An aerial night view of Disney Springs, Florida, featuring a large lake in the center, surrounded by various buildings, including a prominent glass skyscraper on the left and a curved glass building on the right. The city lights are visible in the distance under a twilight sky.

4th Annual Tax Rep Summit: Day 1

Drury Hotel, Disney Springs

December 10, 2024

Sponsored by



Thank you

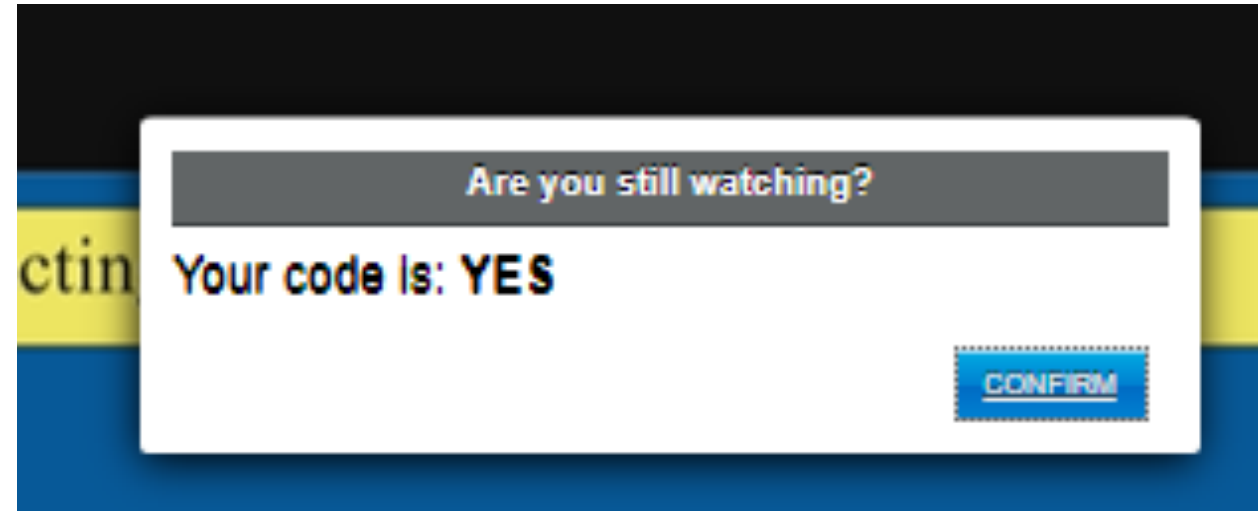


Housekeeping Items

- ▶ CPE Certificates – will be handed out at the end of the program. Online Audience will receive a link if they do the online attendance checks
- ▶ CLE Certificates – Let the registration desk know you need CLE and for which state and MyLawCLE will issue them next week
- ▶ Questions during the program? Please walk up to the Mic stands so the on-line audience can hear you. Online, please use the chat box
- ▶ Facilities immediately outside, online stick to schedule

Housekeeping Items - Webcast

- ▶ On-Screen attendance checks
- ▶ Please keep to our schedule
- ▶ Use the chat room for questions
- ▶ Link for certificate will be emailed to you after the on-screen attendance checks are tallied on Monday or Tuesday



Webcast – Having Issues?

Customer Care email: Registration@mylawcle.com

Customer Care Phone numbers :
877-406-8636

2024 Platinum Marketing Mastermind Group

- ▶ We are taking applications for next year's Master Mind
- ▶ Get the application here:

<https://taxrepllc.com/platinum>



Today's Agenda

- ▶ We have given you in your handouts
- ▶ Webcast Audience: please try and take your break when we do so you do not miss the onscreen attendance checks

Schedule – Tuesday December 10th

Time	Item
1:00 - 2:00	What you missed this year in 60 minutes
2:00 - 3:00	Innocent Spouse Part 1: Strategy and Handling The Client
3:00 - 3:15	Break
3:15 - 4:00	Innocent Spouse Part 2: The Intervening Spouse
4:00 - 5:00	Everything Transcripts Have to Offer

What you missed this year in 60 minutes

Catharine O'Connor, Esq., Tax Mentor LLC

&

Patrick Wanzer, CPA, Edgewater CPA Group

Restart of IRS Notices

- ▶ Letter 38 Refresher Notices issued 4th quarter of 2023 & 1st quarter of 2024
- ▶ CP500 series notices began February 2024 with a longer time between notices being issued.
- ▶ Letter 11 (Final Notice of Intent to Levy) begin being issued in the 3rd quarter of 2024.

Simple Notice Initiative Redesign Effort

- ▶ 2024 Filing Season – Redesigned 31 Notices
- ▶ 2025 filing Season – Plan to review & redesign 200 notices that make up about 90% of volume in notices sent to individual taxpayers
- ▶ 2026 Filing Season – Plan to review & redesign business notices along with less common individual notices
- ▶ IR-2024-19, Jan. 23, 2024

BEFORE

AFTER

IRS Department of the Treasury
Internal Revenue Service
[Redacted Address]

In reply refer to: 3000000000
MM DD, YYYY LTR #####

FIRST LAST
[Redacted Address]

Social Security Number
or Individual Taxpayer
Identification Number: [Redacted]
Tax year: YYYY

Dear TAXPAYER:

We received your YYYY Form [Redacted] Federal Individual Income Tax return, but we need more information to process your return. Unless required otherwise, send us your reply within 30 days from the date of this letter.

Enclose only the information we requested and any forms, schedules, or other information required to support your entries and a copy of this letter. Don't send a copy of your return unless we ask you to do so. Don't respond with a Form 1040-X, Amended U.S. Individual Income Tax Return. We'll issue any refund due to you in 6 to 8 weeks from the time we receive your response. If we don't receive a response from you, we may have to increase the tax you owe or reduce your refund.

Find tax forms or publications by visiting www.irs.gov/forms or calling 800-TAX-FORM (800-829-5876). Enclose only the information we requested and any forms, schedules, or other information required to support your entries and a copy of this letter. Don't send a copy of your return unless we ask you to do so. Don't respond with a Form 1040-X, Amended U.S. Individual Income Tax Return. We'll issue any refund due to you in 6 to 8 weeks from the time we receive your response. If we don't receive a response from you, we may have to increase the tax you owe or reduce your refund.

Find tax forms or publications by visiting www.irs.gov/forms or calling 800-TAX-FORM (800-829-5876).

Your Form [Redacted] is blank, illegible, missing, or damaged, and we can't process it. Resubmit the original completed Form along with your original signatures and all applicable schedules, forms and attachments.

If you have questions about this letter, call the appropriate telephone numbers listed below:

- 1-800-829-5876 (Individual-Wage Earners)
- 1-800-829-5876 (Individual-Self Employed/Business Owners)
- 1-800-829-5876 (telecommunication device for the deaf, TDD)
- 1-800-829-5876 (outside of the United States) not toll free

If you prefer, you can write to us at the address shown at the beginning of this letter.

If you want to send the information by fax, our fax number is [Redacted]



Department of the Treasury
Internal Revenue Service
IRS
[Redacted Address]

2D Barcode

IRS Notice #####

TAXPAYER NAME
ADDRESS
CITY, STATE ZIP

MAILED, YYYY

You need to [take action] on your [YYYY] Form [#####] tax return.

[Content for why IRS is reaching out to the taxpayer]

What you need to do immediately

1. [Instructions for Step 1]
2. [Instructions for Step 2]
3. [Instructions for Step 3]

Scan the QR code to the right to visit IRS.gov/YYZ for more information.

What comes next after you [take action]

[Explanation of what the IRS will do after taxpayer [takes action]]

To learn more

- Visit IRS.gov/Notice#####
- Check out Schedule ##### instructions on IRS.gov/#####
- You can also find tax forms and instructions online at IRS.gov/forms or call 800-TAX-FORM (800-829-5876).
- If you can't find what you need online, contact us at 1-202-955-7890

5071C Notice Redesign Featured in Department of Treasury Article

2023 Advocate Report to Congress

- ▶ Extraordinary delays in assisting victims of identity theft.
- ▶ Delays in processing amended tax returns and taxpayer correspondence.
- ▶ Challenges in receiving telephone assistance despite overall improvements.
- ▶ Employee Retention Credit (ERC) processing.
- ▶ Mid Year Report again pointed to these issues.

2023 Advocate Report to Congress

▶ Number of Fraudulent Refund Returns Identified

- ❑ 2021 – 156,465 - (152,887 – stopped)
- ❑ 2022 – 177,493 - (172,668 – stopped)
- ❑ 2023 – 337,662 - (330,904 – stopped)

2023 Advocate Report to Congress

▶ Dollar Amount of Fraudulent Refunds Identified

- ❑ 2021 – \$928,429,370 - (\$908,912,796 – Stopped, \$19,516,572 – Processed)
- ❑ 2022 – \$1,512,690,102 - (\$1,476,578,206 – Stopped, \$36,161,896 – Processed)
- ❑ 2023 – \$2,788,138,565 - (\$2,697,130,305 – Stopped, \$91,008,260 – Processed – 4.66% increase over 2021)

TDS Authorization Changes


- ▶ Beginning April 8, 2024, tax professionals must call the Practitioner Priority Service (PPS) to request transcripts to be deposited into their Secure Object Repository (SOR).
- ▶ Additionally, tax professionals need to pass the current required authentication and also verify their Short Identification (ID). The Short ID is a unique 8-10 alphanumeric code that is systemically assigned when an IRS account is established.
 - ❑ TIGTA report indicates this may be related to closing a loophole that was allow fraudsters to access transcript via PPS
- ▶ This Short ID is visible when the tax professional logs in to their e-Services SOR

IRM 3.42.8.5.2 (10-01-2022) Short ID


(1) A Short ID is an 8-10 character alphanumeric code that each e-Services user will need if they want information delivered to their Secure Object Repository (SOR) or if they use the Application Program Interface.

- If the individual was an e-Services user **BEFORE** the SADI transition, the Short ID is their existing e-Services Username.
- If the individual was an e-Services user **AFTER** the SADI transition, the Short ID is an alphanumeric system generated ID.

(2) A user's Short ID is found on their e-Services Select Your Organization page.

 An official website of the United States Government



Catharine K O'Connor | Short ID:  | [Logout](#)

Select Your Organization

Select the organization you will represent in this session. Each item below represents an organization for which you are authorized to perform work. By selecting an organization, you are logging in as an authorized user of that organization and will be able to perform work for only that organization. You may represent yourself by selecting Individual. You may filter organizations to narrow down the choices based on matching text.

CAF Numbers in "Pending Review" Status

- ▶ See Issue Number: 2024-05
- ▶ The IRS has a process for IRS employees to refer authorizations with suspicious characteristics for further review. Under this process, the status of the affected CAF account will be coded to “P” for “pending review,” indicating that the CAF number is currently under review for potential compromise and may be subject to fraudulent use.
- ▶ Once a preliminary determination is made that a practitioner’s (or other tax professional's) CAF number may have been compromised and is placed in review, the practitioner will receive a letter by mail from the IRS—generally from IRS Criminal Investigation (CI) —letting them know their CAF is under review.
- ▶ Individuals who are told that their CAF account is in “pending review” status can contact the IRS directly by email at CICAF@ci.irs.gov.

MFA a Requirement for Tax Pros

- ▶ IR-2024-201, Aug. 6, 2024
- ▶ All tax professionals are now required under the Federal Trade Commission's safeguards rule to use multi-factor authentication, or MFA, to protect clients' sensitive information.

