



# Solving Tax Debts

January 19, 2021

Eric L. Green, Esq.

Green & Sklarz LLC

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<https://taxrepllc.com>



### Eric L. Green

My name is Eric Green. After 20 years as a Tax Attorney and 14 years teaching and writing about tax representation, I saw the need to help CPAs and EAs learn this area.

The demand is huge – my law practice has exploded to 22 employees focusing on tax resolution. I started a program for tax professionals like you because you are uniquely qualified and accredited to do this work. And having worked several tax seasons myself at the beginning of my career, I now know there is a better way of life!

# Add a Profitable New Revenue Stream to Your Tax Firm

- Earn What You're Worth
- Make More with Fewer Clients
- Benefit from Less Competition
- Get Paid in Advance
- Collect a Steady Cash Flow All Year Round
- Escape the Stress of Busy Season
- Serve Grateful Clients

## Learn How with Tax Rep Network

"Eric, I took your advice and started my IRS representation practice after the course. Without any further advertising other than adding "IRS Representation Practice" to my sign, I added an immediate \$18,000 to my billings on just a few client matters. Marketing to my own clients added more than \$140,000 in income by the end of the first year! The workshop is straightforward and easy to follow, my only regret being that I did not do this sooner. Thank you!" - *Anthony Delucia*

"The representation side of my practice has just exploded thanks to Eric. I have added staff and now focus my business on much more lucrative representation matters. There is no way this would have happened without his expertise..." - *Dawn B.*

"I just wanted to say thank you for today's webinar. I have been doing taxes for 19 years and this was by far the best training that I have ever attended, and I attend a lot." - *Stan F.*

**Find Out More: [Taxrepllc.com](https://taxrepllc.com)**



203-285-8545 | [support@taxrepllc.com](mailto:support@taxrepllc.com)

## The Tax Rep Network Team



**Eric L. Green**  
Instructor & Coach



**Jeffrey Sklarz**  
Instructor & Coach



**Amanda Evans**  
Coach



**Sandi Leyva**  
Marketing Instructor

# WHAT YOU GET



Two Books



Video Training Library



IRS Representation Conference



Checklists and Downloads



The 100K Challenge



Marketing Support



Advanced Training



Discussion Forum



Software Discounts



Case Studies



Q&A

Find Out More: [Taxrepllc.com](http://Taxrepllc.com)



203-285-8545 | [support@taxrepllc.com](mailto:support@taxrepllc.com)

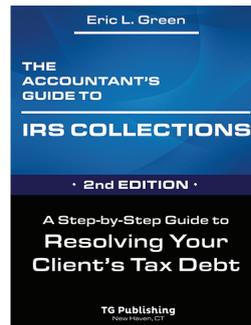
## Testimonials

"Eric has done a great job outlining the steps needed to help resolve a taxpayer's IRS debt. His use of practical examples, exhibits, and clear explanations is very valuable. This book is helpful for those with little experience with the IRS collection process as well as a good review for those more experienced in IRS collection matters." -Terry D., EA

"Eric Green has offered a superb resource for CPAs! This book takes you by the hand and guides you step by step through the intricacies of the IRS Collection process. Eric draws on his real-life experience with clients and shares these stories for the benefit of the reader. The exhibits are super thorough. I find it very easy to follow and loved the practice tips. Keep it on your desk!" -Allie P., ESQ

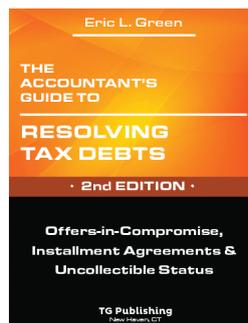
"WOW!! Eric Green's The Accountants Guide to IRS Collection covers every aspect of the Federal Collection Process. The book is filled with a HOT TIPS and is a step by step guide to various approaches the resolving your clients collection issues. A must have book in every practitioners office." -Ray L., EA

## The Accountant's Guide to IRS Collection: A Step-by-Step Guide to Resolving Your Client's Tax Debt



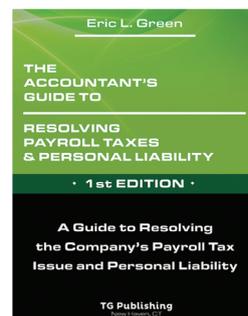
If you've been thinking about expanding your tax practice to serve clients that are behind in filing or payments or both, then this is perfect guide. You'll learn the procedures you need to know so you can add this lucrative, in-demand service to your tax practice.

## The Accountant's Guide to Resolving Tax Debts: Offers-in-Compromise, Installment Agreements, and Uncollectible Status



More than 14 million people owe the IRS money, and many of them need the help of a tax resolution professional. This guide steps you through the procedures you need to know to help tax clients who have debt with the IRS.

