

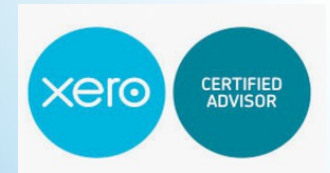
# 1604 Tax & Accounting Group

- 1. Help your friends, family and clients with knowledge
- 2. Understand the process
- 3. Complete the process
- 4. Conclusion

## Tax Resolution – An Overview

# • 1604 Tax & Accounting Group

- Tax, Accounting, Bookkeeping, Tax Resolution and Audit Representation.
- I am a licensed Enrolled Agents (EAs) federally-licensed tax practitioners who represents taxpayers before the IRS when it comes to collections, audits and appeals. National representation.
- Virtual Bookkeeping  
QuickBooks Online Pro Certification.  
Xero Certification  
Tax Preparation and Planning
- David Scott Wisotzki 210-303-0325



My credentials include being a Quickbooks Online Pro Advisor and obtaining certification in Xero Accounting software, showcasing my proficiency in utilizing the latest technologies to deliver top-notch services to my clients. As a dedicated professional, I strive to provide comprehensive and personalized solutions to meet the unique needs of each individual or business I work with.

- The **IRS Fresh Start Program** is a set of initiatives implemented by the IRS in 2011 and expanded over the to make it easier for taxpayers to resolve their tax debts. Some of its key features include:
- **Current & Compliant** – Tax returns “Current” and payments “Compliant”
- **Increase Lien Filing** Threshold \$5,000 to \$10,000
- **First Time Penalty Abatement** – Late filing and Late Pay
- **Streamlined IA** - \$50,000 increased to \$100,000
- **OLC Changes** – Reduced Multiplier (48 months vs 12 months)
- **Financial Analysis** – Heavy on Analysis



# What is the Fresh Start Program?

- **Be Prompt and Professional**
- **Multiple Communication Channels** – Certified, Fax, Voicemail
- **Specificity in Requests** – Type of Agreement IA, IBTF, OIC, OIC-DTL, CNC, etc...
- **Pending Status Protection** – IA, Wage Garnishments, Bank Levies
- **Negotiation** – Max Allowable Expense, Hardship Cases, Lien Withdrawals (Public Record), Lien Release (Complete Removal), and Lien Subordination.

# What are the 5 Steps for effective IRS Communication?



- Self Help - Utilize a software like THS Tax Help Software \$250 (404)910-3605. Taxhelpsoftware.com **Pitbulltax.com** \$210
- File Form **4506-T** (10 business days by mail and transcripts are in manual form). Call the IRS.
- Through Representation



# How Can I Get my IRS Transcripts?



- **Step 1** - Understand the IRS **Collection Cycle and Triggers**. Certain events trigger specific IRS actions (checklist bureaucracy). **Procedure, Law, and Process**
- **Step 2 – Assess Your Situation** and Determine your Goals. Issues, Financial Circumstances, Outcome. (Liens, Tolling, Future)
- **Step 3 – Documentation** – Returns and Transcripts, Financials.
- **Step 4 – Representation** – Attorney, CPA, Enrolled Agent or Self Representation. Who to use and when.
- **Step 5 – Communication** – Urgency and Severity. Immediate threat to income and assets, Resolution phase, Routine Compliance and Professional communication with IRS

## List 5 Steps of IRS Collections?

- **Income and Expenses** – Disposable (remaining) Income after covering “essential” living expenses.
- **Assets & Liabilities** – Objective is net worth and Asset leverage
- **Collection Financial Standards** – Allowable living expenses for various categories.
- *<https://www.irs.gov/businesses/small-businesses-self-employed/local-standards-housing-and-utilities>*
- **Form 433-A** Collection Information Statement
- Financial impact of **Liens and Levies** – Business Operations?
- This area can get very complex.

## How Does the IRS Analyze Financial Situations?



- RCP or Reasonable Collection Potential represents the **amount the IRS believes it can collect from a taxpayer within a specific time frame** typically 1 to 2 years. This Baseline number very important!
- **RCP is the non-negotiable floor for an OIC.**
- **RCP > Total Tax Liability** ( including taxes and penalties) No OIC
- **RCP < Total Tax Liability** ( Suitable for OIC ) and the calculation becomes the starting point for negotiating the amount offered.
- **Negative RCP** – Possible CNC status (Currently not Collectible)
- **Tactics – Hardship**, Challenge asset valuations (Home), Future prospects.