Inflation Reduction Act (IRA) Updates

\$1.3 billion recovered under IRA initiatives

- ▶ The IRS in February 2024 launched an initiative to pursue 125,000 high-income, high-wealth taxpayers who have not filed taxes since 2017. **In the first six months of this initiative, nearly 21,000 of these wealthy taxpayers have filed, leading to \$172 million in taxes being paid.**
- ▶ The IRS in the fall of 2023 launched a new initiative using Inflation Reduction Act funding to pursue high-income, high-wealth individuals who have failed to pay recognized tax debt.. This work is concentrated on taxpayers with more than \$1 million in income and more than \$250,000 in recognized tax debt. **Nearly 80% of these 1,600 millionaires with delinquent tax debt have now made a payment, leading to over \$1.1 billion recovered.**

▶ <https://www.irs.gov/newsroom/us-department-of-the-treasury-irs-announce-1-point-3-billion-recovered-from-high-income-high-wealth-individuals-under-inflation-reduction-act-initiatives>

IRA Spending through 6/30/2024

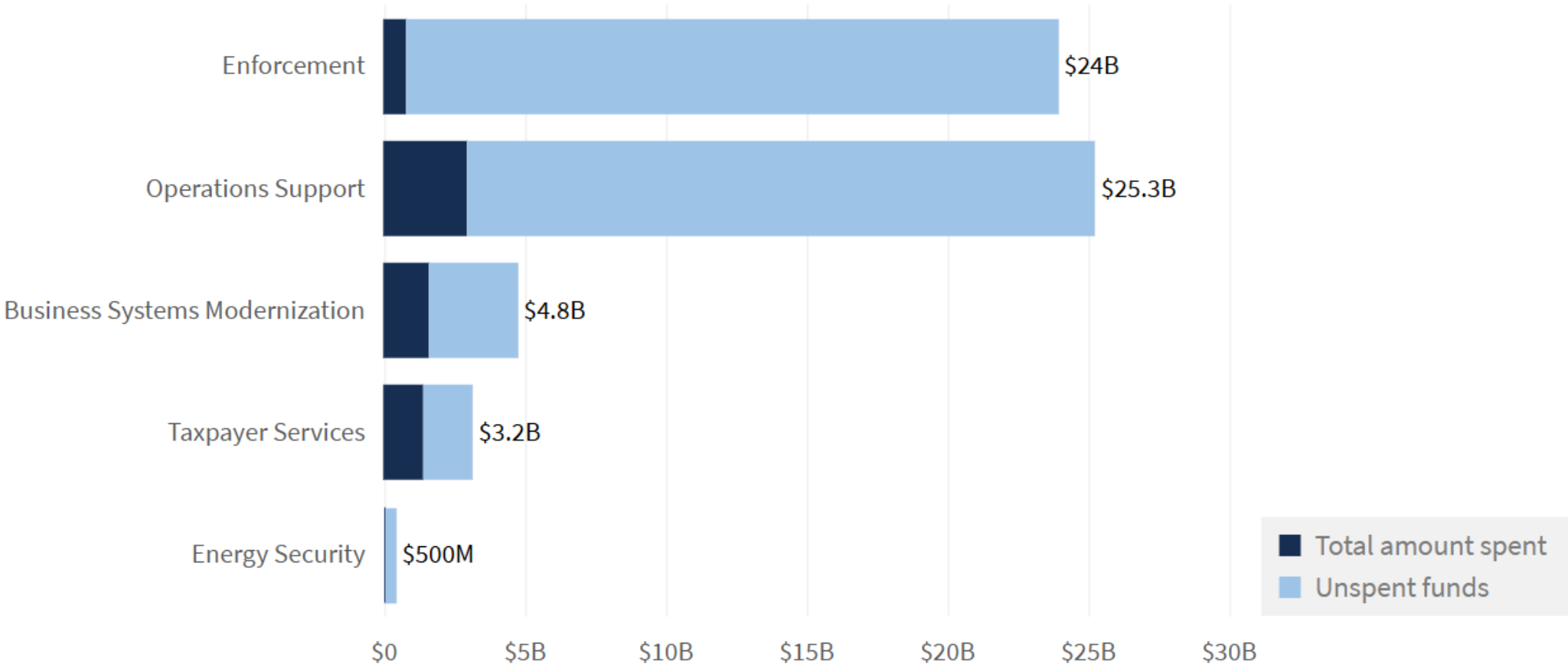


TABLE 3: Summary of key performance measure results for FYs 2020–2024.

Key Performance Measures	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Target	2024 Actual
Examination Efficiency – Individual ¹	76	108	101	103	106	82
Exam Starts – High-Income Individuals ^{*,2}	2,693	2,227	3,625	4,326	4,398	4,052
Exam Starts – Partnerships ^{*,3}	4,106	4,327	3,155	6,709	4,074	2,285
Exam Starts – Large Corporations (Assets >= \$250M) ^{*,4}	1,700	1,490	1,365	1,400	1,250	1,263
Criminal Investigations Completed ⁵	2,624	2,766	2,552	2,584	2,500	2,481
Conviction Rate ⁶	90.4%	89.4%	90.6%	88.4%	92.0%	90.0%

■ Target met, or indicator trending in the desired direction compared to the prior year result.

■ Target not met, or indicator not trending in the desired direction compared to the prior year result.

* Historical data provided for comparative purpose.

Technology Modernization Progress

- ▶ Thirty-five (83 percent) of the 42 initiatives in the IRA SOP are dependent upon one or more of the eight information technology initiatives in Objective Four (over a dozen initiatives centered around data system modernization).
- ▶ IRS is making progress but TIGTA encouraged more concrete plans to be published in the next fiscal year as part of the roadmap.
- ▶ <https://www.tigta.gov/sites/default/files/reports/2024-09/20242S8055fr.pdf>

Figure 8: Projected Growth in IRS Personnel

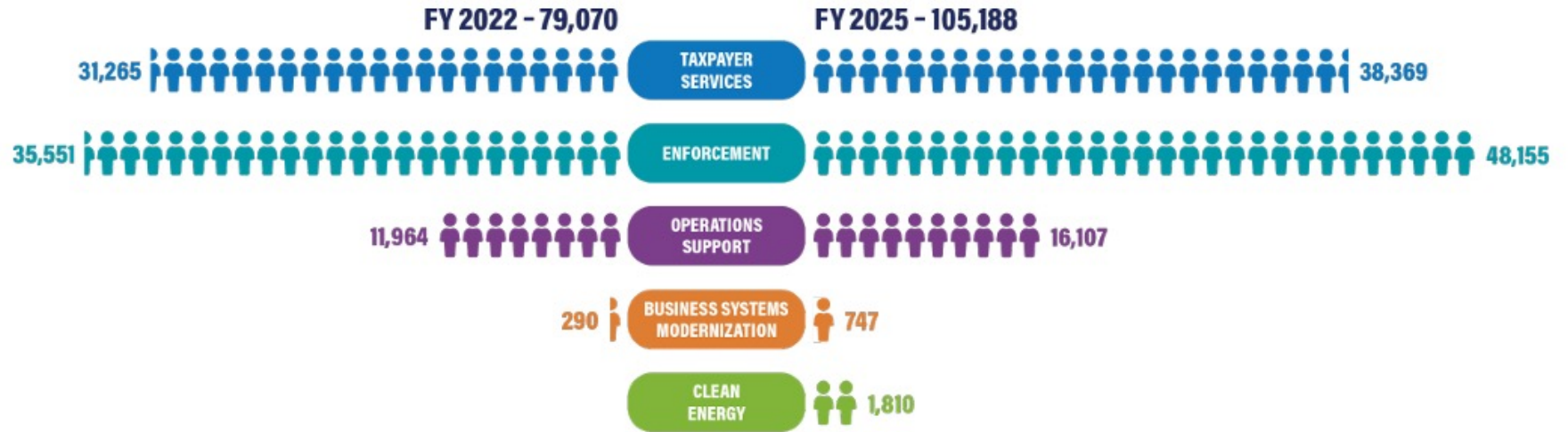


Figure 10: Staffing of Enforcement Personnel

POSITION TITLE	STAFFING 1/27/2024	FY 2024 HIRING TARGET	FY 2024 ANTICIPATED ATTRITION	STAFFING GOAL END OF FY 2024	NET STAFFING INCREASE FY 2024
REVENUE OFFICER	3,200	517	247	3,470	270
REVENUE AGENT	8,317	4,663	622	12,358	4,041
SPECIAL AGENT	2,183	402	85	2,500	317
TOTALS	13,700	5,582	954	18,328	4,628

<https://www.tigta.gov/sites/default/files/reports/2024-11/2024ier020fr.pdf>

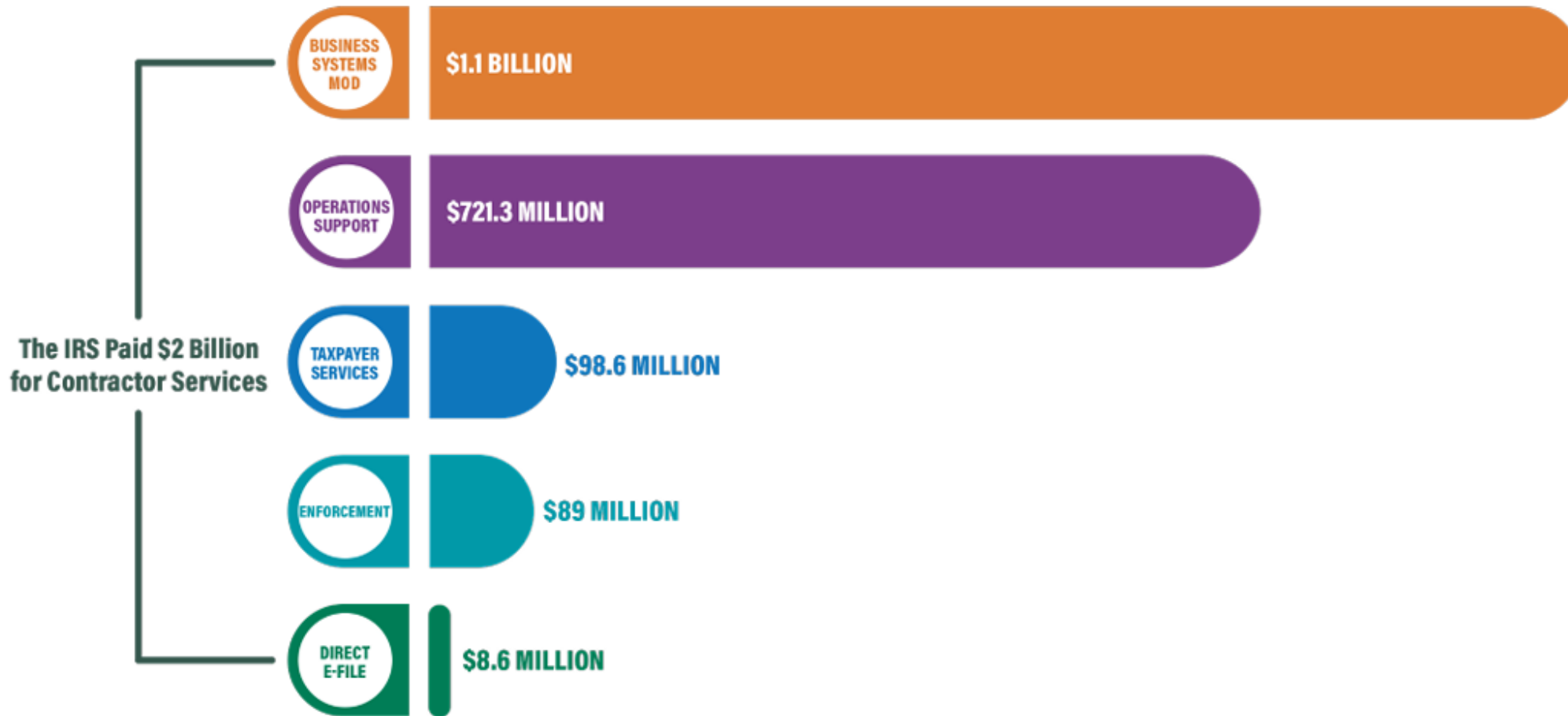
Figure 10: Estimated FTEs Funded with IRA through FY 2031²¹

Funding Activity	FY 2022 Actual	FY 2023 Actual	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Taxpayer Services		10,518	7,279	12,562						
Enforcement		495	4,088	7,239	17,300	24,100	31,900	33,000		
Operations Support		2,317	2,944	3,808	5,000	4,900	5,300	5,500	3,600	
BSM		327	193	300						
Energy Security			1,800	1,810	1,400					
Direct e-File		4								
IRA Funded FTE	0	13,661	16,314	25,719	23,700	29,000	37,200	38,500	3,600	
Discretionary/Other FTE	79,070	69,329	72,097	64,008	64,000	64,000	64,000	64,000	64,000	64,000
Total FTE	79,070	82,990	88,411	89,727	87,700	93,000	101,200	102,500	67,600	64,000

Source: IRS 2024 Annual Update to the SOP Supplement Report.

