

# 4th Annual Tax Rep Summit: Day 2

Drury Hotel, Disney Springs  
December 11, 2024



# Sponsored by



# Thank you

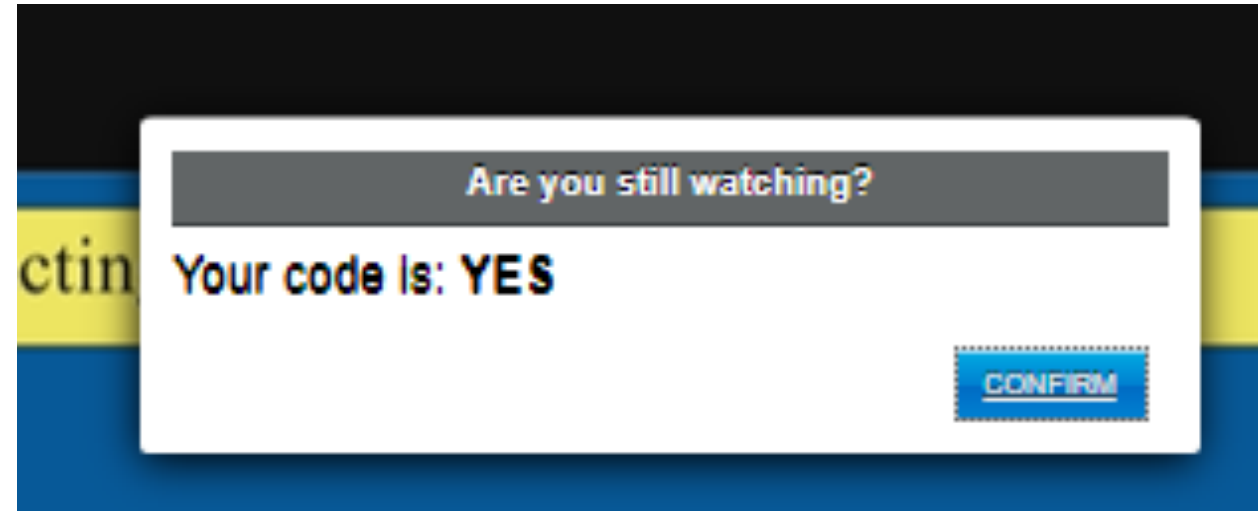


# Housekeeping Items

- ▶ 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
- ▶ 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](mailto:Registration@mylawcle.com)

Customer Care Phone numbers :  
**877-406-8636**

# 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 – Wednesday December 11th

Time	Item
9:00 - 10:00	Investigation and Onboarding of New Rep Clients
10:00 - 10:15	Break
10:15 - 11:05	How to Price and Market Your Tax Services
11:05 - 12:00	Platinum Practice Panel - Tips from the Pros
12:00 - 1:00	Lunch
1:00 - 2:00	Case Study Part 1: Automation to Maximize Efficiency & Income
2:00 - 3:00	Case Study Part 2: The Tax Man Cometh
3:00 - 3:15	Break
3:15 - 5:00	Case Study Part 3: Resolving the Balance



# Investigation and Onboarding of New Rep Clients

Catherine O'Connor, Esq., Tax Mentor

Carlos Samaniego, EA

Leighanne Lafrenz, CPA



Interview

Sign  
Research  
Engagement

Get  
Transcripts

Evaluate

Propose  
Engagement

# Interview

# Don't Overwhelm the Client with Tax Savvy

- ▶ Introduction: In tax resolution, our deep expertise can sometimes lead us to jump straight to solutions.
- ▶ Problem: This approach, referred to as the "Curse of Mastery," can inadvertently diminish trust, as clients may feel their unique concerns are overlooked.
- ▶ Goal: Shift focus from showcasing expertise to building rapport and trust.

# Listening Is Your Most Profitable Skill

- ▶ Focus: Early interactions should prioritize making the client feel understood rather than overwhelmed by solutions.
- ▶ Strategy: Encourage clients to share their full story and express their main concerns.
- ▶ Outcome: Clients are more likely to trust your guidance if they first feel heard and valued.

# Build Client Trust

- ▶ Structure: Divide the consultation into three phases:
  - ❑ Let the client narrate their issue (1/3 of the time).
  - ❑ Discuss your experience solving similar problems (1/3 of the time).
  - ❑ Explain the process and next steps (1/3 of the time).
- ▶ Benefit: This structured approach ensures the client feels listened to, relates to your expertise, and understands the path forward.

# Sign Research Engagement

# What is a Research Engagement Agreement?

- ▶ Limited engagement with a potential client who has tax issues designed to figure out the scope of the issues and what exactly needs to be done.
- ▶ Would entail obtaining an 8821 from the client and reviewing IRS transcripts and/or a call to Practitioner Priority Service (PPS) to determine balance due and other IRS issues.
- ▶ Upon conclusion of this limited engagement, you present the client with the results AND a proposal for additional engagement services based on results.



# Why a Research Engagement Agreement?

- ▶ A potential client is often the WORST source for getting an accurate picture of what their IRS problems are.
- ▶ Drafting a full service engagement based solely on client interview creates a very real potential that the agreement will not be sufficient...creating frustration for you and the client.
- ▶ Proposing a limited research engagement saves you time and money!
  - ❑ Prevent wasting time with potential clients that are not serious and just trying to pick your brain.
  - ❑ Ensure you engage for the right services & the right price.
  - ❑ Minimize client complaints and/or the need to renegotiate the engagement.

# Proposing to a Potential Client

- ▶ Once you and the client feel comfortable with each other advise that your policy is to start with thoroughly researching their IRS issues by obtaining an 8821 and charging a fee for your time. Once the issues are clear additional services and fees can be worked out.
  - This can differentiate you and is also a good thing for the client's peace of mind!
- ▶ As a closing technique can offer to put some or all of the fee towards the future services.

# Fee Structures

- ▶ For such a limited engagement a flat fee is recommended, that does not mean that your fee has to be the same for each client (as long as it is reasonable).
- ▶ Whether you will be calling the IRS or relying solely on transcripts downloaded via Transcript Delivery System (TDS) TDS should impact the fee charged.
  - RUSH work costs more!

# Get Transcripts

# Practitioner Priority Service

- ▶ Call immediately, or even with client in the office, to get the ball rolling.
- ▶ Complete call worksheet and get transcripts sent to Mailbox.
  - 30 per Taxpayer.
- ▶ Consider for a RUSH situation or where you need to close with the client sooner rather than later.

# Transcript Delivery System

- ▶ Upload or fax form 8821.
- ▶ Enter client into your transcript software (if applicable).
- ▶ Check weekly for CAF access.
- ▶ Analyze Transcripts once available.
- ▶ Would generally consider this the standard procedure BUT read the client and charge accordingly.

# What Transcripts Do You Need

## ▶ Account Transcripts

- ❑ Current year back to at least three years before 1<sup>st</sup> balance due

## ▶ Wage & Income Transcripts

- ❑ Last 10 years

## ▶ Return Transcripts

- ❑ Last 3 years

Evaluate



# What are You Looking For?

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Compliance

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Active Exam Issues

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Appeal Rights

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Active Collections

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Assigned to Private Collection Agency

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Passport Certified

---

CSEDs

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Balance Dues

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Opportunities (SFR replacement, Exam Reconsideration, FTA, etc.)

