



## **Don't Wait Until It's Too Late - Seven Steps to Resolve Your IRS Tax Dispute Before it Spirals Out of Control**

Did you know that before any person or business ever had wages garnished, bank accounts frozen, or assets seized by the IRS that they usually had the opportunity to pursue a more agreeable solution? The IRS doesn't want protracted legal battles concerning what the government is legally due in taxes - that actually costs them (and you) more money, meaning the final collection amount is effectively less. And yet, many people believe that ignoring the problem, playing "hard ball," or simply pleading "I didn't know" is enough to make tax matters magically vanish.

If you're facing an IRS dispute, smart legal action can go a long way towards resolving it. In this report, we provide practical tips - but we highly recommend that you speak to an attorney experienced in handling tax problems immediately should you find yourself in the midst of a tax controversy.

### **1. Respond quickly to any and all inquiries and notices**

When you get a notice in the mail from the IRS, it will have a file/case/claim or other reference number on the document. You'll also notice the document likely arrived days (or weeks) later than the date on the letter/notice. Call the enclosed phone number as soon as possible upon receipt of the notice to make certain the IRS is aware you are "pending action." When they have to send second and third notices, there becomes less available time to resolve your case amicably.

### **2. Document all communications with the IRS**

If you mail communications, send them as certified mail to guarantee arrival and receipt. When communicating via the telephone, the responding agent will give you his/her name and ID number. Be certain to write it down along with the date/time/subject of your call and any answers or information the agent provides. If you do not get a name and ID number, be sure to ask and/or confirm before the end of your call. That way if there are any disputes, there is a record of your communications.

### **3. Don't make assumptions.**

Don't assume that you know how to fix a problem to the IRS's satisfaction without asking them first. In some cases, you may find it's easier to resolve than you thought. For instance, if you mistakenly filed form 1120 thinking it was the same as 1120S - you may have voided your S-Corporation status for that year and any years following, which will result in different tax structures going forward. However, if you catch it before filing the following year's return, you CAN file an 1120-S (X) amended return along with a letter documenting your desire to retain your S-Corp status.

#### **4. If you're confused, get help**

Self filing your tax documents for your business or personal taxes may seem like a time and money saver, but it also exposes you to a lot of risk should you misunderstand instructions, deadlines, or payment responsibilities. Contacting a Certified Public Accountant (CPA) ahead of filing is one way to avoid such problems, but many CPAs will also advise on the proper resolution of errors or other common filing problems.

#### **5. Contact an attorney - even if you don't think you need one**

When you respond quickly to notices and requests for information, you're likely to find that the situation can be resolved successfully on your own. In fact, many notices never escalate to further action when it's a simple accounting or clerical error like transposing numbers or filing the incorrect form. Simply submit an amended form or return and correct any payment and the penalties for lateness are minimal (and sometimes may return money in your favor). But when audits or multi-step issues arise, be certain to have an attorney on your side. The IRS has certain rules that must be followed regarding its actions with taxpayers, and an attorney will make sure it complies and respect your rights.

#### **6. Turn Over the Right Paperwork**

Inexperienced taxpayers often think that the more paperwork they turn over, the better. The IRS may even encourage such behavior, stating that their experts can help you uncover the information you need. While this is true - their agents can and will discern information from invoices, receipts, and whatever other documents you supply - it doesn't limit the kind of information those agents can (and will) collect against you. Suppose you have a business expense that's in question. Can you prove it was a company expense by providing the company credit card statement? Consider using that resource instead of an itemized receipt that may include items not strictly intended for business usage. Only provide that information that is needed to resolve the problem at hand, not that which may open up a whole new set of problems.

#### **7. Learn About and Take Advantage of Payment Options**

Sometimes, there's no avoiding the fees, penalties, and normal amounts due to the IRS. And yes, sometimes that number can be frighteningly large. But it doesn't mean automatic financial ruin. Remember, the IRS just wants to settle accounts. If they bankrupt you, they're less likely to get paid. Look into (or have your attorney look into) payment reductions if your tax error was an innocent mistake. Pursue payment plans if you're behind on cash flow (the IRS has been known to accept as little as \$50 per month if you can prove that's all you can afford or even put your case into an "uncollectible status"). Depending on your individual situation, you may be surprised how willing the IRS is to work with you if you make an earnest commitment towards paying your debts and by remaining current in all ongoing tax obligations.

If you're facing an IRS dispute, don't panic. With the right legal strategy, you may be able to achieve a resolution with less stress and less financial damage than you originally expected. Please contact us today for more information!