<https://www.tigta.gov/sites/default/files/reports/2024-11/2024ier020fr.pdf>

Figure 11: Expenditures for Contractor Support by Funding Activity



<https://www.tigta.gov/sites/default/files/reports/2024-11/2024ier020fr.pdf>

What Does the Future Hold?

IRS Online Services & Products

Coming Changes to IRS Transcripts

- ▶ Transcript format changing in near future (once the bugs are worked out)
- ▶ Business transcripts
 - ❑ Entity Transcript aka ENMOD – provide basic information about the Entity(Company) such as Business Name, EIN, Address, IRS establishment date, filing requirements.
 - ❑ Payroll RETURN transcripts.
- ▶ Will be part of the new IDRS but not yet official

Direct File

- ▶ Through the end of the pilot, the total amount spent by IRS was \$24.6 million, including the Report to Congress. Direct File's operational costs – including customer service, cloud computing and user authentication – were just \$2.4 million.
- ▶ The IRS will be adding 12 additional states to the Direct File program in 2025 (12 were included in 2024, filing a total of 140,000 returns)
- ▶ IRS hopes that starting in 2025 the direct file system will link up with the Information Reporting Program (IRP) data.

Tax Pro Account – New Features

- ▶ Can now request a Central Authorization File (CAF) Number via the Online Tax Pro Account.
- ▶ Can link your CAF # to your Tax Pro Account to view & manage authorizations (8821s/2848s)
 - ❑ System has some glitches that need to be ironed out.

Individual Online Account – New Features

- ▶ Retrieve all their tax related information from one source, including Wage & Income Account, Record of Account and Return transcripts;
- ▶ Request an update to their Identity Protection (IP) PIN using their smartphones or tablets;
- ▶ View information about the status of their audit at their convenience, instead of having to call the IRS to obtain audit information;
- ▶ Use a Lien Payoff Calculator to access lien information, calculate their lien payoff amount and generate a letter for download/print;
- ▶ Complete the Pending Installment Agreement process within Online Account without having to be re-routed to a separate application and
- ▶ View a comprehensive overview of their account information, including the status of their tax refund as it's being processed.

Business Online Account – New Features

- ▶ Launched in 2023 but features remain basic and of little utility in many instances, more features are in development and will hopefully be passed along to the Tax Pro Account in the future.

June 2024

- Partner & Shareholder Authorization Enhancements

February 2025

- Designated User Enhancements

September
2025

- SMLLCs Designated Officials

2024 IRSAC Report

- ▶ Encouraged several initiatives to promote adoption by both taxpayers & tax pros.
- ▶ Additionally, want to see better levels of support, plus staff to fulfill those support needs, in order to ensure Tax Pros don't turn back to older methods, including paper.
- ▶ <https://www.irs.gov/pub/irs-pdf/p5316.pdf>

15 Minute Break



Innocent Spouse – Part 1

Strategy and Handling the Client

Patrick H. Wanzer, CPA, CTRC – Edgewater CPA Group

Amanda Evans, EA – Green & Sklarz



What is Innocent Spouse Relief?

Innocent Spouse Relief

- Statutory relief is available for spouses who have MFJ tax liability for amounts attributable to the other spouse.
- To request relief from a tax liability under one of the three types of Innocent Spouse relief, the requesting spouse must have:
 - Filed a joint return
 - Sign and submit IRS Form 8857 – Request for Innocent Spouse Relief

Innocent Spouse Relief

- Internal Revenue Code §6015 Creates 3 Types of Innocent Spouse Relief
 - §6015 (B) – Innocent Spouse Relief
 - §6015 (C) – Separation of Liability
 - §6015 (F) – Equitable Relief

Innocent Spouse Relief

- Internal Revenue Code §6015 (B) Relief – Innocent Spouse
 - Understatement is due to an erroneous item.
 - Innocent Spouse did not know or have reason to know of the understatement.
 - Inequitable to hold them responsible for the tax.
 - Requested relief within 2 years of when collection activity began.
 - Allocation of liability.
 - Refund is available if granted within 3 years of the return filing.

Innocent Spouse Relief

- Internal Revenue Code §6015 (C) Relief – Separation of Liability
 - Must be divorced or legally separated for at least 12 months.
 - No actual knowledge of the understatement of the item giving rise to the liability.
 - Must be requested within 2 years of collection activity beginning.
 - Will be treated as if they filed separately.
 - No refund is available, but liability is separated.

Innocent Spouse Relief

- So what is an erroneous item?
 - Improper Deductions
 - Omitted Income (stealing money from a business, not reporting known income, etc.)

Innocent Spouse Relief

- Internal Revenue Code §6015 (F) Relief – Equitable Relief
 - Rev-Proc 2013-34 lays out the IRS approach to evaluating claims for equitable relief.
 - Takes into account all facts and circumstances.
 - For underpayments you must use equitable relief.
 - Liability is apportioned.
 - Refunds are available.

Innocent Spouse Relief

- Lantz V. Commissioner, 132 T.C. No. 8 (2009)
 - IRC §6015(B) and (C) require an innocent spouse to request relief within 2 years.
 - IRS created regulations requiring two years for all three types of relief, (B), (C), and (F).
 - In Lantz v. Commissioner, the court concluded that for equitable relief under §6015(F), there was no such two-year requirement, and the IRS' creation of one in their regulations was an abuse of their discretion.
 - No two-year rule in equitable relief cases under IRS §6015(F).

Innocent Spouse Relief

- Internal Revenue Code §6015 (F) Relief – Equitable Relief
 - Timely request for equitable relief is:
 - Within the 10-year collection statute if the request is made for relief from an unpaid tax liability
 - Within the 3-year limitation period for a credit or refund if the request is made for relief that would result in a credit or refund

Innocent Spouse Relief

➤ Factors IRS Considers in Granting Relief

1. Marital Status
2. Non-Requesting Spouse's Legal Obligation
3. Economic Hardship
4. Knowledge or Reason to Know
5. Significant Benefit
6. Compliance with Income Tax Laws
7. Abuse
8. Physical/Mental Health
9. To Whom the Tax, Interest, and Penalties are Attributed

Innocent Spouse Relief

- My First Innocent Spouse Case (My First Resolution Case)

Rachel came to me and said I was highly recommended by her divorce attorney.

Rachel had gotten divorced quite a few years earlier.

She was being pursued for \$18,000.00 in tax debt for tax years 2005 and 2006.

She swore she didn't know about the tax balance and didn't know what to do let alone have any money to pay it.

Innocent Spouse Relief

➤ A Little Background

- Rachel and her husband Robert were getting a divorce.
- Rachel was Pro Se and Robert had retained counsel.
- During the settlement negotiations, Robert wanted Rachel to agree to file a joint return for 2005 and 2006.
- Robert swore that he would pay any tax owed, but the tax would be lower if they filed a joint return.
- Negotiations dragged on until Robert agreed to have the settlement agreement state that he would pay the taxes.
- Robert then told Rachel he would not sign the settlement agreement and would take her to court if she didn't agree to file a joint return.

Innocent Spouse Relief

- Fast Forward to 2015
 - I get a call from a friend of mine who is a family law attorney.
 - She has a client to refer to me (Rachel) who was divorced in 2008 and owes about \$18,000.00 to the IRS.
 - I called Rachel and scheduled our initial consultation. I also told her to bring all the notices she received from the IRS plus anything pertaining to the tax years in question.
 - Now, this is my first case so I'm trying to learn on the fly (I think I violated every rule Eric taught about retaining a client).

Innocent Spouse Relief

➤ Consultation

➤ Rachel arrives and explains her case

➤ (remember, I had never done a resolution case before)

➤ This is how Rachel described Robert

➤ A very controlling man

➤ Rachel was not allowed to work

➤ She was not allowed access to the bank account (given a small allowance each week for spending)

➤ Robert made all financial decisions

➤ She could not meet friends and contact with her family was restricted

➤ When I asked to see copies of her 2005 and 2006 joint tax returns, she couldn't provide them because she was never allowed to see them (Robert would tell her that the returns were finished and only allow her to see the efile signature page)

Innocent Spouse Relief

➤ Factors IRS Considers in Granting Relief

1. Marital Status
2. Non-Requesting Spouse's Legal Obligation
3. Economic Hardship
4. Knowledge or Reason to Know
5. Significant Benefit
6. Compliance with Income Tax Laws
7. Abuse
8. Physical/Mental Health
9. To Whom the Tax, Interest, and Penalties are Attributed

Innocent Spouse Relief

➤ Investigation

- I collected the documents from Rachel and reviewed them and methodically went through the elements to see if they helped our hurt our case.
 - Marital Status – Rachel was not married – neither helped or hurt us.
 - Non-Requesting Spouse’s Legal Obligation – Not only did Robert say he would pay the tax, but the divorce settlement agreement also stated that he would – Strongly helped our case.
 - Economic Hardship – Rachel was a family therapist starting a new practice – Helped our case.
 - Knowledge or Reason to Know – Rachel had no knowledge of the tax owed because she was never allowed to see the returns – Helped our case.

Innocent Spouse Relief

➤ Investigation

- Significant Benefit – This was a hard one as there really wasn't a way to prove a benefit one way or another.
- Abuse – Robert was not physically abusive, but he was financially and emotionally abusive – may have helped our case however it is difficult to prove this type of abuse.
- Physical/Mental Health – Rachel was under pressure to sign the return in order to get Robert to sign the divorce settlement agreement – Helped our case.
- Compliance with the Tax Laws – Rachel was not allowed to see the returns so she didn't know – Neither helped or hurt our case (could help as she would not know if they were in tax compliance).
- To Whom the Tax, Interest, and Penalties are Attributed – Rachel was not allowed to work so she earned no money in 2005 and 2006, therefore none of the tax was attributable to her – Strongly helped our case.

Innocent Spouse Relief

➤ Making the Request

- Innocent Spouse Election is made by filing IRS Form 8857 – “Request for Innocent Spouse Relief”.
- Must be filed within two years after the IRS begins collection activity for the tax return in question for §6015(b) or §6015(c).
- It can be filed at any time that the liability is open if pursuing relief under §6015(f).
- Support Case with Documents.
- Prepare to Appeal to the Centralized Units Decision.

As a side note, I always look to file under §6015(f) – Equitable Relief

Innocent Spouse Relief

➤ Making the Request

- I prepared the 8857 Form and gathered all the documentation.
- I prepared the RCP to show economic hardship.
 - Economic hardship here exists if satisfaction of the tax liability in whole or in part will cause the requesting spouse to be unable to pay reasonable basic living expenses.
- As a side note – I was able to prove that she had no income for 2005 and 2006 by getting a copy of her Social Security Benefits statement which indicated that she earned no income for those years.
- I explained to Rachel that almost all cases to go appeals but I was going to see this all the way through.
 - (it was my first case, so I included the appeal with the fee to file the Innocent Spouse – Doh!!).
- We filed and we waited, and waited, and waited.

Innocent Spouse Relief

➤ Resolution

- Ten months later I got a call from Rachel – she sounded manic.
- She said she received a notice from the IRS and said “I think we won”.
- She read the notice and the IRS granted full relief from the tax debt owed.
- We won the case and didn’t have to go to appeals
- We scheduled a “final” meeting

Innocent Spouse Relief

- Working with Rachels' Family Law Attorney
 - Rachel's attorney explained to me that the divorce settlement agreement had a "Hold-Harmless" clause that gave Rachel the right to sue Robert for my fees.
 - Rachel's Attorney filed a lawsuit and it went to trial (Robert refused to settle).
 - During the trial, we learned that Robert had filed bankruptcy and had the tax debt discharged.
 - The tax was only discharged against Robert, not Rachel.
 - This is why the IRS was coming after Rachel.
 - The trial went very well for Rachel (with me as the lead witness) and the judge ruled in Rachel's favor.
 - Not only did Rachel not have to pay the \$18,000.00 in tax, she was also reimbursed the \$4,000.00 fee she paid me to pursue Innocent Spouse Relief.

Innocent Spouse Relief

- Protecting Your Client in a Divorce Settlement Agreement
 - Timing of filing an Innocent Spouse Claim
 - You will want to have a discussion with the Family law Attorney about the timing of the filing
 - You don't want to file too early and mess up the divorce negotiations
 - What if we file Innocent Spouse and get relief BEFORE a settlement agreement is reached

Innocent Spouse Relief

- Protecting Your Client in a Divorce Settlement Agreement
 - Opposing counsel may want to negotiate to put the taxes on their side of the ledger requiring more property to balance out the debt.
 - If other spouse ends up having to pay the whole thing because of the relief the Innocent Spouse got, that could trigger a “Duty to Indemnify”.
 - This is what happened in Rachel’s Case
 - Your client’s attorney will want to have a discussion with you regarding how to approach the tax issue.

