IRS ON YOUR BACK? 20 SECRETS THE IRS DOESN'T WANT YOU TO KNOW ABOUT COLLECTION ACTIVITIES

A free resource from Thienel Law, LLC

Table of Contents

This ebook is designed to allow you to click ahead to topics that interest you most.

Introduction

Is the Internal Revenue Service (IRS) harassing you about delinquent tax debt? Are you afraid to answer the telephone or check your mailbox because it could be another communication from the IRS? If so, I have some secrets to tell you that the IRS doesn't want you to know about its collection activities.

Steve Thienel

The arrival of an IRS collection notice or letter usually is the first sign that you are facing a serious tax problem. If you ignore the notices and letters, you could face serious consequences that have a significant negative impact on your long-term goals. The IRS has broad authority under the Internal Revenue Code (IRC) to use a wide variety of collection activities ranging from non-threatening letters that remind you of a tax debt that you owe to more aggressive collection activities such as tax levies and wage garnishments.

Avoid the Costly Consequences of IRS Collections

If you want to avoid costly problems, you need to understand the meaning of the collection notices and letters you receive from the IRS. You also need to know the steps you should take during each phase of the IRS collection process.

This eBook provides information about IRS collection activities including:

- Mistakes That Can Lead to IRS Collection Activities
- How to Interpret IRS Collection Notices
- An Overview of the IRS Collection Process
- Aggressive Collection Enforcement Measures
- Five Secrets About IRS Collections the IRS Will Not Tell You
- Reasons Why You Need a Tax Attorney at Your Side to Fight the IRS

Are You in Debt with the IRS?

If you owe delinquent taxes, you are not alone. Millions of Americans owe federal taxes that they cannot afford to pay. Tax problems have the potential to ruin almost every aspect of your life. The worst thing you can do if you owe taxes to the IRS is to ignore the problem. This eBook discusses some of the details of IRS collection practices that many people may not know, but need to understand if they want to resolve their tax problem effectively and efficiently.

I encourage you to read the information in this eBook, make notes about questions you may have, and contact my office to discuss your situation. You do not have to face the IRS alone. There is hope, and there are solutions to your tax problems. Instead of allowing those IRS collection notices and letters to gather dust in the corner of your desk and your mind, bring those collection notices to my office and let's find an affordable solution to your IRS tax problem.

CHAPTER 1

Mistakes That Often Lead to IRS Collection Efforts

Learn the top four mistakes taxpayers make that lead to IRS collections.

Chapter One: Mistakes That Often Lead to IRS Collection Efforts

The IRS provides taxpayers with an overwhelming amount of information about preparing tax returns, paying taxes, tax collection procedures, and appealing tax decisions. However, some of the most helpful information you can receive is how to avoid IRS collection activities.

The IRS Wants Your Money Not You

The IRS does not want to take collection actions against a taxpayer. Collection efforts result in time and money that the IRS would rather not devote to chasing taxpayers if it can be avoided. The IRS prefers to work with taxpayers if they need assistance paying their tax debt because the agency's ultimate goal is to collect taxes, not put people in jail. People in jail do not pay their taxes. However, you must do your part in working with the IRS to avoid collection activities.

Four Mistakes That Result in Collection Activities

As an experienced tax lawyer, I advise many clients regarding IRS issues. Some clients come to me after they have made a mistake that resulted in IRS collection efforts. Other clients contact my office to avoid making costly mistakes. In either case, my goal is to assist my clients in preventing further collection efforts by making the situation worse.

If you know that you owe taxes to Uncle Sam, it is best to deal with the problem head-on. Below are four of the most common mistakes that people make when they are faced with a tax bill they cannot pay.

Mistake Number 1: Not Filing a Tax Return

Ignoring your tax problem will not make the issue go away. Sticking your head in the sand to avoid dealing with a tax issue can result in a larger problem.

Knowingly and purposefully refusing to file a tax return that is required by law can be a crime. You can go to jail for failing to file a tax return or failing to pay taxes that you owe. However, you will not go to jail for not having enough money to pay taxes that you owe. This distinction is very important.

Failing to file your tax returns could result in a criminal charge and up to one year in jail for each year you did not file a tax return. If you file your tax return and refuse to pay your taxes, you could be charged tax evasion. Tax evasion is the use of illegal methods to evade the assessment of taxes. Depending on the method used, you could be sentenced to prison for five years or more for tax evasion. In addition to the potential for jail time, you also face substantial fines for failing to file tax returns or pay taxes that you owe.