## The Accountant's Guide to Resolving Payroll Taxes & Personal Liability: A Guide to Resolving the Company's Payroll Tax Issue and Personal Liability



Unpaid payroll taxes are the number one reason why small businesses get into tax trouble. Complete with procedures, forms, case studies and checklists, this guide has everything you need to help clients navigate payroll tax debt with the IRS.

**Find Out More: [TGPublish.com](http://TGPublish.com)**

203-285-8545 | [info@tgpublish.com](mailto:info@tgpublish.com)

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"I joined Tax Rep, LLC because I realized I needed a revenue stream outside of tax season. When my first tax season ended, I was thinking, 'Wow, I'm not going to have as much revenue.' I got trained as a tax resolution specialist, and I've been able to really grow my practice and help clients. I've probably increased my revenue by \$150,000. I'm a solo practitioner, so it's not as big as maybe some others, but without Tax Rep, LLC and Eric Green's help, none of that would've been possible." -Patrick W.

## Eric L. Green



Attorney Eric L. Green is a practicing tax attorney, author, speaker, and coach. He founded Tax Rep LLC which runs the popular tax representation practice-growth training and coaching program Tax Rep Network. Through his role as the primary instructor and coach at Tax Rep Network, he has helped hundreds of accountants start and grow successful tax representation practices.

Eric is a partner and founder of law firm Green & Sklarz LLP, which is based in New Haven, Connecticut, where his focus is taxpayer representation before the IRS, Department of Justice Tax Division and state departments of revenue. Prior to becoming an attorney, Eric served as a senior tax consultant for national and international accounting firms, including KPMG and Deloitte & Touche.

Eric developed a national reputation by building a remarkable record of negotiating favorable settlements in thousands of civil cases against government agencies and has also been able to convince government agents and attorneys to forgo criminal charges and civilly resolve many cases.

Eric is a Fellow of the American College of Tax Counsel, an organization in which membership is an honor reserved for those at the top of their chosen profession. The College's members, called "Fellows," are recognized for their extraordinary accomplishments and professional achievements and for their dedication to improving the practice of tax law. Fellows must be nominated by their peers for this honor.

Eric is a frequent lecturer at American Bar Association Tax Section conferences, accounting conferences, and state Enrolled Agent conferences. He served as adjunct faculty at the University of Connecticut School of Law where he taught law students to handle taxpayer representation matters in the low income taxpayer clinic. He is often quoted in the Wall Street Journal, USA Today, CreditCard.com and Consumer Reports Financial News.

Eric is the author of the Accountant's Guide to IRS Collection, the Accountant's Guide to Resolving Tax Debts, a contributing author on Advocating for Low Income Taxpayers: A Clinical Studies Casebook and was interviewed for the book Stop Hiding from the IRS: The Insider's Guide to Solving Your Tax Debts Once and For All.

Attorney Green received his Bachelor of Business Administration degree in Accounting with a minor in International Business from Hofstra University and is an honors graduate from New England School of Law. He earned a Masters of Laws in Taxation from Boston University School of Law.

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# Become a Certified Tax Representation Consultant



**Certified Tax Representation Consultants** possess specialized knowledge in five areas of tax representation and are highly valued by taxpayers.

## Who Can Apply

- You must be an attorney, CPA, or EA
- Complete the five tax resolution courses
- Submit an application

## Benefits of the CTRC Credential

- Improved marketability and visibility
- Competitive advantage
- Best practice training
- Growth in your practice or career

Become a CTRC, and join an elite group of experts providing taxpayers with best-practice tax representation solutions.

**TaxRepLLC.com/CTRC**

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**TaxRepLLC.com/CTRC**

203-285-8545 | support@taxrep LLC.com

# Solving Tax Debts

## Simple Steps You Can Do to Resolve an IRS Issue

Presented by:

Eric L. Green, Esq.



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## Eric Green, Esq.

- ▶ Managing partner in Green & Sklarz LLC, a boutique tax firm with offices in Connecticut and New York.
- ▶ Focus is civil and criminal taxpayer representation before the Department of Justice Tax Division, Internal Revenue Service and state Departments of Revenue Services.
- ▶ Has served as a columnist for CCH's Journal of Practice & Procedure.
- ▶ Attorney Green is the past Chair of the Executive Committee of the Connecticut Bar Association's Tax Section.
- ▶ Eric is a Fellow of the American College of Tax Counsel ("ACTC").



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# Eric Green, Esq.