Innocent Spouse Relief

- Protecting Your Client in a Divorce Settlement Agreement
 - Would it be beneficial for your client to take the tax and additional property to balance it out?
 - Discuss with your client's Family Law Attorney what Innocent Spouse is – that could help drive negotiations.
 - Would your client want the opposing side to acknowledge in the Divorce Settlement Agreement that your client is an Innocent Spouse?

Innocent Spouse Relief

- Protecting Your Client in a Divorce Settlement Agreement
 - If opposing side takes the taxes, would you want to include in the Divorce Settlement Agreement that your client will file for Innocent Spouse.
 - This could be an incentive for the opposing side to keep up-to-date on paying the tax.
 - Your client's Family Law Attorney will want you to prepare the filing so they have an idea whether or not your client will qualify.
 - If not, then your client's Family Law Attorney may want to go in a different Direction

Innocent Spouse Relief

➤ Documents You Should Request

- Divorce Settlement Agreement – Read through it entirely, pay close attention to any part pertaining to tax and any “hold-harmless/indemnification” clause.
- Divorce Decree – Read through it entirely. It is needed to prove they are divorced.
- Tax Returns in question
- Proof of income from those years to see how much income was earned by your client.
- Police Reports/Court documents indicating any type of abuse
- Social Security statement showing income over the years

Innocent Spouse Relief

- You want to show an economic hardship
 - I prepare a 433 to get a full picture of their economic condition
 - What is your client's profession
 - How were the assets divided in the divorce
 - Was a QDRO used to allocate retirement funds
 - How were the vehicles allocated
 - How were the debt allocated

Questions



Innocent Spouse Relief – Part 2

The Intervening Spouse

Eric L. Green, Esq.

Leighanne Lafrenz Nickle, CPA

TRN
TAX REP NETWORK

Innocent Spouse



- ▶ IRC 6015 Creates 3 types of innocent spouse relief
- ▶ B – Innocent Spouse Relief
- ▶ C – Separation of Liability Relief
- ▶ F – Equitable Relief

The Intervening Spouse

- ▶ The spouse of the taxpayer that files for innocent spouse is allowed to intervene
- ▶ They will be notified of the filing and can submit information and testify as to why the taxpayer should NOT be given relief
- ▶ This is often an issue when you have an abused spouse, because the filing cannot be kept a secret

Non-Requesting Spouse (NRS)

- ▶ IRC § 6015(h)(2): NRS must be notified and given an opportunity to participate in any administrative proceeding
- ▶ If full or partial relief is granted to the RS, the NRS can file a protest with IRS Appeals
- ▶ NRS can intervene if RS filed a petition in Tax Court
- ▶ NRS can't appeal the Tax Court decision
- ▶ NRS can't petition the Tax Court

ORIGINAL

UNITED STATES TAX COURT

TAXPAYER)	
)	
)	Petitioner,
)	
)	v.
)	Docket No. XXX-20
)	
COMMISSIONER OF INTERNAL REVENUE,)	Filed Electronically
)	
)	Respondent.

NOTICE OF FILING OF PETITION AND RIGHT TO INTERVENE

RESPONDENT, pursuant to T.C. Rule 325(a) and King v. Commissioner, 115 T.C. 118 (2000), hereby provides Notice of the filing of a petition raising relief from joint and several liability on a joint return by the above-named petitioner, and right to intervene, to petitioner's former spouse, EX-SPOUSE'S NAME, the other individual filing joint returns with petitioner for the years at issue, as follows:

1. On January 9, 2020, petitioner TAXPAYER filed a petition with the United States Tax Court for relief from joint and several liability on a joint return.

Non-Requesting Spouse – Tax Court

- ▶ Taxpayers receive relief in 25% of cases
- ▶ In cases where NRS intervenes, it increases to 35%
- ▶ Reason: Not a place to refight the divorce
- ▶ If you represent the NRS, make sure you intervene in a professional way

Critical for Representing the Intervening Spouse



- Your response must be unemotional
- Just the facts
- Documents
- Text messages, affidavits, etc

Submit the documentation to the IRS

- ▶ IRS Counsel wants the information to make a determination
- ▶ Can avoid letting a guilty spouse walk away from the debt



Case #1

- ▶ Client comes to us
- ▶ His ex-wife and he owned a business
- ▶ She was the accountant and was embezzling from the company
- ▶ They are divorced and owe \$275,000 jointly
- ▶ She has filed for innocent spouse relief



Her Text Messages

- ▶ She continues to text him messages while she argues she is an innocent spouse:
 - a. “I am sorry I did this”
 - b. “I shouldn’t have hidden this from you”
 - c. “I’ll try and make this up to you”

Client is just enraged

- ▶ Wants to show up in her Tax Court case
- ▶ Is out of his mind
- ▶ We calm him down – just the facts
- ▶ We have him go and have Verizon print off the text messages
- ▶ We send them to IRS counsel....



IRS Counsel

- ▶ Calls us to thank him
- ▶ The case was withdrawn when they presented her and her attorney with the text messages
- ▶ The key – provide evidence that is useful
- ▶ Keep your client calm and behaving reasonably!

Questions



Everything IRS Transcripts Have to Offer.

Advanced Nuggets Involving Transcripts & E-Services

Roger Nemeth, EA, NTPI Fellow President, Tax Help Software

- Started managing tax franchises in 2006.
- Developed Audit Detective in 2010.
- Qualified as an N.T.P.I. Fellow in 2015.
- Has taught courses awarding over 150,000 hours of CE/CPE.
- THS users have downloaded over 1 billion transcripts over the past decade.
- In 2022 THS users will request 1.3 billion transcripts and receive over 400 million transcripts.



**Tax Help
Software™**

Presentation Overview

The topics covered today will be best practices and nuggets for an experienced tax professional. The topics covered today will be the IRS Modified CAF issue, transcript analysis for Examinations/Audit prep, Reasonable Cause Penalty Abatement, Innocent Spouse CSED Tolling and the new Document Upload Tool.

These topics represent a mix of advanced topics that most tax pros are unaware of.

Handouts

- Detailed information on the “Modified” CAF issue.
- Template for permission to use an ISP.

CPA Academy Free Classes

Today's Topics are advanced. I have plenty of free archived classes on CPA Academy. Just google "CPA Academy Roger Nemeth" and go to my archived webinars (Over 23 hours available).

- How to Onboard Tax Resolution Clients
- First Time Penalty Abatement Made Easy
- END CP2000 NOTICES: UNDERSTAND & AVOID AUTOMATED UNDERREPORTER (AUR) AUDITS
- EARLY EXAM DETECTION WITH IRS TRANSCRIPTS
- UNLOCK IRS RECORDS: 95% SUCCESS WITH FORMS 8821 & 2848 MASTERY
- GETTING STARTED WITH E-SERVICES
- MANAGING FORMS 8821 & 2848: WITHDRAWING TAX AUTHORIZATIONS
- IRS STATUTES OF LIMITATION DATES: ASED, RSED, & CSED
- FUNDAMENTALS OF THE IRS TRUST FUND RECOVERY PENALTY (TFRP)
- THE BASICS OF FEDERAL TAX DISCHARGE IN BANKRUPTCY

Major CAF Issue

The “Modified” CAF Entry

Modified CAF

I have provided a detailed explanation in the handouts but to give a quick summary.

- If a Tax Pro uses Software to download transcripts they require you to check a box on the 2848 or 8821 stating “I authorize my representative(s) to access my IRS records via an Intermediate Service Provider.”
- If the ISP box is checked on a 2848 sometimes the IRS enters it into the CAF System as “Modified” per IRS IRM 21.3.7.5.2(17)a
- “Modified” CAF transcripts cannot be requested and downloaded electronically via software or IRS Transcript Delivery System (TDS). You have CAF but to get transcripts you have to call PPS/PPL and have them sent to your mailbox.

IRS IRM 21.3.7.5.2(17)a (08-22-2023)

Exhibit 2: Form 2848 and Form 8821 Screening, Coding and Editing IRM

- (17) Form 2848, Line 5a, Additional acts authorized and Line 5b, Specific acts not authorized may limit, or give additional, authority to the taxpayer's representative(s).
- a. If Form 2848, Line 5a, grants any authorization other than disclosure to third-party, substitute/add representative(s) or sign a return, or limits any authorization as notated on line 5b, Specific acts not authorized on the Form 2848, code an **"M"** (Modified) in the left margin next to box 5a. Otherwise, code a **"U"** (unmodified) in left margin next to box 5a.

Modified CAF

Remember this only affects 2848.

8821 is not mentioned in the IRM in regards to the “Modified” CAF.

Modified CAF

Modified CAF is estimated to affect less than 2% of submitted forms but we have been receiving more and more complaints recently.

The symptom is you submit your 2848 to CAF unit and wait a reasonable amount of time and you continually receive a CAF Failed message using software or the IRS Transcript Delivery System Directly.

Modified CAF

If you call the IRS Practitioner Line (PPL/PPS) they will tell you that you have CAF and they can provide the transcripts directly to your e-Services mailbox.

Once an authorization is entered as “Modified” resubmitting a different a different form for the same Tax Pro usually does not resolve the issue.

Modified CAF

The two ways to determine if your CAF was entered as “Modified” for a taxpayer:

1. Call PPS/PPL and ask.
 - ❑ This can be unreliable with the phones being staffed by new employees.
2. Check the taxpayer in your Tax Pro Account CAF List under Taxpayer Details. See screenshot on next slide.

Modified CAF

Modified CAF showing on the Tax Pro Account CAF List under the Taxpayers Details.

An official website of the United States Government
Here's how you know

IRS

[Account Home](#) / [Taxpayers](#) / [Taxpayers Details](#) / [Authorization Details](#)

Authorization Details

[Redacted]

TIN: [Redacted]

Form 2848, Power of Attorney and Declaration of Representative
Signature Date: 05/03/2022

Form Details

Tax Form	1040 Series
Periods	Dec 1990 - Dec 2025

Authorization Information

Designation	Enrolled Agent
Communications	Authorized to receive copies of notices and other written communications
Acts Authorized	Modified POA form

[Back to Taxpayer Details](#)

Modified CAF

Roger's Best Practice To Avoid Modified CAF:

1. Get both an 8821 and 2848 signed by taxpayer.
2. Do not check the ISP Box on the 2848.
3. Submit the 2848 and file the 8821
 1. Optionally instead of getting an 8821 signed use the ISP Authorization Form in the handouts.

Modified CAF

Alternative best practice:

1. Add the following language to your engagement agreement:
 - “I authorize my representative(s) to access my IRS records via an Intermediate Service Provider (ISP). An ISP is a program that is authorized to access IRS systems and deliver data to a tax professional.”
2. Do not check the ISP Box on the 2848.
3. Submit the 2848 normally.

Note: I like this method because anytime you obtain a 2848 you should have some type of engagement agreement.

Modified CAF

I have also included the latest IRS Terms of Service (TOS).
The TOS simply says:

You must notify your clients when you are using an
Intermediate Service Provider.

I recommend getting something signed by taxpayer but this
indicates merely informing taxpayer is good enough.

Modified CAF

Terms of Service

Please read and accept the following Terms of Service.

The Internal Revenue Service is updating its e-Services User Agreement. Highlights are below:

- Update all information to your e-Services account/applications within 30 days of any changes.
- Keep your e-Services username, password and PIN confidential.
- When using an Intermediate Service Provider whose software requires you to enter your e-Services username, password, or PIN, you must ensure your username, password, and PIN are not stored.
- You must notify your clients when you are using an Intermediate Service Provider.

As part of our ongoing efforts to enhance security and protect sensitive taxpayer data, the following items have been added:

- Contact the Help Desk at 866-255-0654 (international callers use 512-416-7750) if there is unauthorized use of your account.
- Protect the data you access through e-Services; it's your legal obligation to protect all tax information.
- Review Publication 4557, Safeguarding Taxpayer Data PDF (<https://www.irs.gov/pub/irs-pdf/p4557.pdf>), for information about your obligations and suggested safeguards for creating a security plan.

