.

Another form of hearing you may want to request from the Internal Revenue Service is referred to as an “equivalent hearing”. It is very close to a Collections Due Process Hearing, as discussed in the previous lesson, with a couple important exceptions. First, the Collection Statute Expiration Date (see lesson twenty) is not extended with an equivalent hearing. Depending how far out your CSED date is, the ten year clock continuing to run is one valid reason to consider requesting an Equivalent Hearing as opposed to a CDP Hearing. However, since the clock does not stop running, the IRS does not have to stop collection activities during this time, although in practice they often do. A disadvantage of an Equivalent Hearing as opposed to a CDP hearing is if you do not agree with the outcome of an equivalent hearing, you lose your judicial appeal rights.

Besides the clock continuing to run with an Equivalent Hearing, another potential advantage as compared to a CDP Hearing is the time you have to request an Equivalent Hearing. Unlike a CDP Hearing, if you miss the thirty day window discussed in the last lesson, you have up to a year to request a CDP hearing. You request an Equivalent Hearing by filling out IRS form 12153, the same form used to request a Collections Due Process Hearing, but for an Equivalent Hearing you also must check the box on the form marked “Equivalent Hearing”.

Yet another form of Appeal that is useful in certain situations is a “Collection Appeals Program”, or “CAP”. A CAP can come in handy when it is necessary to speed up the process, because when a CAP Appeal is filed, it is a requirement to have a meeting within two business days. The CAP Appeal is usually used in levy situations. One restriction when using this type of appeal is that an amount due cannot be contested through a CAP Appeal. Also, the decision made in a CAP Appeal is binding on both the taxpayer and the Internal Revenue Service with no rights to judicial review. To make a Collection Appeals Program Request you fill out Form 9423 with the IRS.

Lesson number twenty-eight: If a Collections Due Process Hearing is not the right avenue for you to take, an Equivalent Hearing or a Collection Appeals Program Hearing should be considered.

Lesson Twenty-Nine

In certain situations, it may be possible to get relief through bankruptcy.

I am surprised how often people ask me the question if they can avoid paying a tax debt through bankruptcy. The short answer is, "Possibly". A discharge of tax debts in bankruptcy is subject to many rules and exceptions, and a bankruptcy attorney could write a book and still not fully answer this question. If you are considering the possibility that bankruptcy may be an appropriate option in your case, it is very important that you contact a qualified bankruptcy attorney with knowledge of Internal Revenue Service tax laws. Further, not all tax debts can be discharged through bankruptcy. For example, the trust fund recovery penalty, as discussed in lesson nine, is one common question I am asked about. This penalty cannot be discharged through bankruptcy because the IRS has determined that you were a responsible person for holding and remitting this money for another person.

Some of the requirements generally required for a tax to be discharged in bankruptcy include:

- 1) The due date of the return in question must be at least three years ago.
- 2) The tax return was actually filed at least two years ago.
- 3) The tax was assessed at least two hundred forty days ago.
- 4) The filed tax return was not fraudulent.
- 5) The taxpayer is not guilty of tax evasion.

It is possible that some taxes may qualify for discharge through bankruptcy while other taxes will not be dischargeable and will stay with you even after bankruptcy. If you feel that bankruptcy may be an option for you, organize all tax correspondence and all filings with the IRS, along with your personal financial situation, preferably in a format similar to the one we discussed in lesson twelve, and take this to a reputable bankruptcy attorney for a consultation.

Lesson number twenty-nine: In some situations, bankruptcy may be an option to put IRS debt behind you. To find out if bankruptcy is appropriate in your situation, organize all your personal papers and discuss your situation with a reputable and experienced bankruptcy attorney.

Lesson Thirty

And they lived happily ever after

Now that you have followed the lessons in this book and have taken care of your issues with the Internal Revenue Service, congratulations! It's time to make sure you have no further tax problems in the future.

As you have seen, it can take a lot to navigate the waters of the IRS to come up with the best resolution. Now it is important to make sure that it doesn't happen again, not only to save you additional expenses, but also for your peace of mind. If you have an agreement set up with the IRS that calls for regular payments, make sure to follow the agreement and have your payment timely submitted every month. Remember that if you are late or miss a payment, the IRS can terminate your agreement, so make sure all payments are made when due for the duration of the agreement. If for any reason you realize that you will not be able to make a payment when it is due, it is very important that you call the IRS and let them know of your situation. The IRS will be much more likely to continue working with you through your situation if you are proactive in contacting them, rather than making them contact you. It is always best to show the IRS that you are making every reasonable effort to comply.

Now that you have your taxes filed and you are current, make sure that you keep yourself current and compliant in the future, so you will hopefully never have to deal with an IRS letter again. If you believe you may owe the IRS money at year end, now is the time to change your W-4 form with your employer to increase your withholding. If you are self employed, retired, or have income other than through a W-2 form, you may want to consider making estimated tax payments to the IRS to help ensure you will have enough paid in to cover your taxes due for the current year by the year end.

It would also be good to refer back to lesson number twelve on a regular basis and update the worksheets discussed there for your income, your expenses, your assets, and your liabilities. It is good to know where you are standing financially on a regular basis, and when you do this exercise regularly, you can see how much your situation has improved over time. This will help to give you the additional impetus to continually improve your financial situation and to stay out of the grasp of the IRS.

Lesson number thirty: It is a good first step to become current and compliant with the Internal Revenue Service and working out an agreement that will ultimately resolve your situation. However, it is also important to stay current and compliant with all your filings and payments to the Internal Revenue Service, so you can be sure to never be in this situation again.

Of course, if you feel you have unanswered questions or you could just use some additional help, you are welcome to call me toll free at 1-800-408-3122 for a no obligation consultation. You can also go to my website at IOweTaxes.com for more information or you can email me at Dennis@IOweTaxes.com . I hope this book has been helpful to you and I look forward to the opportunity to help you take the stress away by working with you in resolving your issues with the Internal Revenue Service.