- ▶ Eric is the host of the weekly Tax Rep Network Podcast, available in iTunes, Apple Podcasts and Google Podcasts
- ▶ Eric is the founder of Tax Rep Network, an online community designed to help tax professionals build their IRS Representation Practice
- ▶ He is the author of the Accountant's Guide to IRS Collection, the Accountant's Guide to Resolving Tax Issues, and the Accountant's Guide to Resolving Payroll Taxes and Personal Liability



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- Hiring Solutions
- Human Resources
- Employee Retention
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- Operational Efficiency
- Retiring / Terminating

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# BUSINESS SOLUTIONS

We work collaboratively with our clients to:

- 1. Focus on Strengths
- 2. Determine Challenges
- 3. Separate Wants from Needs
- 4. Develop an Action Plan
- 5. Work to Achieve your Goals (Not A Handoff)

We help get you to where you need to be!

POWERED BY 

973-773-HIRE (4473)

# TESTIMONIALS

*I've sought Michael Schlager's counsel on numerous occasions when considering either major business planning or human resources issues. He is **insightful, passionate in his convictions, and not afraid to argue an unpopular position.** Michael is an excellent devil's advocate. I wouldn't make a big move without at least his opinion, if not his blessing.*



**Dan Goldfine**  
VP Sales – Hertz Furniture



*Michael is fully committed to the success of our company. **His candidates are always of the highest quality** and his counsel regarding hiring decisions has helped us tremendously. Thanks to his tireless efforts **our retention rate has drastically improved.** In addition, his guidance as helped us grow our company through acquisitions and new business opportunities. I highly recommend Michael and his team.*

**Jeff Arbeit**  
CFO & COO General Tools



*Michael's creative thinking, positive attitude and business savvy have given my organization many great ideas and has **helped save us thousands of dollars.** He's a truly great person to work with.*



**Adam Jacobs**  
Managing Director, Aish Center



POWERED BY 

## Agenda

- The Current State of IRS Collection
- The Tax Collection Process
- Collection Appeals
- Collection Alternatives



## Why Collection is HOT and Getting Hotter...

Year	Accounts in Collection
2005	6,478,000
2006	7,074,000
2007	8,240,000
2008	9,232,000
2009	9,667,000
2010	10,391,000
2011	10,809,000
2012	11,464,000
2013	11,721,000
2014	12,410,000
2015	13,371,000
2016	14,005,000
2017	14,080,000
2018	13,186,000
2019	15,002,000

# More than 10 million non-filers

## TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Office of Audit

### Highlights

HIGH-INCOME NONFILERS OWING BILLIONS OF DOLLARS ARE NOT BEING WORKED  
BY  
THE INTERNAL REVENUE SERVICE

Final Report issued on May 29, 2020

Highlights of Reference Number: 2020-30-015 to the Commissioner of Internal Revenue.



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# 1 out of 3 cannot pay their 2019 taxes



LOG IN REGISTER

HOME | TAX

## With July 15 Deadline Approaching, 37% of Taxpayers Can't Pay Because of Covid

A majority of taxpayers (61%) are deeply concerned that the financial impacts of COVID-19 may force them into tax debt, adding to the \$131 billion already owed to the IRS by 14 million Americans.



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## IRS Collection Process

- Assessment of the tax
- 10-Year Collection Statute
- Billing Notices
- Threat to levy and right to a hearing
- Appeals (CDP, Equivalent, CAP)
- Resolution



Department of the Treasury  
**Internal Revenue Service**

## What do you do if you owe \$?

- ▶ If you (or someone else) owes money
- ▶ Get into tax compliance
- ▶ Sort out the best option

## Step #1: Tax Compliance

- All returns filed that are due as of this date
- Current tax period payments being made
  - a) Proper withholding
  - b) Estimated tax payments
  - c) Payroll tax deposits

## Inside Secret

- What is compliance for tax returns?
- Last 6 years – IRM 1.2.14.1.18
- Consider the strategies:
  - ~ MFJ vs MFS
  - ~ State vs IRS first



## State Compliance – Voluntary Disclosure

- ▶ New Jersey – 4 years
- ▶ Connecticut – 3 years
- ▶ Massachusetts – 7 years
- ▶ New York – from 3 to 6 years (case-by-case basis)
- ▶ **Apply to the voluntary disclosure program FIRST!**

## Example

- ▶ Sam and Rachel have not filed tax returns since 2010
- ▶ Live in Clifton, NJ
- ▶ They would prepare 6 years of tax returns
- ▶ File 6 years of federal return with IRS (2015 – 2020)
- ▶ File only 4 years with NJ through its voluntary disclosure program (2017 – 2020)