Terms and Conditions

Please read the following Privacy Act Notice and conditions of use that explain why we are requesting the registration information, how it will be used, and your responsibilities as a registered user of e-Services.

You must accept the presented Terms and Conditions to be granted access to e-Services. If you do not accept these terms, you will not have access to e-Services.

Examinations/Audits

Determining What The Exam Focus Will Be

Focus of IRS Exams

With Tax Pros able to now predict audits/exams six months or more in advance of the notice being sent it has become imperative to be able to analyze tax transcripts. Knowing an audit is hanging over your client is a game changer but would be better if you could determine what the focus of the audit/exam is on. If the issue can be identified and a qualified amended return filed before the exam letter goes out penalties should be able to be contested (especially the Accuracy Related Penalty).

In this section we will walk through some best practices,

Common IRS Exams

- ▶ High-Income Taxpayers
- ▶ Schedule A
- ▶ Schedule C
- ▶ Cryptocurrency Transactions
- ▶ Rental Property Losses
- ▶ Reasonable Compensation (S-Corp)

Focus of IRS Exams

High-Income Taxpayers

- ▶ High-income taxpayers are often audited because they have more complex financial situations, which may involve investments, multiple income streams, or foreign accounts.
- ▶ Examples:
 - ❑ Income discrepancies between reported income and third-party reports (e.g., W-2s, 1099s).
 - ❑ Underreported income from side businesses or gig economy jobs.
 - ❑ Offshore accounts and foreign income.

IRS Exam Focus

On the income section of the return transcript check the total income. This section starts the story:

- This would be considered a high income taxpayer at \$903k.
- Remember high self employed or other income could indicate a cash business.
- Cryptocurrency would be reported on Capital Gains.

Income

WAGES, SALARIES, TIPS, ETC:	\$719,060.00
TAXABLE INTEREST INCOME: SCH B:	\$124.00
TAX-EXEMPT INTEREST:	\$0.00
ORDINARY DIVIDEND INCOME: SCH B:	\$2.00
QUALIFIED DIVIDENDS:	\$2.00
REFUNDS OF STATE/LOCAL TAXES:	\$0.00
ALIMONY RECEIVED:	\$0.00
BUSINESS INCOME OR LOSS (Schedule C):	\$184,667.00
BUSINESS INCOME OR LOSS: SCH C PER COMPUTER:	\$184,667.00
CAPITAL GAIN OR LOSS: (Schedule D):	\$-3,000.00
CAPITAL GAINS OR LOSS: SCH D PER COMPUTER:	\$-3,000.00
OTHER GAINS OR LOSSES (Form 4797):	\$0.00
TOTAL IRA DISTRIBUTIONS:	\$0.00
TAXABLE IRA DISTRIBUTIONS:	\$0.00
TOTAL PENSIONS AND ANNUITIES:	\$0.00
TAXABLE PENSION/ANNUITY AMOUNT:	\$0.00
ADDITIONAL INCOME:	\$187,650.00
ADDITIONAL INCOME PER COMPUTER:	\$187,650.00
REFUNDABLE CREDITS PER COMPUTER:	\$134.00
REFUNDABLE EDUCATION CREDIT PER COMPUTER:	\$0.00
QUALIFIED BUSINESS INCOME DEDUCTION:	\$709.00
RENT/ROYALTY/PARTNERSHIP/ESTATE (Schedule E):	\$2,983.00
RENT/ROYALTY/PARTNERSHIP/ESTATE (Schedule E) PER COMPUTER:	\$2,983.00
RENT/ROYALTY INCOME/LOSS PER COMPUTER:	\$0.00
ESTATE/TRUST INCOME/LOSS PER COMPUTER:	\$0.00
PARTNERSHIP/S-CORP INCOME/LOSS PER COMPUTER:	\$2,983.00
FARM INCOME OR LOSS (Schedule F):	\$0.00
FARM INCOME OR LOSS (Schedule F) PER COMPUTER:	\$0.00
UNEMPLOYMENT COMPENSATION:	\$0.00
TOTAL SOCIAL SECURITY BENEFITS:	\$0.00
TAXABLE SOCIAL SECURITY BENEFITS:	\$0.00
TAXABLE SOCIAL SECURITY BENEFITS PER COMPUTER:	\$0.00
OTHER INCOME:	\$0.00
SCHEDULE EIC SE INCOME PER COMPUTER:	\$0.00
SCHEDULE EIC EARNED INCOME PER COMPUTER:	\$0.00
SCH EIC DISQUALIFIED INC COMPUTER:	\$0.00
QUALIFIED BUSINESS INCOME DEDUCTION:	\$0.00
F8995 QUALIFIED BUSINESS INCOME DEDUCTION COMPUTER:	\$709.00
PRIMARY ECONOMIC IMPACT PAYMENT:	\$0.00
SECONDARY ECONOMIC IMPACT PAYMENT:	\$0.00
SCHOLARSHIP FELLOWSHIP GRANT:	\$0.00
TOTAL INCOME:	\$903,836.00
TOTAL INCOME PER COMPUTER:	\$903,836.00

IRS Exam Focus

In this section focus on the following:

- Any deductions that seem out of place or excessive.
- I would verify the Keogh/SEP Contribution in this instance.

Adjustments to Income

EDUCATOR EXPENSES:	\$0.00
EDUCATOR EXPENSES PER COMPUTER:	\$0.00
RESERVIST AND OTHER BUSINESS EXPENSE:	\$0.00
HEALTH SAVINGS ACCT DEDUCTION:	\$0.00
HEALTH SAVINGS ACCT DEDUCTION PER COMPTR:	\$0.00
MOVING EXPENSES: F3903:	\$0.00
SELF EMPLOYMENT TAX DEDUCTION:	\$2,473.00
SELF EMPLOYMENT TAX DEDUCTION PER COMPUTER:	\$2,473.00
SELF EMPLOYMENT TAX DEDUCTION VERIFIED:	\$0.00
KEOGH/SEP CONTRIBUTION DEDUCTION:	\$34,049.00
SELF-EMP HEALTH INS DEDUCTION:	\$0.00
EARLY WITHDRAWAL OF SAVINGS PENALTY:	\$0.00
ALIMONY PAID SSN:	
ALIMONY PAID:	\$0.00
SCHOLARSHIP FELLOWSHIP EXCLUDED:	\$0.00
IRA DEDUCTION:	\$0.00
IRA DEDUCTION PER COMPUTER:	\$0.00
STUDENT LOAN INTEREST DEDUCTION:	\$0.00
STUDENT LOAN INTEREST DEDUCTION PER COMPUTER:	\$0.00
STUDENT LOAN INTEREST DEDUCTION VERIFIED:	\$0.00
TUITION AND FEES DEDUCTION:	\$0.00
TUITION AND FEES DEDUCTION PER COMPUTER:	\$0.00
DOMESTIC PRODUCTION ACTIVITIES DEDUCTION:	\$0.00
OTHER ADJUSTMENTS:	\$0.00
ARCHER MSA DEDUCTION:	\$0.00
ARCHER MSA DEDUCTION PER COMPUTER:	\$0.00
TOTAL ADJUSTMENTS:	\$36,522.00
TOTAL ADJUSTMENTS PER COMPUTER:	\$36,522.00
ADJUSTED GROSS INCOME:	\$867,314.00
ADJUSTED GROSS INCOME PER COMPUTER:	\$867,314.00

IRS Exam Focus

In this section focus on the following:

- There are a lot of credits here that have exam potential.
 - Residential Energy Credits
 - Adoption Credits
 - Education Credits
 - Dependent Care
- Pay special attention to the Foreign Tax Credits here. If there are any credits or anything the taxpayer says to indicate a potential for foreign income make sure you follow up.

Tax and Credits

65-OR-OVER:	NO
BLIND:	NO
SPOUSE 65-OR-OVER:	NO
SPOUSE BLIND:	NO
STANDARD DEDUCTION PER COMPUTER:	\$0.00
ADDITIONAL STANDARD DEDUCTION PER COMPUTER:	\$0.00
TAX TABLE INCOME PER COMPUTER:	\$839,529.00
EXEMPTION AMOUNT PER COMPUTER:	\$0.00
TAXABLE INCOME:	\$838,820.00
TAXABLE INCOME PER COMPUTER:	\$838,820.00
TOTAL POSITIVE INCOME PER COMPUTER:	\$906,836.00
TENTATIVE TAX:	\$247,512.00
TENTATIVE TAX PER COMPUTER:	\$247,512.00
FORM 8814 ADDITIONAL TAX AMOUNT:	\$0.00
TAX ON INCOME LESS SOC SEC INCOME PER COMPUTER:	\$0.00
FORM 6251 ALTERNATIVE MINIMUM TAX:	\$0.00
FORM 6251 ALTERNATIVE MINIMUM TAX PER COMPUTER:	\$0.00
FOREIGN TAX CREDIT:	\$0.00
FOREIGN TAX CREDIT PER COMPUTER:	\$0.00
FOREIGN INCOME EXCLUSION PER COMPUTER:	\$0.00
FOREIGN INCOME EXCLUSION TAX PER COMPUTER:	\$0.00
EXCESS ADVANCE PREMIUM TAX CREDIT REPAYMENT AMOUNT:	\$0.00
EXCESS ADVANCE PREMIUM TAX CREDIT REPAYMENT VERIFIED AMOUNT:	\$0.00
CHILD & DEPENDENT CARE CREDIT:	\$1,200.00
CHILD & DEPENDENT CARE CREDIT PER COMPUTER:	\$1,200.00
CREDIT FOR ELDERLY AND DISABLED:	\$0.00
CREDIT FOR ELDERLY AND DISABLED PER COMPUTER:	\$0.00
EDUCATION CREDIT:	\$0.00
EDUCATION CREDIT PER COMPUTER:	\$0.00
GROSS EDUCATION CREDIT PER COMPUTER:	\$0.00
RETIREMENT SAVINGS CONTRB CREDIT:	\$0.00
RETIREMENT SAVINGS CONTRB CREDIT PER COMPUTER:	\$0.00
PRIM RET SAV CONTRB: F8880 LN6A:	\$0.00
SEC RET SAV CONTRB: F8880 LN6B:	\$0.00
TOTAL RETIREMENT SAVINGS CONTRIBUTION: F8880 CMPTR:	\$0.00
RESIDENTIAL ENERGY CREDIT:	\$0.00
RESIDENTIAL ENERGY CREDIT PER COMPUTER:	\$0.00
CHILD AND OTHER DEPENDENT CREDIT:	\$0.00
CHILD AND OTHER DEPENDENT CREDIT PER COMPUTER:	\$0.00
ADOPTION CREDIT: F8839:	\$0.00
ADOPTION CREDIT PER COMPUTER:	\$0.00
FORM 8396 MORTGAGE CERTIFICATE CREDIT:	\$0.00
FORM 8396 MORTGAGE CERTIFICATE CREDIT PER COMPUTER:	\$0.00
F3800, F8801 AND OTHER CREDIT AMOUNT:	\$0.00
FORM 3800 GENERAL BUSINESS CREDITS:	\$0.00
FORM 3800 GENERAL BUSINESS CREDITS PER COMPUTER:	\$0.00
PRIOR YR MIN TAX CREDIT: F8801:	\$0.00
PRIOR YR MIN TAX CREDIT: F8801 PER COMPUTER:	\$0.00
F8936 ELECTRIC MOTOR VEHICLE CREDIT AMOUNT:	\$0.00
F8936 ELECTRIC MOTOR VEHICLE CREDIT PER COMPUTER:	\$0.00
F8910 ALTERNATIVE MOTOR VEHICLE CREDIT AMOUNT:	\$0.00
F8910 ALTERNATIVE MOTOR VEHICLE CREDIT PER COMPUTER:	\$0.00
SICK FAMILY LEAVE CREDIT:	\$0.00
NON ITEMIZED CHARITABLE CONTRIBUTION DEDUCTION:	\$0.00
RECOVERY REBATE CREDIT:	\$0.00
RECOVERY REBATE CREDIT PER COMPUTER:	\$0.00
RECOVERY REBATE CREDIT VERIFIED:	\$0.00
OTHER CREDITS:	\$0.00
TOTAL CREDITS:	\$1,200.00
TOTAL CREDITS PER COMPUTER:	\$1,200.00
INCOME TAX AFTER CREDITS PER COMPUTER:	\$246,312.00