## Why is RCP so Important?

- **Pay in Full**
- **Installment Agreement (IA)** – There are 6 types
- **Offer in Compromise (OIC)** – There are 3 types
- **Currently Not Collectible (CNC)**
- **Penalty Abatements**
- Financial Analysis (433-A)
- Strategic Negotiation – (Most Important)
- Lien Work
- Trust Fund Recovery Penalty (Business Payroll Taxes)

## **IRS Resolution – 8 Options**

- The **Collection Statute Expiration Date (CSED)** represents the deadline for the IRS to collect outstanding tax liabilities from a taxpayer. It's essentially a 10-year countdown that starts ticking from the date a tax liability is assessed. After the CSED passes, the IRS can no longer pursue collection actions for that specific liability.
- **Basic Formula:**
- $\text{CSED} = \text{Assessment Date} + 10 \text{ Years} + \text{Tolling Days} + \text{Additional Tolling Days} + 1 \text{ Day}$
- Several events can toll the CSED, giving the IRS more time to collect the tax debt. **OIC, Bankruptcy, Military Deferment**, Tax Court Petition, and Absence from the U.S.

# What is the CSED and Why is it Important?

- **Understand the Nature of Tax Liens**
- Tax liens arise from unpaid federal tax liabilities. They apply to both individuals and businesses.
- The IRS doesn't need to file a formal Notice of Federal Tax Lien (NFTL) for a lien to exist. A **statutory tax lien (silent lien)** attaches to all of a taxpayer's property the moment a tax liability is assessed.
- The **Notice of Federal Tax Lien** (NFTL Form 668-Y) serves as **public notice** of the lien. Filing it alerts creditors and potential buyers that the IRS has a legal claim on the taxpayer's assets. Filed at the county's recorder's office or Secretary of State.
- Tax liens can significantly impact a taxpayer's financial well-being. They can hinder creditworthiness, access to loans, and even employment in certain industries.

# Understand the Nature of Tax Liens

- 1. **Higher Fees** Driven by High Overhead and Sales Commissions. Some of these companies have a "**million-dollar-a-month budgets.**"
- 2. **Layered Structure** Potentially Leading to Disconnect, Inefficiency and poor communication.
- 3. **Emphasis on Sales** Over Expertise. Salespeople vs. Professionals.
- 4. Potential for "**Offer Mill**" Tactics. Unnecessary OIC offers. Inadequate case preparation.
- 5. Focus on **High-Volume, Low-Touch** Case Management. Different agents working on cases. Set formulas. Limited Options.
- 6. Potentially **Lower Compensation** for Tax Professionals. Causing High Turnover lower quality employees.
- 7. Less **Transparency** and Client Control. Feeling uninformed, Pressure to accept, and unexpected fees.

## Reasons to Exercise Caution with Large Tax Resolution Companies

- 1. Be **Proactive** in Communication
- 2. Provide Complete and **Accurate** Information
- 3. Disclose All **Relevant** Facts
- 4. Respond to IRS Notices **Promptly**
- 5. Maintain **Organized** Records. The IRS may continue to ask for materials. Sometimes more than once.
- 6. **Cooperate** with IRS Representatives – (No **Blind offers**). Sometimes the IRS has inexperienced staff.



## 6 Steps to Maintain Transparency with the IRS



- **1. Acknowledge and Accept** for Client Anxiety – Stress and Fear.
- **2. Second Chance** – Past mistakes to future solutions
- **3. Confidence** through doing and experience
- **4. Realistic** expectations

**List 4 ways to Deal with Emotions**

**1. Installment Agreement (IA):** This allows taxpayers to pay their tax debt over time through a monthly payment plan. The sources highlight IAs as the most common resolution option, with over 75% of tax resolution cases resolved this way. There are different types of IAs, including:

- **2. Guaranteed Installment Agreement:** Available for income tax liabilities under \$10,000 that can be paid within 36 months.
- **3. Streamlined Installment Agreement:** Available for income tax liabilities up to \$50,000 (or \$100,000 for 2017) and meeting certain criteria.
- **4. In-Business Trust Fund Installment Agreements:** Designed specifically for businesses owing payroll taxes and wanting to remain operational.
- **5. Partial Pay Installment Agreement (PPIA):** Used when the taxpayer can't afford to fully pay the tax liability within the 10-year collection statute expiration date (CSED).
- **6. Regular Installment Agreement:** A standard IA used when other specific types don't apply. **IRS Form 9465** agreement in all **Accounting Software**. **Bilateral contract. Never use.**

# List The 6 types of Installment Agreements?

- **Doubt as to Liability (OIC-DTL):** This type of OIC is used when the taxpayer **disputes the amount of tax liability** assessed by the IRS. The taxpayer must present compelling evidence to support their claim that the liability is incorrect.
- **Doubt as to Collectability (OIC-DAC):** This is the **most common type** of OIC, used when the taxpayer has **limited assets and income**, making it highly unlikely that the IRS can collect the full amount owed within a reasonable time-frame. The OIC-DAC is processed by the OIC centers within the IRS Collections division.
- **Effective Tax Administration (OIC-ETA):** This is the least common type of OIC and it applies when the taxpayer has the financial capacity to pay the tax debt but argues that **exceptional circumstances** make it unfair or unjust for the IRS to enforce full collection. These cases often involve situations where enforcing full collection would create undue hardship due to factors such as **chronic medical conditions** and the need for assets to cover healthcare expenses.