## IRS Collection Process: Assessment

- The IRS will assess the tax when the return is received and processed or it creates a “substitute for return” (SFR) for the taxpayer
- Pull transcripts to determine the exact date of assessment

 Department of the Treasury  
 Internal Revenue Service  
 P.O. BOX 149338  
 Austin TX 78714-9338

Certified Mail Number

s018999546711s  
 JAMES Q. HINDS  
 22 BOULDER STREET  
 HANSON, CT 06030-7253

2D-Bar Code	
Notice	3219-N
Tax Year	2000
Notice date	January 23, 2017
Social Security number	NNN-NN-NNNN
To contact us	Phone 1-866-681-4271
Hours of operation	8:00 a.m. to 8:00 p.m.
Your caller ID	123456
Last day to petition	April 22, 2017
Tax Court	
Page 1 of 8	

### Notice of Deficiency Increase in tax and notice of your right to challenge

We have determined that there is a deficiency (increase) in your 2000 income tax. You have the right to challenge this determination in the United States Tax Court. This notice explains how the increase in tax was calculated and how you can challenge it in the Tax Court. Your petition to the Tax Court must be filed by April 22, 2017. We will still accept your 2000 tax return. Filing your return may reduce the amount due.

#### Summary

Your tax liability (deficiency)	\$5,980.00
Payments you made	-28.00
Failure-to-file penalty	1,339.20
Failure-to-pay penalty	606.64
Estimated tax penalty	267.33
Interest charges	808.92
<b>Amount due</b>	<b>\$8,974.09</b>

  
 TAX REP NETWORK

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## IRS Collection Process: 10-Year Statute

- Pursuant to IRC §6502 the IRS has 10 years to collect a tax debt
- The 10-year statute begins upon the date of assessment, not the date of filing
- There are a number of actions that will toll, or suspend, the collection statute



  
 TAX REP NETWORK

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## CP-90



Department of the Treasury  
Internal Revenue Service  
Philadelphia, PA 19255-0010

Notice CP90  
Notice date January 23, 2019  
Social Security number 999-99-9999  
To contact us Phone 800-829-1040  
Your Caller ID 9999  
Page 1 of 5

JAMES & KAREN Q. SPARROW  
22 BOULDER STREET  
HANSON, CT 00000-7253

Intent to seize your assets and notice of your right to a hearing  
**Amount due immediately: \$5,947.81**

We haven't received full payment despite sending you several notices about your unpaid federal taxes. The IRS may seize (levy) your property. However, you can appeal the proposed seizure (levy) of your assets by requesting a Collection Due Process hearing (Internal Revenue Code Section 6330) by **February 22, 2019**.

### Billing Summary

Amount you owed	\$5,947.81
Additional failure-to-pay penalty	0.00
Additional interest charges	0.00
<b>Amount due immediately</b>	<b>\$5,947.81</b>



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## IRS Collection Process: *Final Notice and Right to a Hearing*

- Final Notice includes Form 12153
- Taxpayer has 30-days to request a hearing
- **You MUST file the request**
- If the 30-day window is missed, file for an equivalent hearing



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## Form 12153

### Request for a Collection Due Process or Equivalent Hearing

6. Basis for Hearing Request (Both boxes can be checked if you have received both a lien and levy notice)

- Filed Notice of Federal Tax Lien       Proposed Levy or Actual Levy

7. Equivalent Hearing (See the instructions for more information on Equivalent Hearings)

- I would like an Equivalent Hearing - I would like a hearing equivalent to a CDP Hearing if my request for a CDP hearing does not meet the requirements for a timely CDP Hearing.

8. Check the most appropriate box for the reason you disagree with the filing of the lien or the levy. **See page 4 of this form for examples.** You can add more pages if you don't have enough space. If, during your CDP Hearing, you think you would like to discuss a Collection Alternative to the action proposed by the Collection function it is recommended you submit a completed Form 433A (Individual) and/or Form 433B (Business), as appropriate, with this form. See [www.irs.gov](http://www.irs.gov) for copies of the forms.

Collection Alternative    Installment Agreement    Offer in Compromise    I Cannot Pay Balance

## IRS Collection Process: Appeals: CDP

- If the Form 12153 is filed within 30 days requesting a CDP hearing, the case will be forwarded to Appeals
- All collection action will cease for that tax period, unless the taxpayer continues to pyramid liabilities
- If the taxpayer continues to incur new tax liabilities, Appeals may grant tax collection division the authority to continue enforced collection activity

## IRS Collection Process: Appeals: CDP

- The hearing is usually by phone, though the representative can request a face-to-face meeting
- No guarantee IRS will grant the in-person request



## IRS Collection Tools: Levies

- The seizure of a taxpayer's property
- Generally issued when a taxpayer has either failed to respond to IRS requests or failed to provide the collection division information



## Two types of Levy

- Regular Levy (bank, vendors)
- Continuing (wages or routinely paid commissions)
  - ~ IRS allows standard deduction divided by the pay periods and takes the amount above that



## Avoiding/Dealing with a Levy

Do what taxpayer should have done!