IRS Exam Focus

In this section focus on the following:

- Review the withholding and verify with wage and income summary transcripts.
- Refundable credits in this section are the most examined by the IRS

Payments

FEDERAL INCOME TAX WITHHELD:	\$165,155.00
HEALTH CARE: INDIVIDUAL RESPONSIBILITY:	\$0.00
HEALTH CARE FULL-YEAR COVERAGE INDICATOR:	0
ESTIMATED TAX PAYMENTS:	\$0.00
OTHER PAYMENT CREDIT:	\$0.00
REFUNDABLE EDUCATION CREDIT:	\$0.00
REFUNDABLE EDUCATION CREDIT PER COMPUTER:	\$0.00
REFUNDABLE EDUCATION CREDIT VERIFIED:	\$0.00
REFUNDABLE CREDITS:	\$134.00
EARNED INCOME CREDIT:	\$0.00
EARNED INCOME CREDIT PER COMPUTER:	\$0.00
EARNED INCOME CREDIT NONTAXABLE COMBAT PAY:	\$0.00
SCHEDULE 8812 NONTAXABLE COMBAT PAY:	\$0.00
EXCESS SOCIAL SECURITY & RRTA TAX WITHHELD:	\$134.00
SCHEDULE 8812 TOT SS/MEDICARE WITHHELD:	\$0.00
SCHEDULE 8812 ADDITIONAL CHILD TAX CREDIT:	\$0.00
SCHEDULE 8812 ADDITIONAL CHILD TAX CREDIT PER COMPUTER:	\$0.00
SCHEDULE 8812 ADDITIONAL CHILD TAX CREDIT VERIFIED:	\$0.00
AMOUNT PAID WITH FORM 4868:	\$0.00
FORM 2439 REGULATED INVESTMENT COMPANY CREDIT:	\$0.00
FORM 4136 CREDIT FOR FEDERAL TAX ON FUELS:	\$0.00
FORM 4136 CREDIT FOR FEDERAL TAX ON FUELS PER COMPUTER:	\$0.00
HEALTH COVERAGE TX CR: F8885:	\$0.00
SEC 965 TAX INSTALLMENT:	\$0.00
SEC 965 TAX LIABILITY:	\$0.00
PREMIUM TAX CREDIT AMOUNT:	\$0.00
PREMIUM TAX CREDIT VERIFIED AMOUNT:	\$0.00
PRIMARY NAP FIRST TIME HOME BUYER INSTALLMENT AMT:	\$0.00
SECONDARY NAP FIRST TIME HOME BUYER INSTALLMENT AMT:	\$0.00
FIRST TIME HOMEBUYER CREDIT REPAYMENT AMOUNT:	\$0.00
FORM 5405 TOTAL HOMEBUYERS CREDIT REPAYMENT PER COMPUTER:	\$0.00
SMALL EMPLOYER HEALTH INSURANCE PER COMPUTER:	\$0.00
SMALL EMPLOYER HEALTH INSURANCE PER COMPUTER (2):	\$0.00
FORM 2439 AND OTHER CREDITS:	\$0.00
TOTAL PAYMENTS:	\$165,289.00
TOTAL PAYMENTS PER COMPUTER:	\$165,289.00

Focus of IRS Exams

Schedule A

- ▶ There are fewer exams of Schedule A since the TCJA increased the standard deduction. Not sure what the future holds with the new administration but Schedule A needs to be reviewed when utilized.
- ▶ Examples:
 - ❑ Overstated or misrepresented deductions.
 - ❑ Home Office has always been a target of IRS exams and these deductions need to be confirmed they are calculated correctly and they qualify.
 - ❑ This section is problematic for self prepared returns and misrepresentation.

IRS Exam Focus

- This is a real example of an exam for tax year 2020.
- The THS Red Flag Report does not show a flag (THS starts the flag at 50% of AGI), but 31.5% is abnormal and the only item that stood out in analyzing this transcript.
- On the transcript it is categorized as an “Other Deduction”

RED FLAG

Audit Risk	Green Flag=	low	Yellow Flag=	med	Red Flag=	high		
RED FLAG REPORT	2020	Flag	2021	Flag	2022	Flag	2023	Flag
TAX RETURN FILED:	Original		Amended		Original		No	
ADJUSTED GROSS INCOME:								
Yellow Flag: You are 50% more likely to be audited if your AGI is less than \$25K or more than \$100K. Red Flag: None								
ADJUSTED GROSS INCOME:	\$92,105	low	\$107,131	med	\$120,400	med	-	
SCHEDULE A - TOTAL DEDUCTION PERCENTAGE								
Yellow Flag: Itemized deductions are more than 50% of your AGI Red Flag: Itemized deductions are more than 70% of AGI								
TOTAL ITEMIZED DEDUCTIONS:	\$29,059		-		-		-	
PERCENTAGE OF AGI	31.5%	low	-		-		-	
MORTGAGE INTEREST								
Yellow Flag: None								
Red Flag: Sch A mortgage interest more than \$1,500 and Sch C expense for business use of home more than \$1,500								
SCHEDULE A MORTGAGE INTEREST	\$0		-		-		-	
EXPENSE FOR BUSINESS USE OF HOME:	-		-		-		-	
SCHEDULE A CONTRIBUTIONS								
Yellow Flag: Sch A total contributions are more than 15% of AGI								
Red Flag: Sch A total contributions are more than 25% of AGI								
SCH A TOTAL CONTRIBUTIONS:	\$0		-		-		-	
PERCENTAGE OF AGI	0.0%	low	-		-		-	
SCHEDULE A EMPLOYEE EXPENSES								
Yellow Flag: Sch A unreimbursed employee business expense more than \$5,000								
Red Flag: Sch A unreimbursed employee business expense more than \$10,000								
UNREIMBURSED EMPLOYEE EXPENSE AMOUNT:	\$0	low	-		-		-	
SCHEDULE A MEDICAL DEDUCTIONS								
Yellow Flag: Medical Deduction greater than 20% of AGI Red Flag: Medical Deductions greater than 50%								
MEDICAL AND DENTAL EXPENSES:	\$0		-		-		-	
AGI PERCENTAGE LIMITATION:	-		-		-		-	
NET MEDICAL DEDUCTION:	\$0		-		-		-	
AGI PERCENTAGE OF AGI	0.0%	low	-		-		-	
SCHEDULE C INCOME WITH EIC								
Yellow Flag: Sch C income between \$5k and \$20k and EIC greater than \$500								
Red Flag: Sch C income between \$8k and \$16k and EIC greater than \$1000								
BUSINESS INCOME OR LOSS (Schedule C):	\$0		\$0		\$0		-	
EARNED INCOME CREDIT:	\$0	low	\$0	low	\$0	low	-	
SCHEDULE C CAR AND TRUCK EXPENSE								
Yellow Flag: Mileage greater than 20k Red Flag: Mileage greater than 30k								
CAR AND TRUCK EXPENSES:	-		-		-		-	
SCHEDULE C BUSINESS NAICS CODE								
Yellow Flag: None Red Flag: NAICS Miscellaneous Code 999999 used								
NAICS CODE:	-		-		-		-	
SCHEDULE C BUSINESS USE OF HOME								
Yellow Flag: Anytime this deduction is claimed Red Flag: None								
EXP FOR BUSINESS USE OF HOME:	-		-		-		-	
SCHEDULE E LOSS WITH NO INCOME ON RENTAL								
Yellow Flag: None Red Flag: If rents greater than \$1k and there is a loss								
TOTAL RENTS RECEIVED:	-		-		-		-	
RENT & ROYALTY LOSSES:	-		-		-		-	

IRS Exam Focus

➤ This is the actual transcript.

Schedule A--Itemized Deductions

MEDICAL/DENTAL

MEDICAL AND DENTAL EXPENSES:	\$0.00
ADJUSTED GROSS INCOME PERCENTAGE:	\$0.00
ADJUSTED GROSS INCOME PERCENTAGE PER COMPUTER 10 PERCENT:	\$0.00
ADJUSTED GROSS INCOME PERCENTAGE PER COMPUTER 7.5 PERCENT:	\$6,907.00
NET MEDICAL DEDUCTION:	\$0.00
NET MEDICAL DEDUCTION PER COMPUTER:	\$0.00

TAXES PAID

STATE AND LOCAL INCOME OR SALES TAXES:	\$0.00
REAL ESTATE TAXES:	\$0.00
PERSONAL PROPERTY TAXES:	\$0.00
OTHER TAXES AMOUNT:	\$0.00
SCH A TAX DEDUCTIONS:	\$0.00
SCH A TAX PER COMPUTER:	\$0.00

INTEREST PAID

MORTGAGE INTEREST (FINANCIAL):	\$0.00
MORTGAGE INTEREST (INDIVIDUAL):	\$0.00
DEDUCTIBLE POINTS:	\$0.00
QUALIFIED MORTGAGE INSURANCE PREMIUMS:	\$0.00
DEDUCTIBLE INVESTMENT INTEREST:	\$0.00
TOTAL INTEREST DEDUCTION:	\$0.00
TOTAL INTEREST DEDUCTION PER COMPUTER:	\$0.00

CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS:	\$0.00
OTHER THAN CASH: Form 8283:	\$0.00
CARRYOVER FROM PRIOR YEAR:	\$0.00
SCH A TOTAL CONTRIBUTIONS:	\$0.00
SCH A TOTAL CONTRIBUTIONS PER COMPUTER:	\$0.00

CASUALTY AND THEFT LOSS

CASUALTY OR THEFT LOSS:	\$0.00
-------------------------	--------

JOBS AND MISCELLANEOUS

UNREIMBURSED EMPLOYEE EXPENSE AMOUNT:	\$0.00
TOTAL LIMITED MISC EXPENSES:	\$0.00
NET LIMITED MISC DEDUCTION:	\$0.00
NET LIMITED MISC DEDUCTION PER COMPUTER:	\$0.00

OTHER MISCELLANEOUS

OTHER THAN GAMBLING AMOUNT:	\$0.00
OTHER MISC DEDUCTIONS:	\$29,059.00

TOTAL ITEMIZED DEDUCTIONS

TOTAL ITEMIZED DEDUCTIONS:	\$29,059.00
TOTAL ITEMIZED DEDUCTIONS PER COMPUTER:	\$29,059.00
RECOMPUTED TOTAL ITEMIZED DEDUCTIONS PER COMPUTER:	\$0.00
ELECT ITEMIZED DEDUCTION INDICATOR:	
SCH A ITEMIZED PERCENTAGE PER COMPUTER:	\$0.00

IRS Exam Focus

In this section focus on the following:

- Verify Schedule A deductions when present.