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Notice of Federal Tax Lien (NFTL) filed.

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Ancillary Issues (like a business)

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Estimated Monthly Payment (Streamline/Full Pay Non-Streamline)

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# Methods for Evaluating

- ▶ The easiest method to evaluate is using transcript analysis software.
- ▶ If not using software recommend placing data from the transcripts in an excel spreadsheet to see the overall big picture.
  - This will take some time so make sure your fee accounts for any manual work involved.

Tax Filing Compliance	NO	Active Audit or Exam	YES	Upcoming Appeal Deadline	NO
In Active Collections	NO	Assigned To Private Collections Agency	NO	Passport Certified For Revocation	YES
Penalty Abatement Opportunity	YES	Tax Lien Filed	YES	Estimated Monthly Payment	\$8,659.94

### Compliance

Year	Return Filed	Filing Status	Lien Active	Final Notice of Intent to Levy	Collections Active	Exam/Audit Active	THS Calculated CSED	Last Activity	Last Activity Date	Total Balance
2023	RDNF	Uk								-
2022	No	MFJ		none						(\$2,180.00)
2021	Original	MFJ		none	No		6/7/2032			\$7,274.84
2020	Original	MFJ		none	No		7/6/2031			\$6,390.66
2019	SFR	S		none		Closed				\$0.00
2018	No	S								\$0.00
2017	SFR	S		none		7/15/2022				\$0.00
2016	Original*	S		none	No	Closed	12/3/2029			\$16,974.20
2015	SFR	S		none	No	Closed	10/22/2029			\$66,484.75
2014	SFR	S	7/26/2019	none	No	Closed	7/17/2028			\$70,587.21
2013	SFR	S	7/26/2019	none	No	Closed	7/17/2028			\$62,367.18
2012	Original	S	7/26/2019	none	No		9/17/2023	Account currently considered collectable	7/16/2018	\$5,738.50
2011	Original	S	7/26/2019	none	No		7/16/2023	Account currently considered collectable	7/16/2018	\$6,191.51
2010	Original	S	7/26/2019	none	No		9/17/2023	Account currently considered collectable	7/16/2018	\$5,406.86
2009	Original	S	7/26/2019	none	No		2/25/2024 to 3/11/2024	Account currently considered collectable	7/16/2018	\$3,473.82
TOTAL										\$250,889.53

Open Issue

Opportunity

Opportunity

# Propose Engagement

# Review with Client

- ▶ Review what was found and ask some additional follow up questions to firm up the services to be provided & continue building trust.
  - ❑ Example: SFR Replacement – does the client have what you need to proceed, or would it be wasted effort?
  - ❑ Additional concerns like lien or passport can come up at this stage as well.
- ▶ Layout the proposal of services, the order to be completed, and fees for each part.

# Examples From the Experts

Questions?

# 15 Minute Break





# How to Price and Market Your Services

Pricing Specialized Services and Transitioning from Compliance to Relationship Pricing

**TRN**  
TAX REP NETWORK

# Speakers

- ▶ Eric L. Green, Esq., Green & Sklarz LLC
- ▶ Dawn W. Brolin, CPA, CFE, Powerful Accounting, LLC
- ▶ Clay Neves, Universal Accounting Center

# IRS Representation – 2024/2025

- ▶ Cases are coming in
- ▶ Finally
- ▶ IRS is going after the 11.3 million non-filers and 15+ million with back balances



# What we are seeing

- ▶ Folks we spoke to 4 years ago have tried sending us old proposals signed with a check
- ▶ Lots of people “just want to speak with me”
- ▶ The \$750 consult fee either drives them off, or they pay. Most pay.

# Our approach

- ▶ Just a call - \$750
- ▶ Transcript analysis - \$1,500
- ▶ Collection analysis - \$3,500
- ▶ IA/CNC - \$5,000 (less the \$3,500 already paid)
- ▶ OIC - \$6,500 (less the \$3,500 already paid)
- ▶ Innocent Spouse - \$7,500
- ▶ Penalty Abatement – FTA (\$1,500), Reasonable Cause (\$5,000 retainer)
- ▶ Audit - \$7,500 retainer

# Your approach

- ▶ Don't want to bill like us, that's fine
- ▶ Do NOT do free consultations
- ▶ Charge SOMETHING!



# Marketing rep services

- ▶ The biggest challenge is to get the word out that you do this
- ▶ Start with your existing clients and network
- ▶ Consider a referral program: refer in a rep case and get \$100 off next year's return



# Transitioning From Compliance to Relationship Pricing

Dawn Brolin, CPA, CFE



# The Mental Approach

Challenge traditional thinking about billing models

- Consider the changes in how the feds and states are becoming aggressive with taxes due, filing, etc.
- Think about the administrative burden on hourly billing
  - Time tracking
  - Invoicing
  - Waiting on payment

# The Mental Approach

Be VERY clear on what a subscription pricing model is:

- Every month/week they pay their subscription, they have access to your services
- Similar to Netflix, you pay a fee, you watch all you want. If you don't watch, you still pay.
- Unlike Netflix, you cannot turn on and turn off your subscription. Once it's off, it's off.

# Understanding Client Needs and Value Proposition

- Analyze client needs and pain points
- Identify services providing consistent value
- Define a unique value proposition for the subscription model

# Analyzing your Client Base

- Determine clients to retain and those to let go.
- Tailor offerings to meet specific client needs.
- Strategic decisions for sustainable growth.

# Service Offerings

- Consider the entity types you service
- Create tiered service packages for each
- Outline services in each tier
- Specify additional offerings available

# Pricing Structure

- Reverse engineering methodology.
- Attractive pricing for clients and profitability for the firm.
- Factors: service inclusions, frequency, and client expectations.

# Communicating the Value to Your Clients

- Clearly communicate benefits of the subscription model.
- Highlight added value, cost savings, and convenience.
- Address client concerns and objections.