## What are the Three(3) Types of OIC?

- 1. Leveraging Collection Statute Expiration Date (CSED):
- Understanding and strategically using the CSED, the ten-year window the IRS has to collect a tax debt, is crucial.
- While certain actions, like filing an OIC or bankruptcy, can pause the CSED, in some situations, it may be beneficial to avoid triggering these pauses if the CSED is nearing its end.
- A shorter remaining CSED can be a negotiating point, potentially increasing the likelihood of a more favorable resolution, such as an installment agreement with lower monthly payments or a more attractive OIC settlement.

## Tips & Techniques - 1

- **2. Maximizing Allowable Expenses and Minimizing Income:**
- Keep meticulous financial analysis when negotiating installment agreements or OICs.
- One should strive to maximize **allowable expenses** under the IRS **Collection Financial Standards** and minimize reportable income to reduce the taxpayer's calculated "remaining income." **The legal way to report less income is in the timing of tax resolution; when the taxpayer is in a very poor financial position. NEVER lie about reportable income to the IRS.**
- These strategies aim to reduce the monthly payment amount on an installment agreement or the minimum acceptable offer amount for an OIC.

## Tips and Techniques - 2

- **3. Strategic Use of Form 2750 (Extension of CSED):**
- This form, which allows taxpayers to voluntarily extend the CSED, can be a surprising tool for negotiation. **CSED is IRS Currency.**
- While seemingly counter-intuitive, proposing an extension can demonstrate good faith to the IRS, especially in situations where a taxpayer needs more time to improve their financial situation or gather necessary documentation.
- This can potentially lead to a more favorable outcome, such as a longer payment plan or the avoidance of more aggressive collection actions.

## Tips & Techniques - 3



- **4. Emphasizing the Benefits of a "Going Concern" Business:**
- When negotiating resolutions for businesses with employment tax liabilities, highlighting the benefits of keeping the business operating is key.
- The IRS recognizes the value of an "operating business" in providing jobs and generating future tax revenue.
- This argument can support requests for more flexible payment plans or, in some cases, the avoidance of personal assessments for trust fund recovery penalties.

## Tips & Techniques - 4

- **5. Exploiting the Discretionary Nature of Trust Fund Recovery Penalty Assessments:**
- While the IRS has clear guidelines for assessing Trust Fund Recovery Penalties (TFRPs), there are instances where Revenue Officers have some discretion.
- Specifically, when a business enters a non-Express In-Business Trust Fund installment agreement, the RO is not required to request Form 2750 (extension of CSED).
- Proactively proposing the 2750 can be advantageous in these cases, potentially influencing the RO's decision and helping the taxpayer avoid a personal TFRP assessment.

## **Tips and Techniques - 5**

- **6. Requesting Lien Withdrawals to Facilitate Collection:**
- Negotiating lien withdrawals can benefit both the taxpayer and the IRS.
- Emphasize that the lien's presence **hinders the taxpayer's ability to improve their financial situation**, potentially jeopardizing the IRS's ability to collect in the long run.
- For example, a lien **can prevent a business from securing loans or entering favorable contracts**, ultimately reducing their capacity to repay their tax debt.

## Tips & Techniques - 6

- **7. Utilizing Lien Subordination and Discharge to Create Win-Win Situations:**
- The strategic use of lien subordination (giving priority to another creditor's lien) and discharge (removing a specific asset from the lien's coverage) to facilitate transactions that benefit all parties involved.
- For example, subordinating a lien can allow a business to secure financing for growth, ultimately increasing their ability to repay the IRS.
- Similarly, discharging an asset can enable a taxpayer to sell it and use the proceeds to satisfy their tax debt, benefiting both the taxpayer and the IRS.

## **Tips & Techniques - 7**

- **8. Exploring Doubt as to Liability Offers (OIC-DTL) as an Alternative to Audit Reconsideration:**
- The sources mention that an OIC-DTL, which disputes the underlying tax liability, can be a viable alternative to the Audit Reconsideration process.
- This approach can be beneficial when the taxpayer has strong evidence to challenge the IRS's assessment and prefers a more streamlined resolution process.