- Compliance
- Call IRS
- Propose a resolution

## Remember...

- ▶ Find out how much was taken before calling
- ▶ Request a release of the funds (may do this the first time)
- ▶ If not, ask for a partial release if necessary to pay bills

## IRS Collection Tools: *Liens*

- Pursuant to IRC §6321, a lien arises automatically whenever demand for payment is made and the taxpayer fails to pay
- No other action is required of the IRS
- IRS may file a Notice of Federal Tax Lien
  - Though the lien arises without any further IRS action, the IRS filed the Notice to inform third-party creditors of the IRS lien on the taxpayer's assets to protect its (the IRS's) interest

## IRS Collection Tools: *Liens*

- IRC §6320 grants the taxpayer the right to a hearing to contest the filing of a notice of federal tax lien
- Pursuant to IRC §6322 the lien will continue in force until the tax is either paid, compromised, or the 10-year collection statute expires

## Various Options with Liens

The IRS just wants the equity it could get if it seized

- ▶ Release: IRS is getting whatever its interest is
- ▶ Subordination: IRS gets cash or improves collection
- ▶ Withdrawal: under 25K in a direct debit IA which full pays in 60 months or less (IRM 5.12.9.3.2.1)

# Passport Denial/Revocation



- The IRS to inform the United States Secretary of State of those taxpayers who owe “seriously delinquent taxes,”
- Defined as those taxpayers who owe more than \$52,000 in back taxes
- State Department may revoke the passports of those taxpayers owing back taxes or deny the issuance of a passport to taxpayers applying for one that owes back taxes

# Private Debt Collectors

The Act Amends IRC § 6306 to **require** that the IRS use private debt collectors to try and collect “inactive receivables” (ie. back tax debts) that meet the following requirements:

- The debt has been removed from the current case inventory or the taxpayer cannot be located;
- More than one-third of the collection statute has elapsed and the case has not been assigned to an IRS collection employee, or
- More than 365 days have passed without interaction with the taxpayer or a representative for furthering the collection of the back tax debt.

# Private Debt Collectors



Department of Treasury  
Internal Revenue Service  
PO Box 149342  
Austin, TX 78714-9342

ERIC D. JOHNSON  
123 N HARRIS ST  
HARVARD, TX 12345

Notice	CP40
Notice date	January 26, 2017
Taxpayer ID number	XXX-XX-NNNN
Tax form	
Tax year	
Taxpayer authentication number	
To contact us	Phone: nnn-rrrr-rrrr
Page 1 of 2	

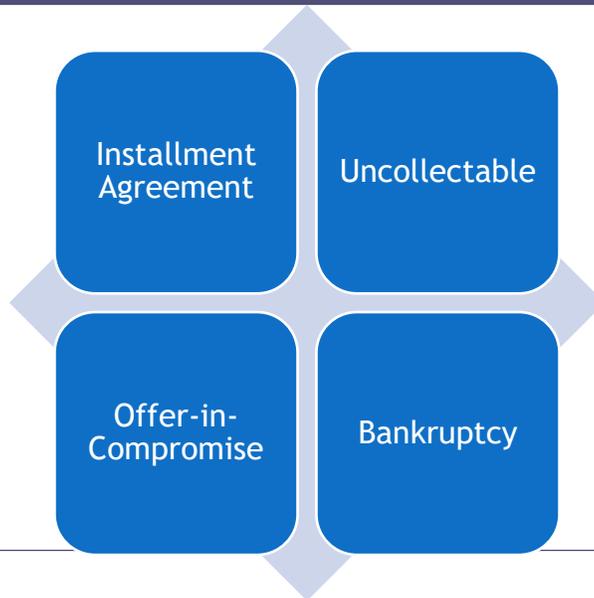
**We assigned your overdue tax account to a private collection agency**



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# Resolving an Outstanding Debt



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## Initial Considerations

- Statute of Limitations
- Compliance
- Financial Analysis
  - RCP
- Easier Solution? CNC or Bankruptcy?