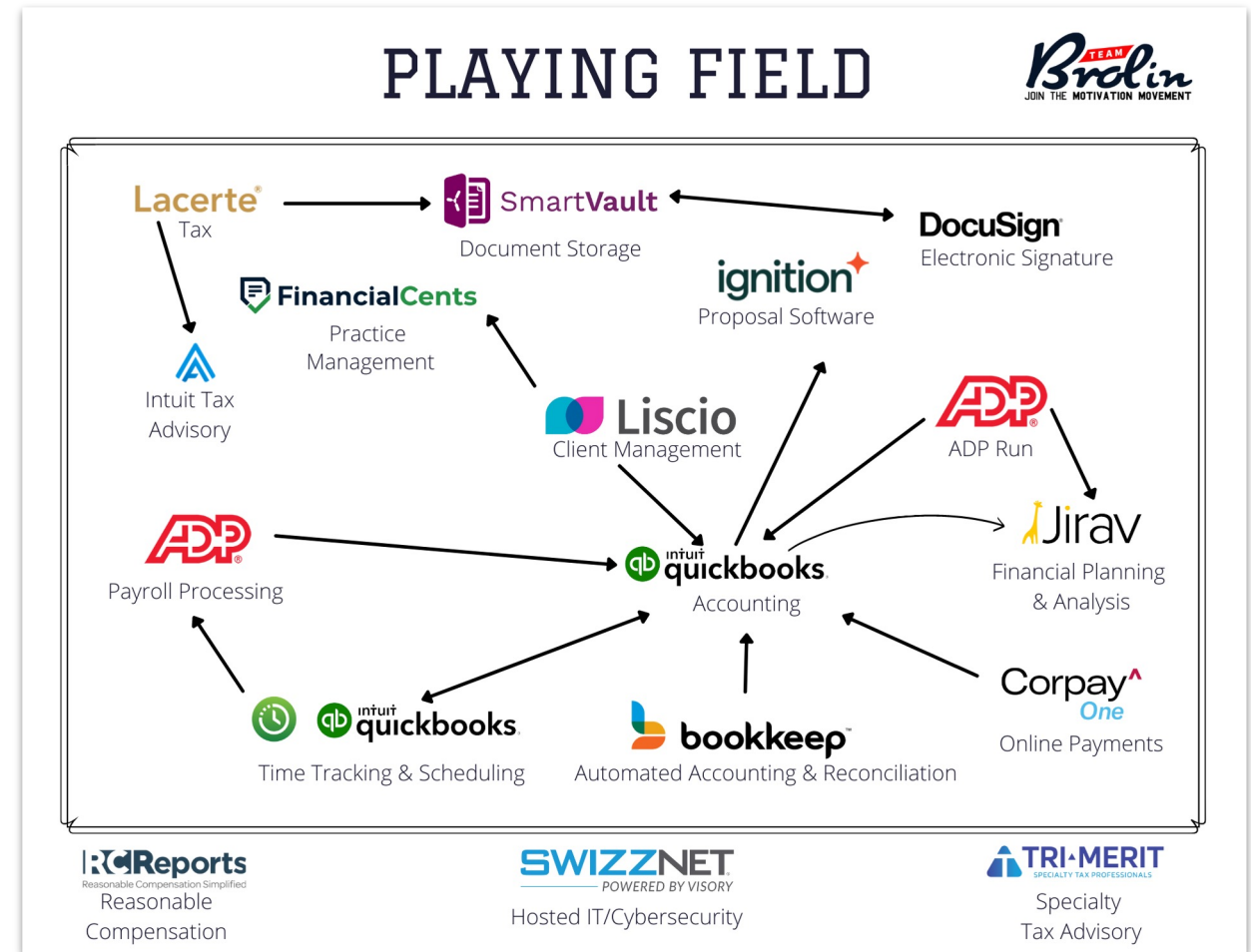
# Transition Strategy

- Develop a phased transition plan.
- Incentives for clients to adopt the new model.
- Ensuring minimal disruption and optimal engagement.



# Operational and Systems Alignment

- Adapt internal systems for the subscription model.
- Staff training on new billing structures.
- Efficient service delivery through a streamlined tech stack.



# Client Relationship Management

- Emphasize ongoing communication.
- Define communication protocols, deadlines, and delivery.
- Collect and act on client feedback for continuous improvement.



# Monitoring & Iteration

- Monitor the success of the subscription model.
- Use analytics and client feedback for iteration.
- Refine service offerings and pricing structures as needed.

# Marketing & Promotion

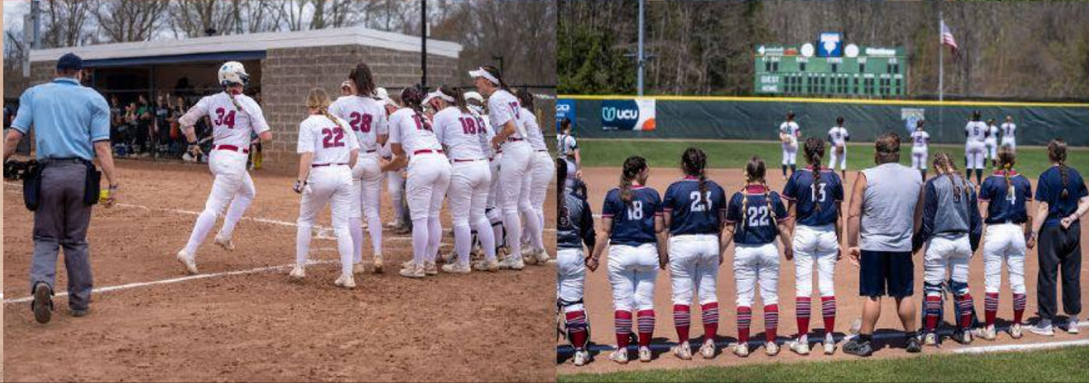
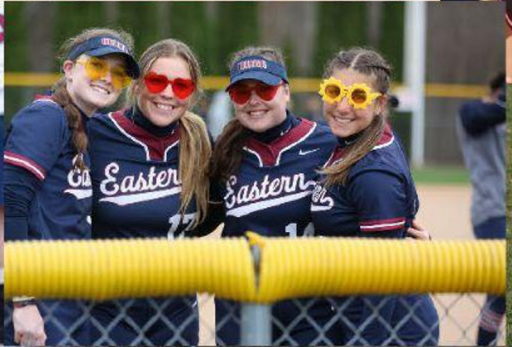
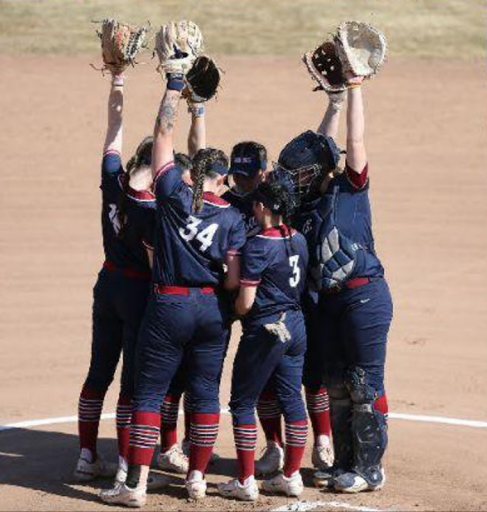
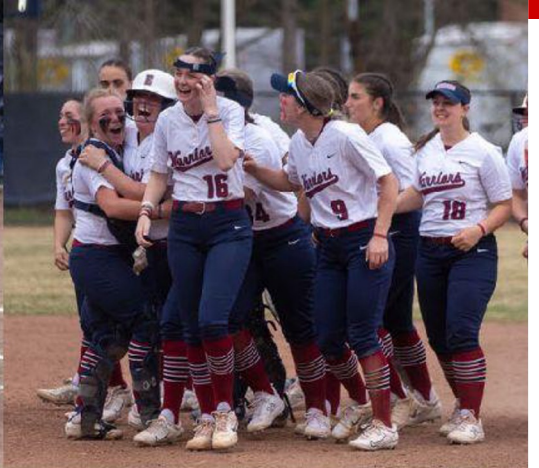
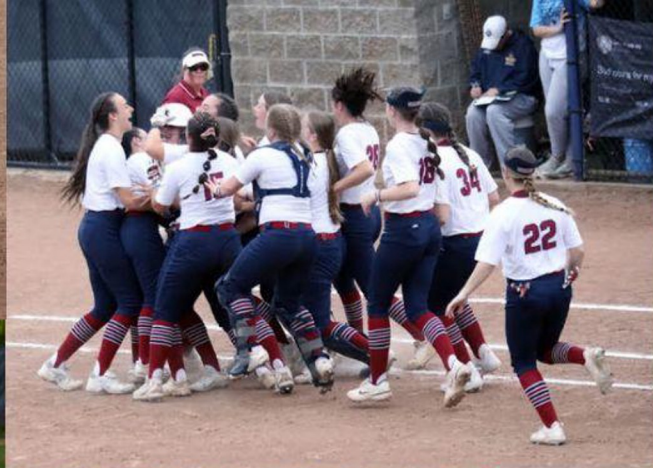
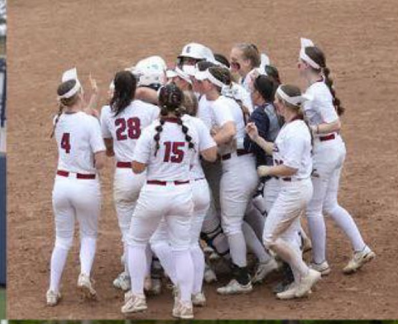
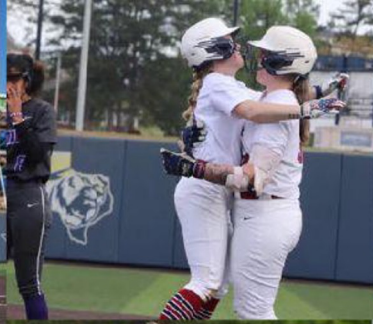
- Develop marketing strategies.
- Promote benefits to attract new clients.
- Showcase success stories and client testimonials.