However, if you file your tax return but you do not have the money to pay your taxes, the IRS has several options available to help you deal with the problem. Instead of facing severe consequences for failing to file your tax return or pay your taxes, call me to discuss some of the options you have for dealing with IRS debt, starting with avoiding the automatic failure to file penalty added to any tax you owe when you do not file your tax return on time.

Mistake Number 2:
Failing to Request an Extension to File Your Tax Return

If you need additional time to file your tax return, you need to request an extension.

You can receive an additional six months to prepare and file your tax return by simply filing IRS Form 4868. The form is four pages long, including the instructions, but the actual request consists of two parts. Part 1 is your name, address, and social security number. Part 2 contains six lines, including an estimate of your tax liability and any payment you are making with the request for an extension.

The most important things to remember when requesting an extension is to file the request before the due date of the tax return. The other thing to remember is to estimate your tax liability as closely as possible. You are expected to make a reasonable effort to estimate your tax liability when completing the form.

Filing for an extension is simple and can save you a significant amount of money and trouble.

Mistake Number Four: Failing to Consult with a Tax Lawyer

Navigating the tax laws and the IRS procedures can be overwhelming and difficult. The good news is you do not need to face the IRS alone. You have the right to have legal counsel when dealing with the IRS.

Hiring a tax attorney can prevent some of the common mistakes that many people make that lead to collection activities. An experienced tax lawyer understands the laws and IRS rules that apply to tax returns, paying taxes, and collection efforts.

An attorney not only protects your legal rights, but he guides you through the process step-by-step of dealing with IRS tax debt you cannot pay providing much-needed support and encouragement. You can get through this situation. It is possible for you to resolve your tax debt in a way that avoids IRS collection efforts. I am happy to meet with you to discuss your options and how my law firm can help reduce the stress of dealing with the IRS.

Paying Taxes is Never Pleasant

As the old saying goes, "The only things certain in life are death and taxes." No one wants to pay taxes, but it is the law, and we must face it. You do not have to face it alone. We can face it together to find a solution that avoids harsh and costly IRS collection activities.

Owing money to the IRS is scary, regardless of whether you owe a small amount or a large amount of money. Ignoring the problem will only make it worse.

If you receive a collection notice from the IRS for a tax debt, do not panic. In the next chapter, I explain in detail what some of the more common collection notices mean for you. Understanding what the collection notice means can help you deal with the problem efficiently and effectively.

The IRS wants your money - it does not want to put you in jail.

IRS Secret

CHAPTER 2

I Received an IRS Collection Letter - What Does It Mean?

Not all IRS notices are created equal. Learn what you need to act on -- and what you don't.

Chapter Two: I Received an IRS Collection Letter -- What Does It Mean?

Usually, the first step in the IRS collection process is to send an IRS collection notice. The IRS has numerous collection notices that it uses in the process of collecting taxes from taxpayers. If you receive a collection notice and you agree with the amount you owe, you can stop further collection efforts by following the instructions in the notice to pay the tax debt.

However, if you do not have enough money to pay the taxes you owe, oryou disagree with the information in the collection notice, you **must** take steps to resolve the matter. As I discussed in Chapter One, ignoring an IRS collection notice can result in a small problem quickly escalating into an enormous headache and costly situation. If you ignore the collection notice, the IRS will take increasingly aggressive efforts to collect the tax debt.

There are ways to handle your tax debt other than ignoring IRS collection letters. As an experienced tax attorney, I can review those options with you after evaluating your situation. However, let's first go through some the various collection letters that the IRS uses and what each of those letters meansfor you.

IRS Collection Process (CP) Letters and Notices

Some of the most common CP letters and notices that the IRS uses to collect unpaid taxes include:

CP 71C - Reminder of Overdue Taxes

The IRS uses this letter to remind you that you have overdue taxes owed for a certain tax year. If you have already worked out an agreement with the IRS, this notice can be considered as a notice for informational purposes only. The notice explains various payment options and penalties assessed for non-payment of tax debt. The IRS sends this collection notice to taxpayers each year when a tax debt is outstanding.

However, this is not a friendly notice of an unpaid balance if you have not made any efforts to pay your tax debt. The CP 71C notice is a legal notice that you owe taxes, interest, and penalties. The notice is also used to inform you that if you do not pay the balance owed, the IRS may take further action to collect the debt.