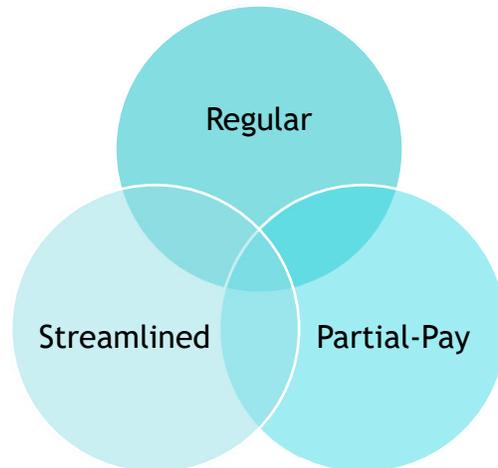


## Reasonable Collection Potential

- Gross monthly income
- Allowable expenses
- Determine future income
- Net equity in assets (QSV)
- $FI + NE = RCP$



## Resolving a Federal Tax Debt: *Installment Agreements*



## Simple Step: Streamlined Agreements

- ▶ Streamlined agreements are \$250,000 or less
- ▶ Must be repaid over the time remaining on the statute (CSED)
- ▶ If we are repaying, consider First Time Penalty abatement

## Simple Step: Streamlined Agreements

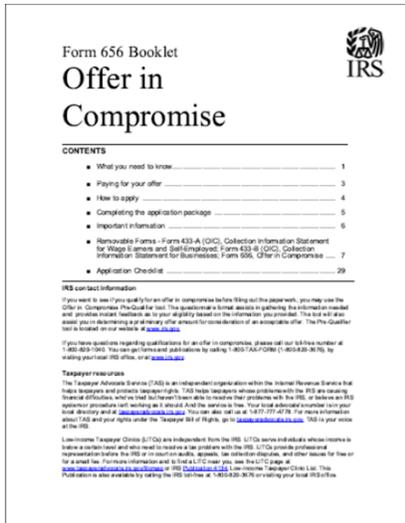
- ▶ Call ACS (800-829-3903)
- ▶ Two questions:
  1. Do they qualify for first-time penalty abatement
  2. How much do they need to pay under a streamlined agreement?

## Resolving a Federal Tax Debt: CNC

- Uncollectible (or CNC)
- What is it
- IRC § 6343 – no levy allowed
- CNC vs OIC



# Offer in Compromise



- ▶ MUST be in tax compliance
- ▶ You must calculate the RCP
- ▶ Remain in compliance for the 5 years following

# Strategies

- ▶ Consider MFS vs MFJ
- ▶ Consider filing the state vs federal
- ▶ Consider expenses they are NOT incurring but could

## Client Story

- ▶ Sam and Rachel go to see their EA in Teaneck, NJ
- ▶ Sam owns his own construction company
- ▶ EA prepares married filing joint returns
- ▶ They will owe \$500,000 to the IRS and \$175,000 to NJ
- ▶ Their home was a gift to Rachel from her grandparents and is worth \$700,000 with no mortgage

## Client Story

- ▶ Rachel chose to stay home and raise their 4 children, and so rolled her \$200,000 401(k) from her old corporate job to an IRA
- ▶ Sam only owns his SUV with a loan on it
- ▶ Wipe out his cash by having him make his 2021 estimated tax payment for April now
- ▶ Their RCP shows they can easily full-pay:
  - ~ \$700,000 of assets
  - ~ Sam can pay \$5,000 a month

## EA sends them to the Tax Rebbe

- ▶ We have the EA change the returns to married filing separately (leave Rachel and her assets out of this mess)
- ▶ Now Sam owes \$600,000 to IRS and \$240,000 to NJ (for 6 years, only \$160,000 for the last 4 years)
- ▶ File NJ First and arrange for a payment plan for just the last 4 years through voluntary disclosure of \$4,000 a month

## Tax Rebbe

- ▶ So what happens?
- ▶ Rachel owes nothing
- ▶ NJ arranges the payment plan for Sam at \$4,000 a month
- ▶ We then file the last 6 years with IRS
- ▶ IRS has RCP of zero for assets, \$12,000 for 12 months of future income after NJ payment

## See what we did?

- ▶ We leveraged NJ to compromise away IRS
- ▶ We filed MFS to keep Rachel's assets off the table
- ▶ They went from a full-pay agreement to wiping away \$600,000 of IRS debt for \$12,000
- ▶ We avoided \$80,000 of NJ debt by utilizing the voluntary disclosure program

## The Ultimate Offer-in-Compromise Workshop Series

- ▶ Thursday January 21st, 1pm – 5pm, 4 ce/cpe hours Offers from start to finish
- ▶ Thursday January 28<sup>th</sup> – Case Studies – 1-4 pm, 3 ce/cpe credits
- ▶ Including case studies with all the forms completed, downloadable letters and checklists to use in your practice
- ▶ Limited to 100 attendees so all questions can be answered
- ▶ [Early bird \\$199 for 1/21, \\$99 for 1/28, or \\$249 for both](#)