**nicejob**



Marketing·by·Numbers



## 3 Constraints to Business Growth

- Profitable Generation of Qualified Prospects
- Profitable Conversion of Qualified Prospects to REVENUE
- Profitable Fulfillment of Your Sales Promise



# Marketing & Pricing

## LEAD & REFERRAL GENERATION PROGRESSION



# Marketing & Pricing



- Exposure is Everything
- Fortune in the Follow Up
- Work With the Willing





# Marketing & Pricing



## Typical Small Business Solopreneur Marketing System

- Who to contact?
- When to contact?
- Why to contact?
- How to contact?
  
- Needs?
- Wants?
- Goals?
- Pain?
- Problem?
- Solution?

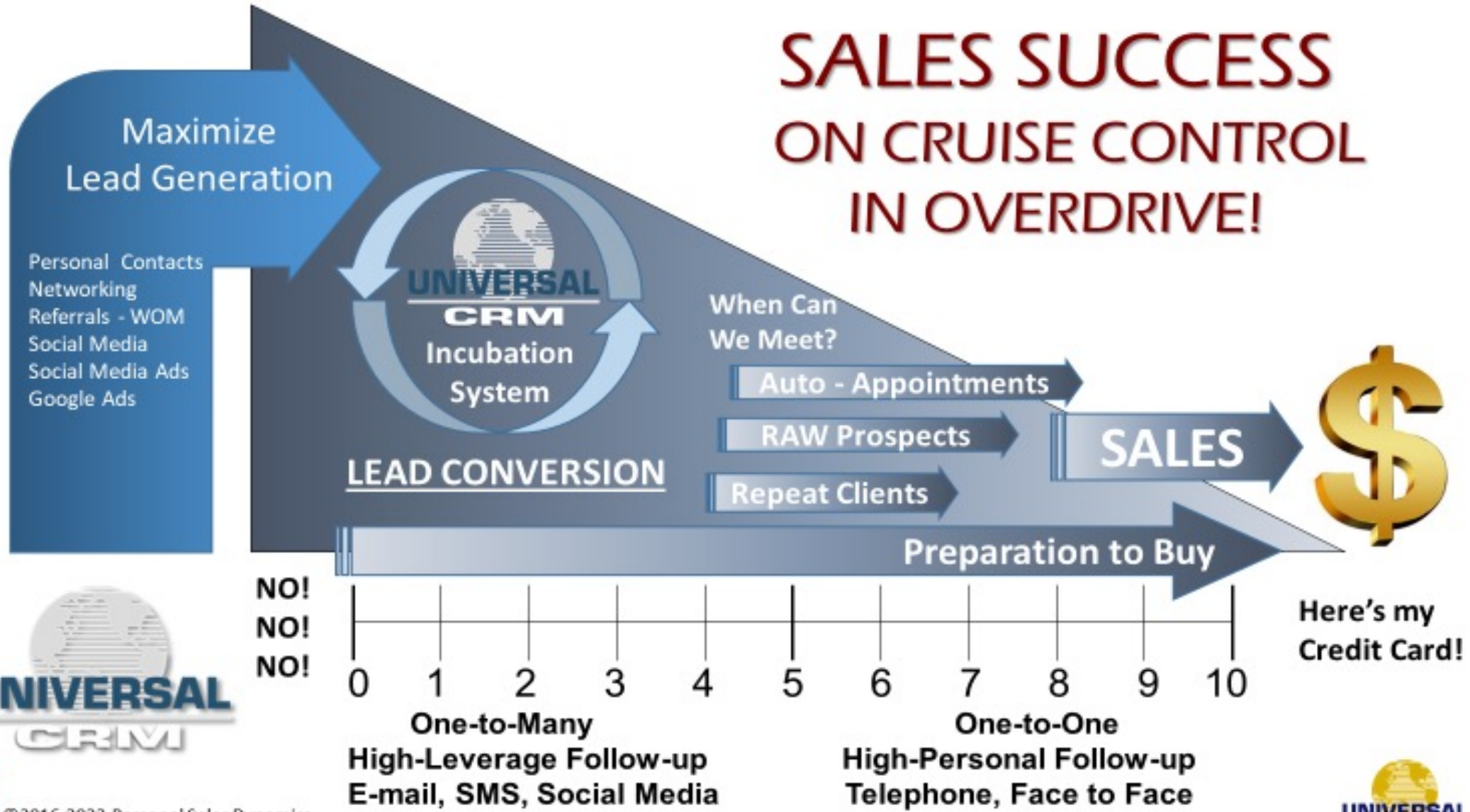


To effectively handle ALL the relationships necessary to meet your growth goals, it will require an Automated Lead Generation and Relationship Management System (CRM).



# Marketing & Pricing

## SALES SUCCESS ON CRUISE CONTROL IN OVERDRIVE!



## Closing Thoughts on Pricing

- Pricing is the key to PROFIT
- Price for VALUE received, not TIME given.
- Your VALUE is equal to the COST of the PROBLEM you solve.
- Your VALUE is equal to the TIME and MONEY you save.
- VALUE pricing rewards YOU for increased EFFICIENCIES.
- Avoid DISCOUNTS.
- Optimize INCREMENTAL VALUE minimize INCREMENTAL COST.

# Questions



# Platinum Panel

## Practice Tips from the Experts

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# Trainers

- ▶ Leighanne Lafrenz Nickle, CPA, CTRC
- ▶ David Ramierz, EA, USTCP, CTRC
- ▶ Carlos Samaniego, EA, CTRC
- ▶ Felecia Dixon, EA, CTRC
- ▶ Patrick Wanzer, CPA, CTRC

“Do you have any practice tips for us, given what you are seeing as 2024 closes?”



# Lunch – One Hour



# Case Study Part 1:

# Automation to Maximize Efficiency & Income

Dawn W. Brolin, CPA, CFE

Paul Hamann

Felecia Dixson, EA, CTCR

**TRN**  
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# Automation

- ▶ Is the key to leverage in 2025!
- ▶ Make sure letters are signed
- ▶ Make sure clients pay up front
- ▶ Automate everything that can be automated!