CP 501/502 - Notice of Balance Due

A CP 501 notice is the first reminder that you have an overdue tax balance that must be paid. The notice provides you with the total amount owed and the due date for paying the amount. The language in this letter is strong, but not very menacing.

If you fail to respond to the CP 501 notice by the deadline stated in the notice, the IRS issues a CP 502 notice that informs you of the additional interest and penalties assessed on your account. A CP 502 is a bit more threatening than the first notice.

IRS Collection Process (CP) Letters and Notices - Continued

CP 503 - Second Reminder of Unpaid Taxes

Even though this is the third reminder notice, it is titledas the second reminder. The wording of the notice becomes more menacing, although the letter contains the same information as the prior two letters. This notice could be the last notice you receive from the IRS before it begins aggressive collection measures. If you have failed to act by this time, I strongly urge you to contact me to discuss your options for dealing with your IRS debt. From this point forward, **you could face serious collection efforts such as levies and liens.**

CP 504 - Final Notice of Balance Due

The IRS loves notices and letters. It will paperyou to death with notices of unpaid taxesbut do not assume the notices will go on forever without serious consequences for failing to pay your tax debt. The CP 504 notice is usually the last notice you may receive before the IRS seizes assets to pay your tax debt.

The notice no longer gives you a "due date" other than **"amount due immediately**." However, the notice does say that the IRS may levy your property if you do not make payment arrangements within 30 days from the date of the notice. The IRS begins by seizing your state tax refunds, but if you have a balance owed after applyinga state tax refund, the IRS may seize other property, including your wages, funds in a bank account, business assets, personal assets, and Social Security benefits.

Do not ignore a CP 504 notice. Contact my office immediately to discuss your options for avoiding garnishments, liens, and levies.

IRS Collection Process (CP) Letters and Notices - Continued

Installment Agreement Notices

If you have worked out an installment agreement with the IRS, there are a few serious notices you need to pay attention to if you receive them from the IRS. CP 521 notifies you of a past due installment payment. Failing to make an installment payment can result in additional penalties and interest, but it can also result in the cancellation of your installment agreement.

A CP 523 notice demands immediate payment of your balance because you have failed to make your installment payments. If you fail to respond to this notice, your installment agreement is terminated. The CP 523 also serves as your notice that the IRS intends to pursue aggressive collection activities such as liens, levies, and garnishments.

If you believe the notices were issued in error, you must respond to the notices and appeal any action, including termination of the agreement, immediately. It can be helpful to consult with my office if you believe these notices were issued in error.

CP 90 Intent to Seize Assets

The CP 90 informs you that the IRS intends to levy or seize assets. Even though you may have received other notices, the CP 90 also informs you of your right to a hearing. The letter gives you a specific deadline for requesting a Collection Due Process hearing to appeal the proposed levy.

IRS Collection Process (CP) Letters and Notices - Continued

IRS Letter 11 Notice of Intent to Levy

Like the CP 90, this notice tells you that the IRS has not received your tax payment and it intends to levy your property on or after a specific date. The notice also informs you that the IRS reserves the right to search for other assets and income that it may seize to pay your tax debt.

IRS Letter 3172 Notice of Lien

This letter serves as a formal notice that the IRS has filed a federal tax lien. Federal tax liens are filed in the public records of the county where you reside. The letter informs you of your rights and actions you can take regarding the tax lien.

WARNING: The Above List is Not a Complete List of All Notices and Letters Used by the IRS in Its Collection Process

The above list is a sample of some of the common collection letters and notices that the IRS uses when attempting to collect a past due tax payment. You will likely receive additional correspondence from the IRS if you continue to ignore its collection efforts.

Remember, you should **never assume** that the IRS is going to send another notice or letter before taking aggressive action to collect the unpaid tax debt. The IRS uses the word "final" in many of its notices as a means of motivating taxpayers to pay their taxes or make payment arrangements. In some cases, you may receive two or more notices that appear to be "final" notices.

However, **never assume** the IRS will give you additional time to pay your overdue taxes. Many taxpayers have been caught off guard when their bank account balances disappear, or their paycheck is much less than they expected. The IRS will give taxpayers ample opportunities to pay their taxes, but the IRS will take aggressive collection actions at some point.