Register here: <https://taxrepllc.com/program-20210121-ultimate-oic-workshop/>

Eric L. Green, Esq.  
Green & Sklarz LLC  
One Audubon Street, 3<sup>rd</sup> Floor  
New Haven, CT 06511  
Ph. (203) 285-8545  
egreen@gs-lawfirm.com  
<https://GS-Lawfirm.com>



# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

## Office of Audit

# Highlights

## HIGH-INCOME NONFILERS OWING BILLIONS OF DOLLARS ARE NOT BEING WORKED BY THE INTERNAL REVENUE SERVICE

**Final Report issued on May 29, 2020**

Highlights of Reference Number: 2020-30-015 to the Commissioner of Internal Revenue.

### IMPACT ON TAXPAYERS

The gross Tax Gap is the estimated difference between the amount of tax that taxpayers should pay and the amount paid voluntarily and on time. The average annual gross Tax Gap is estimated to be \$441 billion for Tax Years 2011 through 2013, and approximately \$39 billion (9 percent) is due to nonfilers, taxpayers who do not timely file a required tax return and timely pay the tax due for such delinquent returns. According to the IRS, high-income nonfilers, although fewer in number, contribute to the majority of the nonfiler Tax Gap.

### WHY TIGTA DID THE AUDIT

In past audits, TIGTA identified serious lapses with the IRS's nonfiler strategy. This audit was initiated to determine whether the IRS is effectively addressing high-income nonfilers and if the new nonfiler strategy and related plans sufficiently include this segment of nonfilers.

### WHAT TIGTA FOUND

The IRS is still in the process of conducting testing; however, the new nonfiler strategy appears to approach nonfiling in a more strategic manner. However, the strategy has not yet been implemented, and TIGTA identified that the new nonfiler program is spread across multiple functions with no one area being primarily responsible for oversight. In addition, more needs to be done to address high-income nonfilers. TIGTA analyzed the Individual Master File Case Creation Nonfiler Identification Process inventory for Tax Years 2014 through 2016 and identified 879,415 high-income nonfilers that did not have a satisfied filing requirement, with an estimated tax due of \$45.7 billion. Of the 879,415 high-income nonfilers, TIGTA identified:

- The IRS did not work 369,180 high-income nonfilers, with estimated tax due of \$20.8 billion. Of the 369,180 high-income nonfilers, 326,579 were not placed in inventory to be selected for work and 42,601 were closed out of the inventory without ever being worked. In addition, the remaining 510,235 high-income nonfilers, totaling estimated tax due of \$24.9 billion, are sitting in one of the Collection function's inventory streams and will likely not be pursued as resources decline.
- The IRS removed high-income nonfiler cases from inventory, resulting in 37,217 cases totaling \$3.2 billion in estimated tax dollars that will not likely be worked by the IRS.

In addition, due to the policy on working single tax year cases without regard to how many returns have not been filed by a taxpayer, the IRS is missing out on opportunities to bring repeat high-income nonfilers back into compliance. TIGTA also identified the top 100 high-income nonfilers for Tax Years 2014 through 2016 that the IRS did not address or resolve, who had estimated tax due totaling \$9.9 billion.

## WHAT TIGTA RECOMMENDED

TIGTA made seven recommendations, including designating a senior management official with appropriate resources and specific nonfiler duties to address nonfilers, not pausing the nonfiler program, working multiple tax year cases, and not removing high-income nonfiler cases from the inventory without resolution. The IRS disagreed with one of the recommendations, agreed with two recommendations, and partially agreed with four recommendations. The IRS disagreed with placing the nonfiler program under its own management structure. The IRS agreed not to pause the Individual Master File Case Creation Nonfiler Identification Process in the future, absent unusual circumstances.

## READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<https://www.treasury.gov/tigta/auditreports/2020reports/202030015fr.pdf>.

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# IRS makes it easier to set up payment agreements; offers other relief to taxpayers struggling with tax debts

IR-2020-248, November 2, 2020

WASHINGTON — The Internal Revenue Service today announced a number of changes designed to help struggling taxpayers impacted by COVID-19 more easily settle their tax debts with the IRS.

The IRS assessed its collection activities to see how it could apply relief for taxpayers who owe but are struggling financially because of the pandemic, expanding taxpayer options for making payments and alternatives to resolve balances owed.