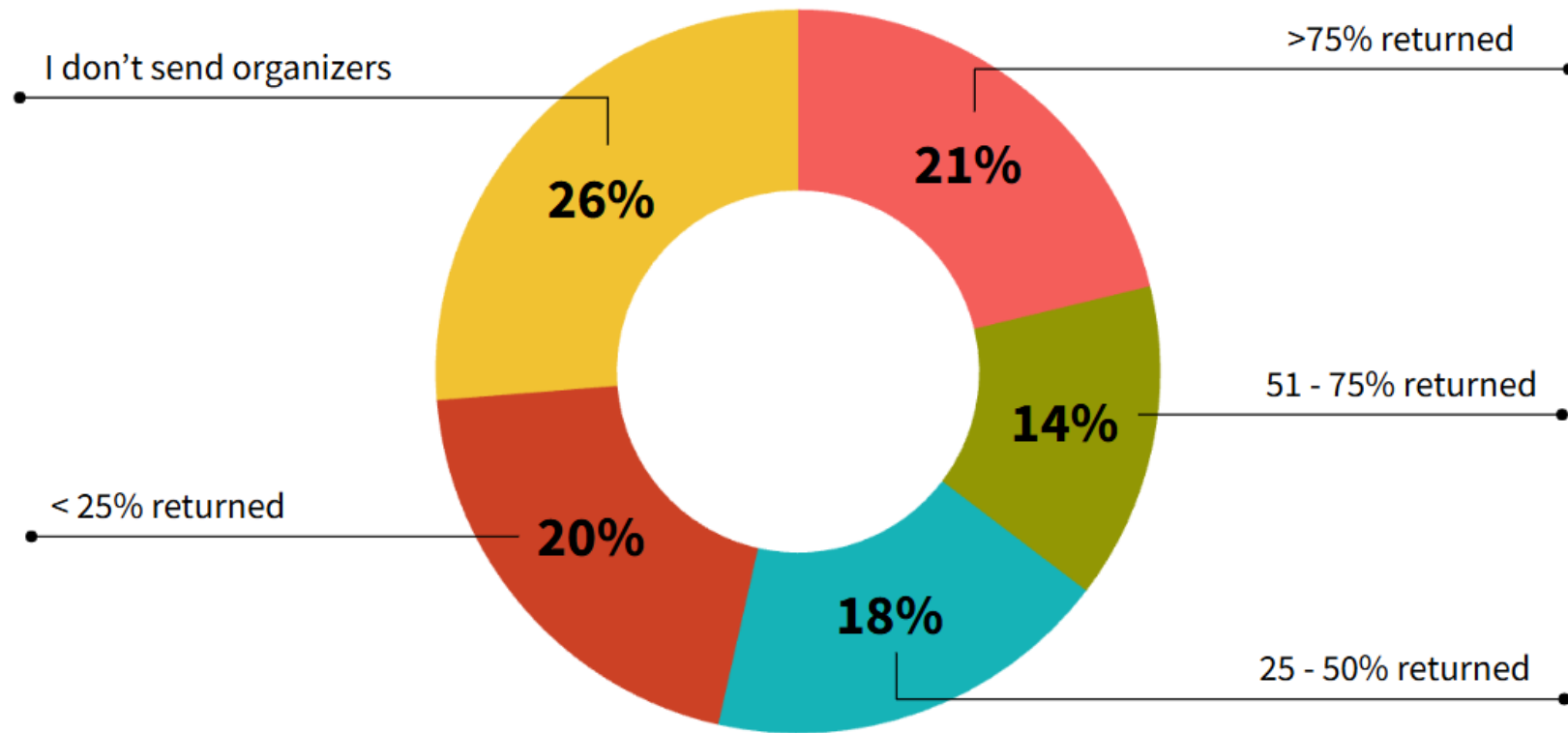


# Everything starts with the tax organizer

- ▶ Its how we are certain we gather the client's information
- ▶ It reminds them of what they had reported previously
- ▶ It helps us meet our ethical standards
  1. AICPA Standards for Tax Services: Section 1.1.6 – due diligence
  2. Circular 230: Section 10.22 – Diligence as to Accuracy

# Are you using Organizers?

## Tax Organizer Response Rates *(370 firms surveyed)*



# There are a number of reasons to use organizers

- ▶ Proving what was uploaded and not
- ▶ Virtual currency and Foreign Assets question
- ▶ Automation to remove data entry errors (#1 reason for bad audits)
- ▶ Save time

# Proving what was filed

- ▶ “I know I gave you that 1099,” says the client with conviction
- ▶ Rule: they owe the tax and interest, you are responsible for the penalties
- ▶ CT Senator introduced a bill and tried to make the preparer responsible for everything (tax interest and penalties - it failed)



# By automating the organizer

- ▶ It will show what was uploaded
- ▶ It will show when it was uploaded
- ▶ Items will get picked up automatically for the 1040 preparation



# Virtual Currency / Foreign Assets



- ▶ Clients MUST answer these questions
- ▶ Automated organizer requires a response
- ▶ It is your get out of jail/malpractice card
- ▶ Major IRS priority and subject to data matching

# IRS use of data



# So two IRS guys walk into a bar

- ▶ Start discussing using all the data
- ▶ FATCA, John Doe Summonses, etc
- ▶ Scratch out on a cocktail napkin the use of data in IRS collections
- ▶ 2022 Collection cases referred to Criminal Investigation went up 42%

# Automating the organizer and the return process



# Sounds great...

- ▶ What if my clients wont do this?
- ▶ They need to
- ▶ Let me tell you about our Rep Practice

Template name  
Tax Collection

Template type  
Client

Folder structure

- Client's Name (e.g. Doe, Jane)
  - Alimony, Child Support and Court Ordered Pmts
  - Automobile Expenses
  - Engagement Letter
  - Estimated Tax Payments
  - Foreign Assets
  - Health Care Expenses
  - Investment Account Statements
  - IRS and State Tax Correspondence
  - Life and Disability Insurance Statements
  - Power of Attorney
  - Proof of Income
  - Real Estate Documents
  - Retirement Account Statements
  - Tax Returns
  - Utility Bills
  - Virtual Currency Values (Crypto)

# You can do that..

- ▶ You can drop your documents off, all stapled that need to be separated and scanned
- ▶ But we are not Kinkos or Staples
- ▶ The \$3,500 analysis is for the analysis, not copying, so if you do that we need \$3,800 - \$300 to cover the hours of my staff to sit and do the admin stuff
- ▶ I find that cures the client's laziness

# Meet Dave



# We want the practice

- ▶ Our chance to get out of our firms
- ▶ 300 clients
- ▶ Pearse knows most of them
- ▶ We offer 1.2 x revenue