It is best to deal with IRS tax debt before the IRS begins to levy property. Let's explore the IRS collection process in more detail to help you understand what you can expect if you cannot pay your taxes.

> *You do not go to jail for not having enough money to pay your taxes.*
>
> IRS Secret

CHAPTER 3

How Does the IRS Collection Process Work?

Owing money to the IRS can be frightening and overwhelming. Knowing what to expect can help reduce the stress and anxiety you experience when dealing with the IRS regarding a tax debt.

Step One: Assessing Your Tax Debt

When you file your tax return, the IRS will assess whether you have a tax liability. The IRS assesses your tax liability by reviewing your tax returns and supporting documentation filed by other parties, such as 1099s, W2s, etc. If you paid your taxes throughout the year through wage withholding or estimated tax payments, there should be no further action taken.

However, if you did not pay your taxes throughout the year, the IRS determines the amount of taxes you owe. If you fail to file a tax return, you may receive an IRS CP 59 Notice informing you that the IRS has no record of a tax return for you. The notice instructs you to complete, sign, and file your tax returns or contact the IRS if you do not believe you are required to file a tax return.

If you fail to file your tax return, the IRS may assess your tax liability based on a Substitute for Return (SFR). An SFR typically overestimates your tax liability because the IRS does not give you credit for all exemptions and deductions you may be entitled to receive. You will receive notice of the proposed tax assessment once the IRS completes the SFR process. If you fail to respond before the deadline in the notice, the IRS proceeds with its proposed tax assessment.

Step Two: Tax Bill Issuance

If you owe taxes, the IRS sends you a tax bill if you do not pay your taxes when you file your tax return. Based on the tax return you filed, the IRS calculates the taxes you owe, plus interest and penalties for failing to pay your taxes on time. In many cases, a taxpayer receives at least one more tax bill before the IRS refers the account to its collection department.

If you disagree with a tax bill, you need to take steps to appeal the tax bill. As a tax lawyer, I assist clients in appealing tax bills. I also assist clients who cannot pay a tax bill take steps to apply for an installment agreement, an offer in compromise, Innocent Spouse Relief, or other debt relief option.

Step Three: Collection Letters and Notices

If you owe taxes, the IRS sends you a tax bill if you do not pay your taxes when you file your tax return. Based on the tax return you filed, the IRS calculates the taxes you owe, plus interest and penalties for failing to pay your taxes on time. In many cases, a taxpayer receives at least one more tax bill before the IRS refers the account to its collection department.

If you disagree with a tax bill, you need to take steps to appeal the tax bill. As a tax lawyer, I assist clients in appealing tax bills. I also assist clients who cannot pay a tax bill take steps to apply for an installment agreement, an offer in compromise, Innocent Spouse Relief, or other debt relief option.

If you fail to pay your tax bill or to make arrangements for an installment agreement, the IRS begins the collection process. The collection process involves sending multiple notices and letters to the taxpayer. As discussed in Chapter Two, the IRS utilizes a variety of notices and letters to motivate you to pay your tax bill. The purpose of collection letters and notices is to inform you of your tax liability, explain your legal rights, and explain what actions the IRS may take to collect the tax debt if you do not pay your taxes.