Schedule A--Itemized Deductions

MEDICAL/DENTAL

MEDICAL AND DENTAL EXPENSES:	\$0.00
ADJUSTED GROSS INCOME PERCENTAGE:	\$0.00
ADJUSTED GROSS INCOME PERCENTAGE PER COMPUTER 10 PERCENT:	\$0.00
ADJUSTED GROSS INCOME PERCENTAGE PER COMPUTER 7.5 PERCENT:	\$65,048.00
NET MEDICAL DEDUCTION:	\$0.00
NET MEDICAL DEDUCTION PER COMPUTER:	\$0.00

TAXES PAID

STATE AND LOCAL INCOME OR SALES TAXES:	\$35,600.00
REAL ESTATE TAXES:	\$16,640.00
PERSONAL PROPERTY TAXES:	\$0.00
OTHER TAXES AMOUNT:	\$0.00
SCH A TAX DEDUCTIONS:	\$10,000.00
SCH A TAX PER COMPUTER:	\$10,000.00

INTEREST PAID

MORTGAGE INTEREST (FINANCIAL):	\$16,385.00
MORTGAGE INTEREST (INDIVIDUAL):	\$0.00
DEDUCTIBLE POINTS:	\$0.00
QUALIFIED MORTGAGE INSURANCE PREMIUMS:	\$0.00
DEDUCTIBLE INVESTMENT INTEREST:	\$0.00
TOTAL INTEREST DEDUCTION:	\$16,385.00
TOTAL INTEREST DEDUCTION PER COMPUTER:	\$16,385.00

CHARITABLE CONTRIBUTIONS

CASH CONTRIBUTIONS:	\$1,400.00
OTHER THAN CASH: Form 8283:	\$0.00
CARRYOVER FROM PRIOR YEAR:	\$0.00
SCH A TOTAL CONTRIBUTIONS:	\$1,400.00
SCH A TOTAL CONTRIBUTIONS PER COMPUTER:	\$1,400.00

CASUALTY AND THEFT LOSS

CASUALTY OR THEFT LOSS:	\$0.00
-------------------------	--------

JOBS AND MISCELLANEOUS

UNREIMBURSED EMPLOYEE EXPENSE AMOUNT:	\$0.00
TOTAL LIMITED MISC EXPENSES:	\$0.00
NET LIMITED MISC DEDUCTION:	\$0.00
NET LIMITED MISC DEDUCTION PER COMPUTER:	\$0.00

OTHER MISCELLANEOUS

OTHER THAN GAMBLING AMOUNT:	\$0.00
OTHER MISC DEDUCTIONS:	\$0.00

TOTAL ITEMIZED DEDUCTIONS

TOTAL ITEMIZED DEDUCTIONS:	\$27,785.00
TOTAL ITEMIZED DEDUCTIONS PER COMPUTER:	\$27,785.00
RECOMPUTED TOTAL ITEMIZED DEDUCTIONS PER COMPUTER:	\$0.00
ELECT ITEMIZED DEDUCTION INDICATOR:	\$0.00
SCH A ITEMIZED PERCENTAGE PER COMPUTER:	\$0.00

Focus of IRS Exams

Schedule C

- ▶ Self-employed individuals may misreport income or exaggerate deductions, either accidentally or intentionally.
- ▶ Examples:
 - ❑ Overstated business expenses, such as meals, travel, or vehicle use.
 - ❑ Reporting business losses for several consecutive years (hobby vs. business).
 - ❑ Lack of proper documentation for income and deductions.

IRS Exam Focus

This is a page from a THS Schedule C Report showing an individual that was caught doing EIC Fraud:

- Notice in 2020 they reported \$2,700 in income and \$30,857 in expenses.
- In 2021 they did not report any income and \$33,874 in expenses. The NAICS codes for 2020 and 2021 are Telecommunications and Other Ambulatory Health Care Services respectively.
- They had to pay back not only the EIC but also the underreporting of tax and accuracy related penalty.

SCHEDULE C - PROFIT OR LOSS FROM BUSINESS	2020	2021	2022	2023
TAX RETURN FILED:	Amended	Original	Original	RDNF
SCHEDULE C - GENERAL INFORMATION				
NUMBER OF SCHEDULE C's ON RETURN:	1	1	1	0
TOTAL GROSS RECEIPTS OR SALES FROM ALL SCH C'S:	\$2,700	\$0	\$53,335	
SOCIAL SECURITY NUMBER:	***-X-5621	***-X-5621	***-X-5621	-
EMPLOYER ID NUMBER:	0	0	XXX-XX-6081	-
BUSINESS NAME:	0	GEOR HEAL AN W	GEOR HEAL AN W	-
DESCRIPTION OF BUSINESS/PROFESSION:	0	0	0	-
NAICS CODE:	517000	621900	485990	-
ACCT MTHD:	Cash	Cash	Cash	-
FIRST TIME SCHEDULE C FILED:	N	N	N	-
STATUTORY EMPLOYEE IND:	N	N	N	-
INCOME				
TOTAL GROSS RECEIPTS:	-	-	-	-
GROSS RECEIPTS OR SALES:	\$2,700	\$0	\$53,335	-
RETURNS AND ALLOWANCES:	\$0	\$0	\$0	-
NET GROSS RECEIPTS:	\$2,700	\$0	\$53,335	-
COST OF GOODS SOLD:	\$0	\$0	\$635	-
SCHEDULE C FORM 1099 REQUIRED:	NO	NO	NONE	-
SCHEDULE C FORM 1099 FILED:	NONE	NONE	NONE	-
OTHER INCOME:	\$0	\$0	\$2	-
EXPENSES				
CAR AND TRUCK EXPENSES:	\$0	\$2,534	\$0	-
DEPRECIATION:	\$0	\$13,650	\$5,850	-
INSURANCE (OTHER THAN HEALTH):	\$0	\$9,017	\$15,207	-
MORTGAGE INTEREST:	\$0	\$0	\$0	-
LEGAL AND PROFESSIONAL SERVICES:	\$0	\$4,000	\$3,214	-
REPAIRS AND MAINTENANCE:	\$0	\$0	\$3,875	-
TRAVEL:	\$5,125	\$0	\$716	-
MEALS AND ENTERTAINMENT:	\$0	\$513	\$3,278	-
WAGES:	\$0	\$0	\$0	-
OTHER EXPENSES:	\$0	\$824	\$10,280	-
TOTAL EXPENSES:	\$33,557	\$33,874	\$51,331	-
EXP FOR BUSINESS USE OF HOME:	\$0	\$0	\$1,288	-
SCH C NET PROFIT OR LOSS PER COMPUTER	(\$30,857)	(\$33,874)	\$83	-
AT RISK CD:	All investment at risk	All investment at risk	0	-
OFFICE EXPENSE AMOUNT:	\$5,000	\$628	\$2,438	-
UTILITIES EXPENSE AMOUNT:	\$0	\$902	\$3,039	-

IRS Exam Focus

In this section focus on the following:

- Schedule C is a priority for IRS exams.
- Look at what type business it is with the NAICS code and compare the income and expenses to see if they are reasonable.
- Be suspicious if there are a lot of round numbers.
- Always ask about cash only transactions so you are not surprised in an exam. I would request to see bank statements for Schedule C.

Schedule C--Profit or Loss From Business (Occurrence #: 1)	
SOCIAL SECURITY NUMBER:	XXX-XX-4303
EMPLOYER ID NUMBER:	
BUSINESS NAME:	ALIC H
DESCRIPTION OF BUSINESS/PROFESSION:	
NAICS CODE:	541990
ACCT MTHD:	Cash
FIRST TIME SCHEDULE C FILED:	N
STATUTORY EMPLOYEE IND:	N
INCOME	
GROSS RECEIPTS OR SALES:	\$14,110.00
RETURNS AND ALLOWANCES:	\$0.00
NET GROSS RECEIPTS:	\$14,110.00
COST OF GOODS SOLD:	\$0.00
SCHEDULE C FORM 1099 REQUIRED:	NO
SCHEDULE C FORM 1099 FILED:	NONE
OTHER INCOME:	\$0.00
EXPENSES	
CAR AND TRUCK EXPENSES:	\$0.00
DEPRECIATION:	\$0.00
INSURANCE (OTHER THAN HEALTH):	\$0.00
MORTGAGE INTEREST:	\$0.00
LEGAL AND PROFESSIONAL SERVICES:	\$0.00
REPAIRS AND MAINTENANCE:	\$0.00
TRAVEL:	\$2,000.00
MEALS AND ENTERTAINMENT:	\$0.00
WAGES:	\$0.00
OTHER EXPENSES:	\$0.00
TOTAL EXPENSES:	\$2,000.00
EXP FOR BUSINESS USE OF HOME:	\$0.00
SCH C NET PROFIT OR LOSS PER COMPUTER:	\$12,110.00
AT RISK CD:	
OFFICE EXPENSE AMOUNT:	\$0.00
UTILITIES EXPENSE AMOUNT:	\$0.00
COST OF GOODS SOLD	
INVENTORY AT BEGINNING OF YEAR:	\$0.00
INVENTORY AT END OF YEAR:	\$0.00

Focus of IRS Exams

Cryptocurrency Transactions

- ▶ The IRS has increased scrutiny on cryptocurrency as it's an area with significant underreporting.
- ▶ Examples:
 - ❑ Reporting of capital gains or losses from crypto transactions.
 - ❑ Proper classification of income from crypto mining or staking.

IRS Exam Focus

In this section focus on the following:

- Cryptocurrency would be reported on the Schedule D.
- Day Traders are prone to exams.

Schedule D--Capital Gains and Losses

SHORT TERM CAPITAL GAINS AND LOSSES	
SHORT TERM BASIS NO ADJUSTMENTS SALE AMOUNT:	\$0.00
SHORT TERM BASIS NO ADJUSTMENTS COST AMOUNT:	\$0.00
SHORT TERM BASIS SALE AMOUNT:	\$0.00
SHORT TERM BASIS COST AMOUNT:	\$0.00
SHORT TERM BASIS ADJUSTMENTS:	\$0.00
SHORT TERM NO BASIS SALE AMOUNT:	\$17,834.00
SHORT TERM NO BASIS COST AMOUNT:	\$24,221.00
SHORT TERM NO BASIS ADJUSTMENTS:	\$0.00
SHORT TERM NO 1099B SALE AMOUNT:	\$0.00
SHORT TERM NO 1099B COST AMOUNT:	\$0.00
SHORT TERM NO 1099B ADJUSTMENTS:	\$0.00
SHORT TERM SCHEDULE K-1 AMOUNT:	\$0.00
NET SHORT-TERM GAIN/LOSS:	\$-6,387.00
F8949 Y QUALIFIED OPPORTUNITY FUNDS SHORT TERM INVESTMENTS:	0
F8949 Y QUALIFIED OPPORTUNITY FUNDS SHORT TERM EIN:	
F8949 Y QUALIFIED OPPORTUNITY FUNDS SHORT TERM SOLD DATE:	00000000
F8949 Y QUALIFIED OPPORTUNITY FUNDS SHORT TERM DEFERRED:	\$0.00
F8949 Z QUALIFIED OPPORTUNITY FUNDS SHORT TERM ADJUSTMENTS:	\$0.00
F8949 Z QUALIFIED OPPORTUNITY FUNDS SHORT TERM INVESTMENTS:	0
F8949 Z QUALIFIED OPPORTUNITY FUNDS SHORT TERM EIN:	
F8949 Z QUALIFIED OPPORTUNITY FUNDS SHORT TERM ACQUIRED DATE:	00000000
LONG TERM CAPITAL GAINS AND LOSSES	
LONG TERM BASIS NO ADJUSTMENTS SALE AMOUNT:	\$0.00
LONG TERM BASIS NO ADJUSTMENTS COST AMOUNT:	\$0.00
LONG TERM BASIS SALE AMOUNT:	\$0.00
LONG TERM BASIS COST AMOUNT:	\$0.00
LONG TERM BASIS ADJUSTMENTS:	\$0.00
LONG TERM NO BASIS SALE AMOUNT:	\$0.00
LONG TERM NO BASIS COST AMOUNT:	\$0.00
LONG TERM NO BASIS ADJUSTMENTS:	\$0.00
LONG TERM NO 1099B SALE AMOUNT:	\$0.00
LONG TERM NO 1099B COST AMOUNT:	\$0.00
LONG TERM NO 1099B ADJUSTMENTS:	\$0.00
LONG TERM SCHEDULE K-1 AMOUNT:	\$0.00
CAPITAL GAIN DISTRIBUTIONS (PR):	\$21.00
NET LONG-TERM GAIN/LOSS:	\$-92,641.00
F8949 Y QUALIFIED OPPORTUNITY FUNDS LONG TERM INVESTMENTS:	0
F8949 Y QUALIFIED OPPORTUNITY FUNDS LONG TERM EIN:	
F8949 Y QUALIFIED OPPORTUNITY FUNDS LONG TERM SOLD DATE:	00000000
F8949 Y QUALIFIED OPPORTUNITY FUNDS LONG TERM DEFERRED:	\$0.00
QUALIFIED OPPORTUNITY FUNDS DISPOSAL:	2
F8949 Z QUALIFIED OPPORTUNITY FUNDS LONG TERM INVESTMENTS:	0
F8949 Z QUALIFIED OPPORTUNITY FUNDS LONG TERM EIN:	
F8949 Z QUALIFIED OPPORTUNITY FUNDS LONG TERM ACQUIRED DATE:	00000000
F8949 Z QUALIFIED OPPORTUNITY FUNDS LONG TERM ADJUSTMENTS:	\$0.00
TAX COMPUTATION USING MAXIMUM CAPITAL GAINS RATES	
28% RATE GAIN:	\$0.00
UNRECAPTURED SECT: 1250 GAIN:	\$0.00
SCH D 15% TAX CMPTR:	\$0.00
CAPITAL GAINS LESS INVEST INCOME PER COMPUTER:	\$0.00
CAP GAINS PER COMPUTER:	\$2.00
CAP GAINS TAX PER COMPUTER:	\$247,511.66
CAP GAINS PER COMPUTER:	\$0.00
CAP GAINS TAX AMT PER COMPUTER (5):	\$0.00
CAP GAINS TAX AMT PER COMPUTER (6):	\$0.00
SCHEDULE D TAX PER COMPUTER:	\$247,512.06

Focus of IRS Exams

Rental Property Losses (Schedule E)

- ▶ Many individuals report losses to offset other income, but not all losses are allowable
- ▶ Examples:
 - ❑ Passive loss limitations.
 - ❑ Verification of material participation in managing the property.
 - ❑ Depreciation calculation accuracy.