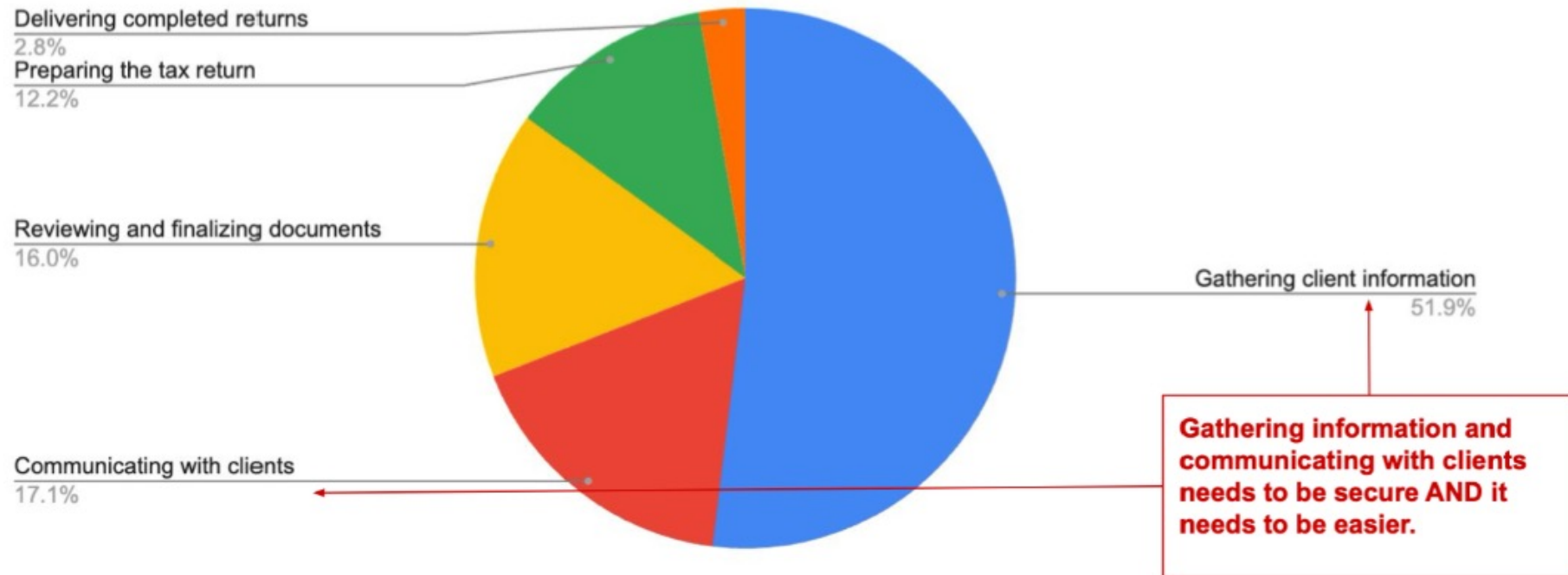


Response?

Deal!



## What takes the most time when preparing a tax return?



# You need to automate

- ▶ You will get your life back
- ▶ You will become WAY more profitable
- ▶ Your practice becomes scalable
- ▶ And unlike Dave, your practice will be saleable!



# Meet Dr. Watson

- ▶ Dr. Watson practices in Iowa
- ▶ He is the sole shareholder of David E. Watson, PC
- ▶ The corporation is taxed as a Subchapter S Corporation
- ▶ He is a new client who comes to us April 1st
- ▶ He tells us his old CPA did not want to do his work anymore because he was not comfortable with S Corporations

# Meet Dr. Watson

- ▶ When told he needs to utilize the Liscio Organizer he says “I don’t like doing than scanning thing, ill just send it to you”
- ▶ When told about our \$200 fee for doing so he groans and says fine he’ll upload everything
- ▶ He says his bookkeeper takes care of everything so it should be “easy”

# Meet Dr. Watson

- ▶ Mr. Watson's firm made distributions of its profits to Mr. Watson, a C.P.A., of over \$700,000 in 2021 and \$675,000 in 2022.
- ▶ Mr. Watson only paid himself compensation of \$24,000 for those same years.
- ▶ When we questioned him he said the board had reached an agreement with him for that amount
- ▶ He uploads a one page sheet that says “the board agrees to employ Dr. Watson and pay him the salary of \$2,000 per month for services rendered”
- ▶ It is signed by both Dr. Watson as Director, and Dr. Watson as employee.

# Meet Dr. Watson

- ▶ He explains that he wants 2023 return completed “along the same lines as his prior returns”
- ▶ When we balk at doing so, he groans audibly on the phone and says “you sound like my last CPA”
- ▶ “Look,” he says, “Just file it and I’ll sign a waiver or something. Besides, the IRS never audits S Corporations anyway. I read that online.”
- ▶ After we refuse to budge he says “Fine ill do it myself – not that hard anyway” and hangs up in a huff.

To be continued....





# Case Study Part 2: The Tax Man Cometh

Eric L. Green, Esq., CTRC  
David Ramirez, EA, CTRC  
Felecia Dixson, EA, CTRC  
Dawn W. Brolin, CPA, CFE

The logo for TRN Tax Rep Network. The letters 'TRN' are large, bold, and blue with a white outline. Below them, the words 'TAX REP NETWORK' are written in a smaller, white, sans-serif font. The logo is set against a white rectangular background.

**TRN**  
TAX REP NETWORK

# Desperate Phone call...

- ▶ Its July and you receive a phone call at midnight on your office system
- ▶ Its Dr. Watson – apparently a Revenue Agent stopped by his office and left off a notice of an audit of Dr. Watson’s 21 and 22 tax returns
- ▶ He needs your help, as his old CPA now claims he no longer speaks English and disconnected his cell phone

# The Audit

- ▶ We explain that we need to see the letter from the auditor
- ▶ We need to be retained
- ▶ We want to see his 2023 tax return (remember the one he did himself)

# The Audit

- ▶ Agreement is sent and signed for through Ignition
- ▶ Ignition informs us that the Dr. paid the \$7,500 retainer
- ▶ The Dr. Uploads all his documents through SmartVault

# The Audit

- ▶ The auditor sent notices for both his S Corporation and his 1040
- ▶ His compensation is an item for the audit
- ▶ The auditor is also asking for back-up on his claimed office expenses and his personal medical expenses



# The Auditor

- ▶ His (un)reasonable compensation is an issue – no surprise
- ▶ His office expenses of \$278,000 – we ask and he tells us that he pays off attorneys to send people injured to him for treatment. Because he knows he cannot pay them directly he pays off their credit cards (27 different cards)
- ▶ His health insurance includes almost \$12,000 a year for his pool – “it’s a health benefit” says Dr. Watson. His accountant went to an accounting conference in Salt Lake City – “Scaling something...” and heard the speaker recommend everyone do that

# The Auditor's Preparation

- ▶ What has the auditor reviewed prior to coming out?
- ▶ What is the likelihood of him opening up the 2023 return?
- ▶ What can be done about this?



# The 2023 Return



- ▶ Thankfully the doctor didn't file it yet
- ▶ Should we?
  - ~ if we do, do we fix compensation?
  - ~ if we do, do we fix the bad expenses?
- ▶ Compensation issue?



# The conversation

“Ethically I cannot advise you to not file a tax return. However, you do need to understand that if you file the 2023 return I do need to tell you it must be accurate and complete. In doing so, by correcting the major issues, you could tip the auditor off to things they may not realize are wrong on 21 and 22 yet.”