"The IRS understands that many taxpayers face challenges, and we're working hard to help people facing issues paying their tax bills," said IRS Commissioner Chuck Rettig. "Following up on our People First Initiative earlier this year, this next phase of our efforts will help with further taxpayer relief efforts."

"We want people to know our IRS employees are committed to continue helping taxpayers wherever possible, including offering many options for those struggling to pay their tax bills," said Darren Guillot, the IRS Small Business/Self-Employed Deputy Commissioner for Collection and Operations Support. Guillot discussed the new relief options in a new edition of IRS ["A Closer Look."](#)

Taxpayers who owe always had options to seek help through payment plans and other tools from the IRS, but the new IRS Taxpayer Relief Initiative is expanding on those existing tools even more.

The revised COVID-related collection procedures will be helpful to taxpayers, especially those who have a record of filing their returns and paying their taxes on time. Among the highlights of the Taxpayer Relief Initiative:

- Taxpayers who qualify for a short-term payment plan option may now have up to 180 days to resolve their tax liabilities instead of 120 days.
- The IRS is offering flexibility for some taxpayers who are temporarily unable to meet the payment terms of an accepted Offer in Compromise.
- The IRS will automatically add certain new tax balances to existing Installment Agreements, for individual and out of business taxpayers. This taxpayer-friendly approach will occur instead of defaulting the agreement, which can complicate matters for those trying to pay their taxes.
- To reduce burden, certain qualified individual taxpayers who owe less than \$250,000 may set up Installment Agreements without providing a financial statement or substantiation if their monthly payment proposal is sufficient.

- Some individual taxpayers who only owe for the 2019 tax year and who owe less than \$250,000 may qualify to set up an Installment Agreement without a notice of federal tax lien filed by the IRS.
- Additionally, qualified taxpayers with existing Direct Debit Installment Agreements may now be able to use the Online Payment Agreement system to propose lower monthly payment amounts and change their payment due dates.

## Additional details on the Taxpayer Relief Initiative

The IRS offers options for short-term and long-term payment plans, including Installment Agreements via the Online Payment Agreement (OPA) system. In general, this service is available to individuals who owe \$50,000 or less in combined income tax, penalties and interest or businesses that owe \$25,000 or less combined that have filed all tax returns. The short-term payment plans are now able to be extended from 120 to 180 days for certain taxpayers.

Installment Agreement options are available for taxpayers who cannot full pay their balance but can pay their balance over time. The IRS expanded Installment Agreement options to remove the requirement for financial statements and substantiation in more circumstances for balances owed up to \$250,000 if the monthly payment proposal is sufficient. The IRS also modified Installment Agreement procedures to further limit requirements for Federal Tax Lien determinations for some taxpayers who only owe for tax year 2019.

In addition to payment plans and Installment Agreements, the IRS offers additional tools to assist taxpayers who owe taxes:

**Temporarily Delaying Collection** — Taxpayers can contact the IRS to request a temporary delay of the collection process. If the IRS determines a taxpayer is unable to pay, it may delay collection until the taxpayer's financial condition improves.

**Offer in Compromise** — Certain taxpayers qualify to settle their tax bill for less than the amount they owe by submitting an Offer in Compromise. To help determine eligibility, use the [Offer in Compromise Pre-Qualifier](#)  tool. Now, the IRS is offering additional flexibility for some taxpayers who are temporarily unable to meet the payment terms of an accepted offer in compromise.

**Relief from Penalties** — The IRS is highlighting [reasonable cause assistance](#) available for taxpayers with failure to file, pay and deposit penalties. First-time [penalty abatement relief](#) is also available for the first time a taxpayer is subject to one or more of these tax penalties.

All taxpayers can access important information on IRS.gov. Many taxpayers requesting [payment plans, including Installment Agreements](#), can apply through IRS.gov without ever having to talk to a representative.

Other requests, including this new relief, can be made by contacting the number on the taxpayer's notice or responding in writing. However, to request relief, the IRS reminds taxpayers they must be responsive when they receive a balance due notice.

"If you're having a tax issue, don't go silent. Please don't ignore the notice arriving in your mailbox," Guillot said. "These problems don't get better with time. We understand tax issues and know that dealing with the IRS can be intimidating, but our employees really are here to help."

Throughout COVID-19, the IRS has continued to adjust operations to help ensure the health and safety of employees and taxpayers, including the extensive and temporary relief of the IRS People First Initiative. More information and background on the collection relief and procedures can be found in ["A Closer Look."](#)

"While it's been important for us and the nation to resume our critical tax compliance responsibilities, we continue to assess the wide-ranging impacts of COVID-19 and other difficulties people are experiencing," Guillot said.

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