

A photograph of four business professionals (two men and two women) in a meeting, smiling and looking at each other. The image is overlaid with a semi-transparent dark blue banner.

Utilizing the Assets to Resolve the Tax

A case study to illustrate how we can help taxpayers resolve their tax debt. We'll explore a specific example and explain how our process works.



by Felecia Dixon, EA, CTRC, ATA

Background

Felecia is an Indiana native with a diverse range of accomplishments, spanning from performing arts to accounting and tax resolution. She has a strong background in mathematics and a passion for problem-solving.

Professional Experience

Felecia has held influential roles on various committees, including the IRS Advisory Council (IRSAC), Special Enrollment Exam Advisory Council (SEEC), and Taxpayers Advocacy Panel (TAP). Her commitment to improving the interface between IRS operations and taxpayer advocacy is evident in her ongoing community service as Treasurer of the local Board for the Veterans Park Association Committee.



Upcoming Events

11th Annual IRS Representation Conference

Join us at the Mohegan Sun in Connecticut for our annual conference. This is a great opportunity to network with other tax professionals, learn about the latest developments in tax law, and hear from experts in the field.

4th Annual Tax Rep Summit

The Tax Rep Summit is a great way to learn about the latest trends in tax resolution. We will be hosting this event at the Drury Plaza Hotel in Orlando, Florida, near Disney Springs.

Case Study

1 Utilizing Assets

We explore strategies to effectively utilize the taxpayer's assets to create a successful Offer.

2 Strategic Approach

Strategic planning is essential to ensure a successful outcome.

3 RCP Formula

Understanding the Reasonable Collection Potential (RCP) formula is crucial for developing effective strategies.

4 Play Chess, Not Checkers

By mastering the RCP formula, we can move beyond basic tactics and leverage strategic thinking for optimal results.

Facts about Joshua's assets

▶ Rental Property

- ❑ Joshua owns a rental property, valued at \$200,000.

▶ Mortgage

- ❑ This rental property is mortgage-free.

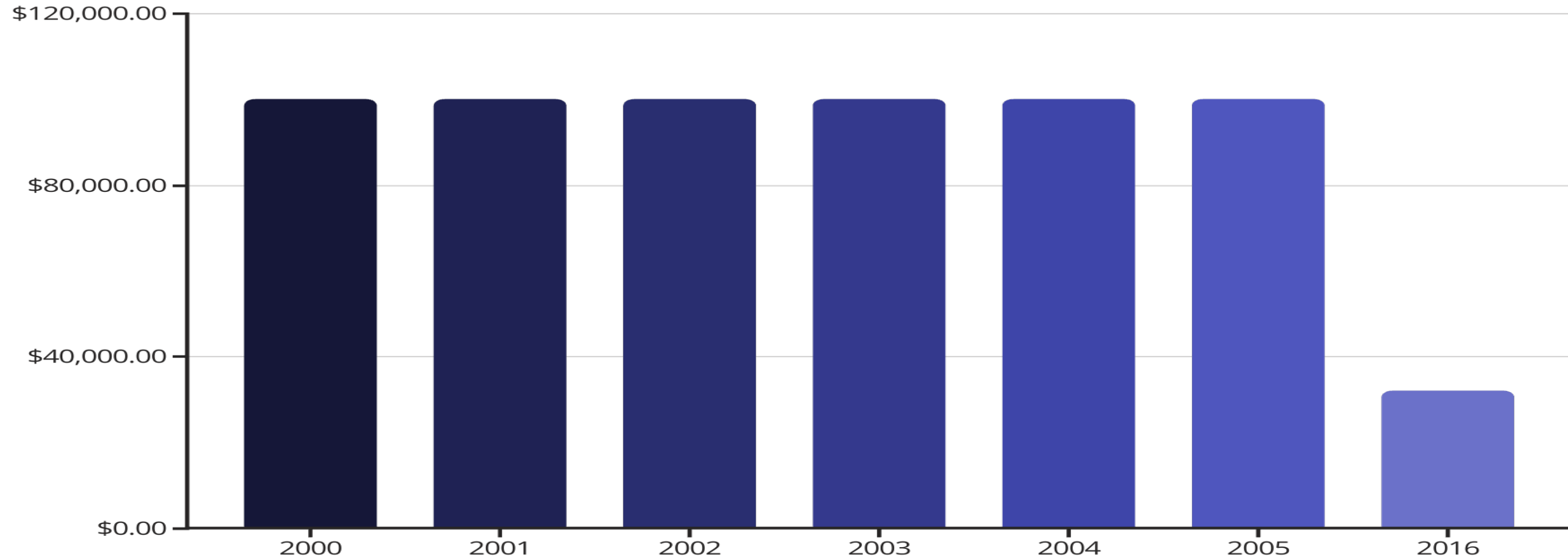
▶ Home

- ❑ Joshua's primary residence is in his wife's name.

▶ Wife's Family

- ❑ Hard Money Lenders in Real Estate Business

Joshua's tax liabilities



- Joshua owes \$400,000 to the IRS.
- Joint liability for 2016 \$32,000.
- Joshua is solely responsible from 2000 to 2005, all returns filed late in November 2009

Financial Demands and Assets



Financial Demands

Assets

IRS demands 433-A	Joshua: \$7,500 per month ability to pay
Statute of limitations will run in 13 months	Joshua: \$160,000 in rental property
IRS needs to resolve the debt	Wife: \$200,000 in cash from rental property

- The IRS is demanding a 433-A form to assess Joshua's ability to pay his tax debt, as the statute of limitations is approaching.
- Joshua has shown a **\$7,500 monthly ability to pay**, and he owns a rental property valued at \$160,000. 80% of \$200,000
- His wife has \$200,000 in cash from rental properties she owns with her brothers.

433-A Overview



Financial Assessment

On the surface they can full-pay

1. \$200,000 in cash
2. \$160,000 in equity in the real estate
3. \$7,500 a month



Potential for Compromise

How do we avoid paying \$400,000?

The Plan

1

Resolve Joint Liability

She pays off the \$32,000 joint liability.

2

Eliminate Asset Disclosure

She no longer must disclose her assets.

3

Family Loan

He secures a \$160,000 loan from family.

4

Hard Money Lending

16% interest over 2 years.

She pays off the joint liability year of \$32,000, now she no longer has to disclose her assets

He borrows from her family the \$160,000, hard money lenders demand 15% interest over 2 years, or \$7,834 per month

433-A submitted

- ❖ She no longer discloses her bank account
- ❖ He no longer has any future income
- ❖ Total paid \$192,000 (32,000 + 160,000)
- ❖ \$208,000 balance CSED ran in January 2024

The Lesson Learned



Understanding RCP Rules

Learn the rules that govern tax resolution plans. This includes the allowable expenses, the 80% quicksale value, and establishing loans to repay the IRS.



Strategic Planning

Formulate a comprehensive plan for tax debt resolution. Understand the implications of the RCP rules and how they can be applied to your unique situation.



Negotiation & Agreement

Negotiate with the IRS to reach mutually agreeable solution. This could involve a payment plan, an Offer in Compromise, or other options.

Questions?