Focus of IRS Exams

Reasonable Compensation (S-Corp)

- ▶ This refers to an IRS examination of whether an owner-employee of a closely-held corporation, typically an S corporation, is receiving a fair and appropriate salary for their services to the business. The issue is important because the IRS aims to ensure that wages are correctly classified to prevent tax avoidance through underpayment of payroll taxes.
- ▶ Examples:
 - ❑ Low or No Wages: Owner-employees report substantial distributions but little or no wages.
 - ❑ High Profit Margins: The business generates significant profit, but the owner-employee's salary appears disproportionately low.
 - ❑ Unusually Low Payroll Tax Payments: Compared to businesses of similar size and industry.

IRS Exam Focus

In this section focus on the following:

- Rental income is wrought with errors and misrepresentation. Basis is often problematic and examined.
- An S-Corp Reasonable Compensation Audit may be identified here. If an S-Corp has significant income and the wages in the income section are low that would be a good indicator.

Schedule E--Supplemental Income and Loss

INCOME OR LOSS FROM RENTAL REAL ESTATE AND ROYALTIES

SCHEDULE E FORM 1099 REQUIRED:

Neither box checked

SCHEDULE E FORM 1099 FILED:

Neither box checked

TOTAL RENTS RECEIVED:

\$0.00

TOTAL ROYALTIES RECEIVED:

\$0.00

TOTAL MORTGAGE INTEREST ALL PROPERTIES:

\$0.00

TOTAL DEPRECIATION OR DEPLETION FOR ALL PROPERTIES:

\$0.00

TOTAL EXPENSES FOR ALL PROPERTIES:

\$0.00

TOTAL RENTAL REAL ESTATE AND ROYALTY INCOME OR LOSS:

\$0.00

RENT & ROYALTY INCOME:

\$0.00

RENT & ROYALTY LOSSES:

\$0.00

REPAIRS EXPENSE COLUMN A:

\$0.00

REPAIRS EXPENSE COLUMN B:

\$0.00

REPAIRS EXPENSE COLUMN C:

\$0.00

INCOME OR LOSS FROM PARTNERSHIPS AND S CORPS

PRTSHP/CORP PASSIVE INCOME:

\$2,983.00

PRTSHP/CORP NONPASSIVE INCOME:

\$0.00

PRTSHP/CORP PASSIVE LOSS:

\$0.00

PRTSHP/CORP NONPASSIVE LOSS:

\$0.00

PARTNERSHIP INCOME:

\$2,983.00

PARTNERSHIP LOSS:

\$0.00

INCOME OR LOSS FROM ESTATES AND TRUSTS

ESTATE/TRUST PASSIVE INCOME:

\$0.00

ESTATE/TRUST PASSIVE LOSS:

\$0.00

ESTATE AND TRUST INCOME:

\$0.00

ESTATE AND TRUST LOSS:

\$0.00

PASSIVE LOSS NOT REPORTED ON F8582:

2

SCH K1 ES PAYMENT INDICATOR:

N

INCOME OR LOSS FROM REAL ESTATE MORTGAGE INVESTMENT CONDUITS

REAL ESTATE MORTGAGE INCOME/LOSS:

\$0.00

SUMMARY

NET FARM RENT INCOME/LOSS:

\$0.00

GROSS FARMING & FISHING INCOME:

\$0.00

Document Upload Tool

IRS Document Upload Tool

Can Be Accessed Here:

<https://apps.irs.gov/app/digital-mailroom/>

How it Works

- The IRS built the capability for taxpayers to digitally submit online all correspondence and responses to notices and letters that *do not have a filing or payment action* via the Document Upload Tool. As a result, the IRS estimates more than 94% of individual taxpayers will no longer have to send mail to the IRS, potentially replacing up to 125 million paper documents per year. For anyone with a smart phone or computer, this means that replying to IRS notices is now often as easy as scanning required documents and uploading them to the tax agency.
- In June, the Document Upload Tool accepted its one millionth taxpayer submission.

What Notices Can You Respond to?

- CP04, relating to combat zone status.
- CP05A, information request related to a refund.
- CP06 and CP06A, relating to the Premium Tax Credit.
- CP08, relating to the Child Tax Credit.
- CP09, relating to claiming the Earned Income Tax Credit.
- CP75, relating to the EITC.
- CP75A, relating to the EITC.
- CP75D, relating to the EITC and other credits.
- And More!

Document Upload Tool



Sample CP523

005475

What you need to do immediately—
continued


005475

SB
Notice CP523
Tax Period June 30, 2021
Notice date August 12, 2024
Taxpayer ID number XXXXXXXX
Page 3 of 7

If you agree but can't pay the past due amount
Call 833-678-7020 to discuss the reason for default and provide us with your updated financial statement (Form 433-F). We may be able to restructure your installment agreement. If we agree, you'll have to pay an additional fee of \$89.

If you disagree with the past due amount
Call us at 833-678-7020 to review your account with a representative. Be sure to have your account information available when you call.

Right to request an appeal
You have the right to request an appeal to the IRS Independent Office of Appeals any proposed termination or termination of your installment agreement under the Collection Appeals Program. You can call 833-678-7020 or send a Collection Appeal Request (Form 9423). For more information about your appeal rights, including the time frame to request an appeal, see Publication 1660 (Collection Appeal Rights).
Send us your documents using the Documentation Upload Tool within 30 days from the date of this notice. To use the tool, scan the QR Code below or visit [IRS.gov/dutreply](https://irs.gov/dutreply) and enter access code 123ru-12345.



Scan here to reply and upload documentation
If we don't hear from you, we'll assume you agree with the information in this notice.

What you need to know

Notice of Intent to Levy
This notice is your Notice of Intent to Levy (Internal Revenue Code Section 6331 (d)).

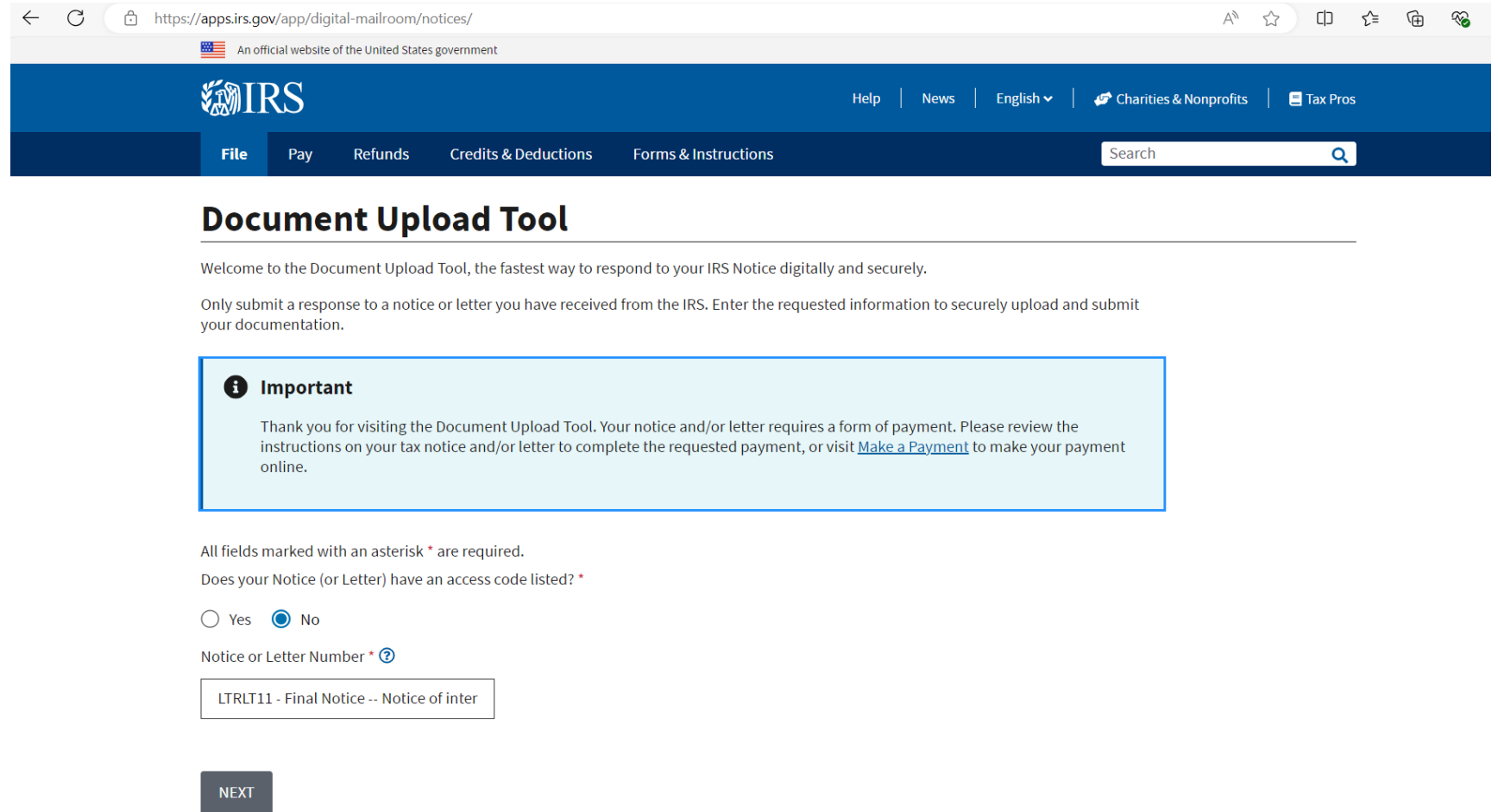
Send us your documents using the Documentation Upload Tool within 30 days from the date of this notice. To use the tool, scan the QR Code below or visit [IRS.gov/dutreply](https://irs.gov/dutreply) and enter access code 123ru-12345.



Scan here to reply and upload documentation
If we don't hear from you, we'll assume you agree with the information in this notice.

Document Upload Tool

Letter 11



The screenshot shows the IRS Document Upload Tool interface. At the top, there is a navigation bar with the IRS logo and links for Help, News, English, Charities & Nonprofits, and Tax Pros. Below this is a secondary navigation bar with links for File, Pay, Refunds, Credits & Deductions, and Forms & Instructions, along with a search bar. The main heading is "Document Upload Tool". Below the heading, there is a welcome message and instructions. A prominent "Important" box contains a message about payment requirements. The form includes a question about access codes, radio buttons for "Yes" and "No", a text input field for the notice number, and a "NEXT" button.

https://apps.irs.gov/app/digital-mailroom/notices/

An official website of the United States government

IRS

Help | News | English | Charities & Nonprofits | Tax Pros

File | Pay | Refunds | Credits & Deductions | Forms & Instructions

Search

Document Upload Tool

Welcome to the Document Upload Tool, the fastest way to respond to your IRS Notice digitally and securely.

Only submit a response to a notice or letter you have received from the IRS. Enter the requested information to securely upload and submit your documentation.

Important

Thank you for visiting the Document Upload Tool. Your notice and/or letter requires a form of payment. Please review the instructions on your tax notice and/or letter to complete the requested payment, or visit [Make a Payment](#) to make your payment online.

All fields marked with an asterisk * are required.

Does your Notice (or Letter) have an access code listed? *

Yes No

Notice or Letter Number * [?](#)

LTRLT11 - Final Notice -- Notice of inter

NEXT

QUESTIONS?

Roger Nemeth, EA
info@auditdetective.com

Final Instructions

- ▶ Pick up your CPE Certificates on the way out
- ▶ For the online audience, look for a link to do your evaluation and get your certificate by Wednesday
- ▶ Get us the registration for next year and grab your seat while you can!

See You Tomorrow for Day 2!