***Hint – Don’t File!***

# The Auditor shows up

- ▶ Client interview?
- ▶ POA
- ▶ Explanation (Dawn's Tap Dance)



# In the background

- ▶ Dawn reconstitutes the P&L to remove the other credit card payments
- ▶ Explains the issue of the personal pool and shows the auditor the video of the idiot at Scaling to explain why the Dr. fell for this
- ▶ Reasonable comp – ran the report through RC Reports and shows reasonable compensation of \$300,000

# In the background

## Reasonable Comp

- ▶ 2021 and 2022?
- ▶ 2023?
- ▶ 2024 +

# Total Adjustments

- ▶ \$175,000 of disallowed deductions for each year
- ▶ Hit for reasonable comp for each year is about \$25,000 per year in tax
- ▶ Bill comes to \$80,000 in tax plus 20% accuracy penalty plus interest, or

~ 2021:        \$130,000

~ 2022:        \$107,000

Total         \$237,000

# Total Adjustments

- ▶ 2023 is quickly corrected and filed with the auditor (mailed in duplicate original as well – see Seeview Trading vs. Commissioner)
- ▶ Balance due on 2023 with underpayment penalty, late filing penalty and interest: \$127,347
- ▶ Total owed is \$364,347

# Dawn's parting shot

- ▶ “Look the client was really trying to handle his own stuff and couldn't. It's a huge bill and he is really cooperative and sorry. Can you guys possibly waive the penalties?”
- ▶ They did!
- ▶ On 2021 and 2022 only - \$32,000 in accuracy penalties
- ▶ New balance is \$342,347

# 15 Minute Break





# Case Study Part 3: Resolving the Balance

Catharine O'Connor, Esq.  
Patrick Wanzer, CPA, CTRC  
Dawn Brolin, CPA, CFE

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# Dr.'s Balance Due

- ▶ Dr. Watson owes \$342,347
- ▶ He is grateful he is not going to jail
- ▶ Wants options for resolving this case for “pennies on the dollar” like they can on TV

# Collection Options

- ▶ Uncollectible Status
- ▶ Installment Agreement
- ▶ Offer-in-Compromise



# What is “Uncollectible” Status

- ▶ A hardship exists if a taxpayer is unable to pay reasonable basic living expenses.
- ▶ These cases involve no income or assets, no equity in assets and insufficient income to make a payment without causing a hardship.
- ▶ The basis of a hardship determination is from information about the taxpayer provided on form 433A or 433B.
- ▶ The IRS deems taxpayers in hardship to be “Uncollectible” (“CNC”) and codes their account 0053

# Proving hardship

- ▶ You will have to prove tax hardship to the IRS by submitting Form 433-A or 433-B.
- ▶ If the IRS determines that the taxpayer is unable to tap equity and has no available income after paying necessary, allowable expenses, they may deem the taxpayer to be uncollectible

Form <b>433-A</b> (February 2019) Department of the Treasury Internal Revenue Service		<b>Collection Information Statement for Wage Earners and Self-Employed Individuals</b>	
<p><b>Wage Earners</b> Complete Sections 1, 2, 3, 4, and 5 including the signature line on page 4. <i>Answer all questions or write N/A if the question is not applicable.</i></p> <p><b>Self-Employed Individuals</b> Complete Sections 1, 3, 4, 5, 6 and 7 and the signature line on page 4. <i>Answer all questions or write N/A if the question is not applicable.</i></p> <p><b>For Additional Information</b>, refer to Publication 1854, "How To Prepare a Collection Information Statement."</p> <p><b>Include attachments if additional space is needed to respond completely to any question.</b></p>			
Name on Internal Revenue Service (IRS) Account		SSN or ITIN on IRS Account	Employer Identification Number EIN
<b>Section 1: Personal Information</b>			
<b>1a</b> Full Name of Taxpayer and Spouse (if applicable)		<b>1c</b> Home Phone ( ) ( )	<b>1d</b> Cell Phone ( ) ( )
<b>1b</b> Address (Street, City, State, ZIP code) (County of Residence)		<b>1e</b> Business Phone ( ) ( )	<b>1f</b> Business Cell Phone ( ) ( )
<b>2b</b> Name, Age, and Relationship of dependent(s)			
<b>2a</b> Marital Status: <input type="checkbox"/> Married <input type="checkbox"/> Unmarried (Single, Divorced, Widowed)			
<b>3a</b> Taxpayer SSN or ITIN		Date of Birth (mmddyyyy)	
<b>3b</b> Spouse		Driver's License Number and State	
<b>Section 2: Employment Information for Wage Earners</b>			
<i>If you or your spouse have self-employment income instead of, or in addition to wage income, complete Business Information in Sections 6 and 7.</i>			
<b>4a</b> Taxpayer's Employer Name		<b>5a</b> Spouse's Employer Name	
<b>4b</b> Address (Street, City, State, and ZIP code)		<b>5b</b> Address (Street, City, State, and ZIP code)	
<b>4c</b> Work Telephone Number ( ) ( )	<b>4d</b> Does employer allow contact at work <input type="checkbox"/> Yes <input type="checkbox"/> No	<b>5c</b> Work Telephone Number ( ) ( )	<b>5d</b> Does employer allow contact at work <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>4e</b> How long with this employer (years) (months)	<b>4f</b> Occupation	<b>5e</b> How long with this employer (years) (months)	<b>5f</b> Occupation
<b>4g</b> Number of withholding allowances claimed on Form W-4	<b>4h</b> Pay Period: <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Other	<b>5g</b> Number of withholding allowances claimed on Form W-4	<b>5h</b> Pay Period: <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Other
<b>Section 3: Other Financial Information (Attach copies of applicable documentation)</b>			
<b>6</b> Are you a party to a lawsuit (if yes, answer the following) <input type="checkbox"/> Yes <input type="checkbox"/> No			
<input type="checkbox"/> Plaintiff <input type="checkbox"/> Defendant	Location of Filing	Represented by	Docket/Case No.
Amount of Suit \$	Possible Completion Date (mmddyyyy)	Subject of Suit	
<b>7</b> Have you ever filed bankruptcy (if yes, answer the following) <input type="checkbox"/> Yes <input type="checkbox"/> No			
Date Filed (mmddyyyy)	Date Dismissed (mmddyyyy)	Date Discharged (mmddyyyy)	Petition No. Location Filed
<b>8</b> In the past 10 years, have you lived outside of the U.S. for 6 months or longer (if yes, answer the following) <input type="checkbox"/> Yes <input type="checkbox"/> No			
Dates lived abroad: from (mmddyyyy)		To (mmddyyyy)	
<b>9a</b> Are you the beneficiary of a trust, estate, or life insurance policy (if yes, answer the following) <input type="checkbox"/> Yes <input type="checkbox"/> No			
Place where recorded:		EIN:	
Name of the trust, estate, or policy		Anticipated amount to be received \$	When will the amount be received
<b>9b</b> Are you a trustee, fiduciary, or contributor of a trust <input type="checkbox"/> Yes <input type="checkbox"/> No			
Name of the trust:		EIN:	
<b>10</b> Do you have a safe deposit box (business or personal) (if yes, answer the following) <input type="checkbox"/> Yes <input type="checkbox"/> No			
Location (Name, address and box number(s))		Contents	Value \$
<b>11</b> In the past 10 years, have you transferred any assets for less than their full value (if yes, answer the following) <input type="checkbox"/> Yes <input type="checkbox"/> No			
List Asset(s)	Value at Time of Transfer \$	Date Transferred (mmddyyyy)	To Whom or Where was it Transferred
Catalog Number 20312N		www.irs.gov	Form <b>433-A</b> (Rev. 2-2019)

# Benefits of being CNC

- ▶ 10-year CSED continues to run (check the transcripts)
- ▶ No levy action
- ▶ NFTL may still be filed

# Note: CNC vs OIC

- ▶ Someone can be CNC with equity in an asset they simply cannot tap
- ▶ When it comes to an Offer, ability to tap equity is irrelevant
- ▶ An OIC is the calculation for what the IRS is willing to take to resolve the debt, source is not their concern
- ▶ It is possible to be CNC without being able to do an OIC!