## **Tips & Techniques - 8**

- **9. Considering Partial Pay Installment Agreements (PPIAs) in Lieu of OICs:**
- While OICs are often promoted as a solution for taxpayers with limited means, PPIAs can be a more favorable option in some cases.
- This is particularly relevant when considering the potential impact of an OIC on the CSED and the taxpayer's ability to fully repay the debt within the remaining time frame.



- **10. Highlighting "First-Time Abatement" Opportunities for Penalty Relief:**
- "First-time penalty abatement" is a relatively simple way to remove penalties for taxpayers who have generally maintained good compliance in the past.
- Emphasizing the taxpayer's positive compliance history and demonstrating their commitment to meeting future obligations can strengthen the argument for penalty relief.

**Important Note:** *These 10 tax tips and techniques are derived from the expertise and experiences shared by the author. Applying them effectively requires a thorough understanding of the specific facts of each case, applicable IRS regulations, and professional judgment. It is always advisable to consult with a qualified tax professional for guidance tailored to your unique situation.*

## Tips & Techniques - 10

- **Seminar Disclaimer**

- The information presented in this presentation is for general informational purposes only and is not intended to constitute legal or professional tax advice.
- Tax laws and IRS procedures are complex and subject to change.
- While this presentation draws upon information from reputable sources, including IRS publications and expert insights, it should not be considered a substitute for personalized advice from a qualified tax professional.
- For specific guidance regarding your individual tax situation, it is strongly recommended that you consult with a licensed CPA, Enrolled Agent, or Tax Attorney.

# Disclaimer

- **A complimentary service to assess a persons tax situation and identify potential opportunities.**
- Previous Tax Return Review: Analyze previous tax returns for potential over-payments or missed deductions.
- First-Time Abatement (FTA) Qualification: Determine if the client qualifies for penalty abatement due to reasonable cause.
- Credit Eligibility: Identify potential tax credits the client may be eligible for but haven't claimed.
- IRS Account Monitoring: Check for any outstanding balances, notices, or compliance issues.
- Income Verification: Compare reported income with IRS records to identify discrepancies and potential under-reporting
- Audit Risk Assessment: Evaluate the client's risk of being audited based on their tax history and filing positions (CP2000)
- Tax Planning Opportunities: Explore potential strategies to minimize future tax liabilities.
- Tax Savings: Identify opportunities for refunds or reductions in tax liabilities.

# What is a Free Diagnostic Tax Review?

- **Analyze your QBO/XERO** file by complete checklist review
- Balance sheet reconciliation with last Return  
Bank and Credit Card Accounts, A/P and A/R agings, Sales Tax  
Undeposited Funds, P&L accounts, Balance Sheet Reconciliation  
Chart of Accounts, Products and Services List, Payroll, Inventory
- **Document Findings** – Prepare report, Recommendations for clean-up.
- Recommendations for Additional Services – Clean-up Services,  
Monthly Bookkeeping, Coaching and Training
- **Benefits all parties** – No obligation service.

# FREE QBO/Xero Diagnostic Review

- 1. Write a **Cover Letter** explaining what is requested (by check)
- 2. Pay the amounts via the IRS website **using EFTPS**. It should have a current balance.
- 3. Don't send a lump sum for multiple years. **Don't send Cash.**
- 4. Make **Separate Payments** for each period (Do the same for checks.)
- 5. If by check, make it to “**United States Treasury**”
- 6. Electronic payments ensure payments get posted to the **correct Year / Quarter (Trust Fund payments.)**

## When Paying in Full - Notes

- A CIS needs to be prepared (Collection Information Statement)
- CNC status prevents ALL collection efforts, Recalculated after 2 years
- A NTFL will be filed for all CNC > \$10,000
- CNC does not toll the CSED
- Bankruptcy does not create an automatic stay. Consult an Attorney for information.

## Notes on Currently Not Collectible



- **Most common option to resolve tax debts**
- The IRS allows payment if the total tax liability can be paid before the CSED date, usually within 72 months.
- PPIA may be granted if one cannot pay full amount over 72 months
- Guaranteed IA – less than 10K and 36 months. Compliance req.
- Streamlined IA – Tax, P&I below \$25k and 6 years and < 50K 6 years  
Individuals and closed businesses - NO CIS or RCP for both
- IBTF - \$25K (balance below -Lump Sum) 24 months to pay or by  
CSED > 25K does not qualify

## Installment Agreement Notes

- End of seminar
- Questions

Questions