# Installment Agreements

- ▶ Installment Agreements are payment plans
- ▶ Three types of plans:
  - a. Regular
  - b. Partial-Pay
  - c. Streamlined
  - d. Short-Term (180 days)



# Reasonable Collection Potential

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



# Financial Guidelines

Expense	Actual or Allowable
Food, Clothing and Misc	National Standard
Housing and Utilities	Lesser of Actual or Local Standard
Automobile - Ownership	Lesser of Actual or National Standard
Automobile - Operating	Local Standard
Public Transportation	National Standard
Health Insurance	Actual
Out of Pocket Health Care Costs	Higher of Actual or National Standard
Court Ordered Payments	Actual
Child/Dependent care expenses	Actual (must be necessary)
Life Insurance	Actual (must be reasonable)
Current Year Taxes	FIT, FICA or SE, SIT, Local
Secured Debts	Actual
Delinquent State Taxes	Percentage of State v. Federal Debt

# Regular Agreements

- ▶ Because a regular agreement will full-pay within the time on the statute, more flexible
- ▶ IRS will allow 1-year of actual expenses
- ▶ IRS will allow plan based on actual (not allowable) standards if full pays within 6 years
- ▶ IRM 5.14.1.4.1

# Partial-Pay Agreements

- ▶ Because it wont pay there is little flexibility
- ▶ IRS will insist on standards being followed
- ▶ Will revisit every 12-18 months

# Streamlined Agreements

- ▶ Benefit: no financial disclosures
- ▶ Changes made in the program over the years



# History on Streamlined Agreements

Individual	Field	ACS
Pre-2012 Fresh Start	\$25,000 / 60 months	\$25,000 / 60 months
After Fresh Start	\$50,000 / 72 months	\$50,000 / 72 months
2017 Pilot Program	\$50,000 / 72 months	\$100,000 / 84 months
2020 (IR-2020-248)	\$50,000 / 72 months	\$250,000 / CSED

Businesses can do a streamlined agreement for payroll taxes if they owe \$25,000 or less and can full-pay within 24 months

# Benefits of a Streamlined

- ▶ No disclosing assets
- ▶ No liquidating assets to pay
- ▶ Hint: See if a client can use assets to pay down below the Streamlined threshold!

# IRS Charges User Fees for an IA

Payment Method	Applicable Fee	
	Using the online payment application	Not using the online payment application
Direct debit	\$31*	\$107*
Check, money order, credit card, or debit card	\$149**	\$225**



# Offer-in-Compromise Basics

- ▶ IRC § 7122 authorizes the IRS to accept a compromise on an amount owed
- ▶ IRC § 7122(c) provides that the Service shall set forth guidelines for determining when an offer in compromise (OIC) should be accepted

# Offer Basics

- ▶ Congress explained that these guidelines should allow the Service to consider:
  - a. Hardship,
  - b. Public policy, and
  - c. Equity
- ▶ Treasury Regulation § 301.7122-1 authorizes the Service to consider OIC's raising these issues.
- ▶ These Offers are called Effective Tax Administration (ETA) offers. See IRM § 5.8.11.1

# Offer in Compromise

Form 656 Booklet

## Offer in Compromise



### CONTENTS

• What you need to know .....	1
• Paying for your offer .....	3
• How to apply .....	4
• Completing the application package .....	5
• Important information .....	6
• Removable Forms - Form 433-A (OIG), Collection Information Statement for Wage Earners and Self-Employed; Form 433-B (OIG), Collection Information Statement for Businesses; Form 656, Offer in Compromise .....	7
• Application Checklist .....	29

### IRS contact information

If you want to see if you qualify for an offer in compromise before filing out the paperwork, you may use the Offer in Compromise Pre-Qualifier tool. The questionnaire format assists in gathering the information needed and provides instant feedback as to your eligibility based on the information you provided. The tool will also assist you in determining a preliminary offer amount for consideration of an acceptable offer. The Pre-Qualifier tool is located on our website at [www.irs.gov](http://www.irs.gov).

If you have questions regarding qualifications for an offer in compromise, please call our toll-free number at 1-800-829-1043. You can get forms and publications by calling 1-800-TAX-FORM (1-800-829-3676), by visiting your local IRS office, or at [www.irs.gov](http://www.irs.gov).

### Taxpayer resources

The Taxpayer Advocate Service (TAS) is an independent organization within the Internal Revenue Service that helps taxpayers and protects taxpayer rights. TAS helps taxpayers whose problems with the IRS are causing financial difficulties, who've tried but haven't been able to resolve their problems with the IRS, or believe an IRS system or procedure isn't working as it should. And the service is free. Your local advocate's number is in your local directory and at [www.irs.gov/advocate](http://www.irs.gov/advocate). You can also call us at 1-877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to [www.irs.gov/advocate](http://www.irs.gov/advocate). TAS is your voice at the IRS.

Low-income Taxpayer Clinics (LITCs) are independent from the IRS. LITCs serve individuals whose income is below a certain level and who need to resolve a tax problem with the IRS. LITCs provide professional representation before the IRS or in court on audits, appeals, tax collection disputes, and other issues for free or for a small fee. For more information and to find a LIC near you, see the LIC page at [www.irs.gov/lowincome](http://www.irs.gov/lowincome) or IRS Publication 5015, Low-income Taxpayer Clinic List. This Publication is also available by calling the IRS toll-free at 1-800-829-3676 or visiting your local IRS office.

Three types of Offers:

▶ Doubt as to liability

▶ Doubt as to collectability

~ DCSC

▶ Effective Tax Administration

# Doubt as to Collectability



- ▶ Most common Offer
- ▶ Based upon the taxpayers inability to full pay the liability
- ▶ It's a request or the government to accept less than the full amount owed because of the taxpayer's financial situation

# Offer in Compromise

- ▶ \$205 application fee
- ▶ 20% deposit with a lump sum offered
- ▶ Monthly payments with deferred offers start when the offer is filed and continue until accepted or rejected



# The OIC Process

1. Consultation
2. Pull and Review Transcripts for CSED Issues
3. Perform RCP Calculation
4. Deal with Compliance Issues
5. Implement Strategies
6. Prepare CIS
7. Submit Offer
8. Appeal if denied

# Initial Considerations

- ▶ Statute of Limitations
- ▶ Compliance
- ▶ Financial Analysis (RCP)
- ▶ Easier Solution? CNC or Bankruptcy?
- ▶ **No Offer if the client can full pay within the time on the CSED**



# Analysis

- ▶ Are they an Offer candidate or not?
- ▶ This is why we charge for consultations
- ▶ Taxpayer will get benefit just from the meeting





# Dr. Watson

- ▶ Owes \$342,347
- ▶ His home is worth \$825,000 with a mortgage of \$127,000 balance
- ▶ His 401(k) has a balance of \$1.8 million
- ▶ His IRA is worth \$1.3 million
- ▶ His monthly income shows an ability to pay of \$36,000/mo

# Advice

- ▶ Pay down the balance to below \$250,000
- ▶ Do a NSIA (\$250,000 or less over the CSED)
- ▶ Should be around \$3,000 a month

# Questions



# 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 3!*