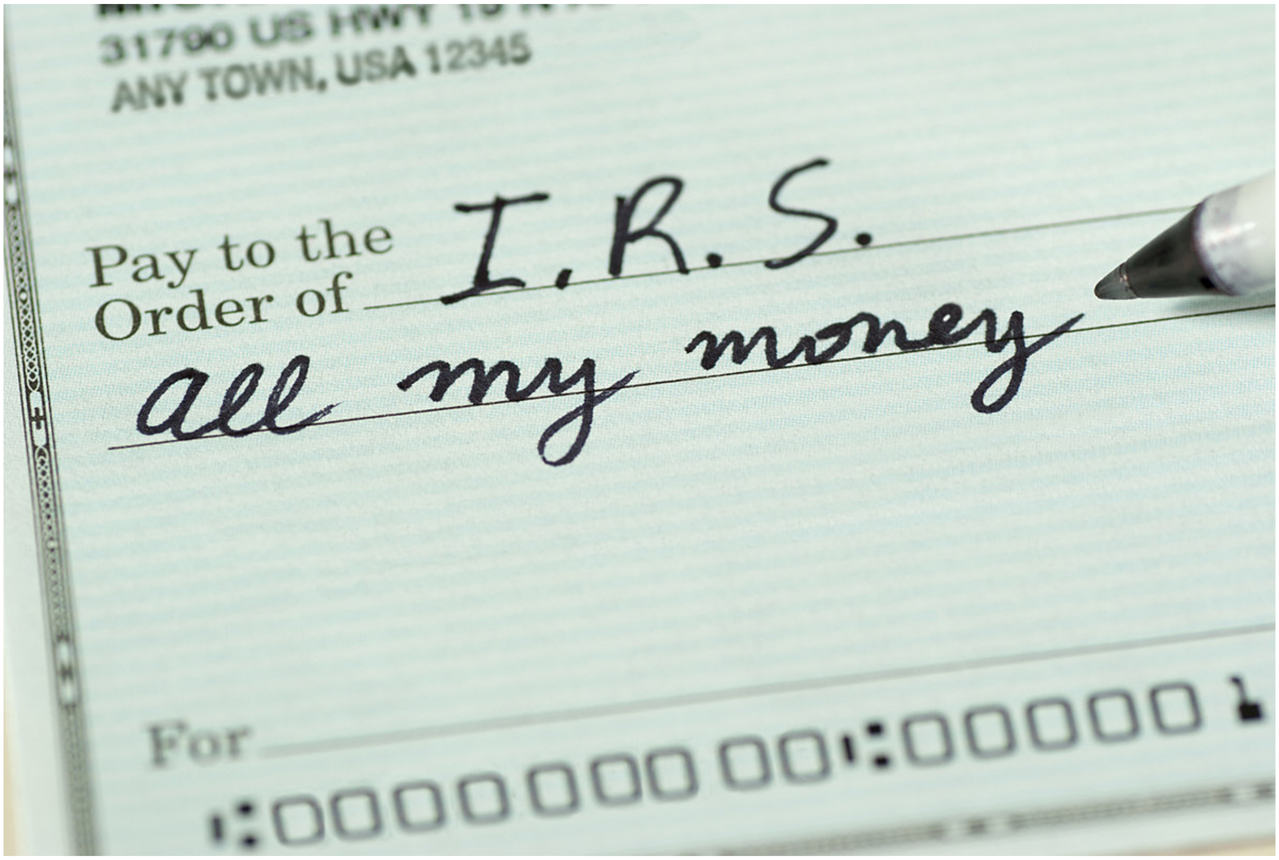
It is important to remember that the IRS may take various actions to enforce a tax debt while it is sending notices and letters in some limited circumstances. Therefore, **never assume** you will receive another notice or letter before the IRS takes aggressive action to collect a tax debt.

In most cases, the IRS affords taxpayers ample opportunity to pay their taxes. The IRS uses notices and letters in an attempt to get you to take affirmative action to address your tax liability. However, if you continue to ignore collection letters and notices, the IRS will move to the next step in the collection process.

Step Four: Notices of Intent to Levy

If you do not respond to collection notices and letters, the IRS will become more aggressive in its attempts to collect the tax debt. You will receive a notice of intent to levy from the IRS. As we discussed, you may receive more than one notice of intent to levy, but it is not advisable to ignore the first notice.

You may receive a CP 504 notice of intent to levy state income tax refunds. You may also receive Letter 1058 Final Notice of Intent to Levy and Notice of Right to a Hearing or Letter 11 Notice of Intent to Levy. If you receive a notice of levy, you should act quickly to prevent the loss of property.



Step Five: Levies, Liens, and Garnishments

The IRS has several collection options it can take to collect a tax debt. A Notice of Federal Tax Lien can be filed in the county where you reside. The IRS may also levy or seize property and garnish your wages. We explore these actions in more detail in the next section.

How Can You Avoid IRS Collection Actions?

It is advisable to respond to the IRS collection notices to protect your property and your income. If you need assistance, I invite you to contact my office so we can discuss your case in detail. You might have several options for paying your tax debt. If you believe the IRS has assessed taxes that you do not owe, you also have options for appealing the assessment. You want to avoid the IRS collection actions in the next chapter if possible.

> *The IRS may give you up to 72 months to pay your tax debt.*
>
> IRS Secret

CHAPTER 4

What Collection Efforts Will the IRS Take If I Don't Pay My Taxes?

Let's talk about three of the most common types of enforced collection measures the IRS uses to collect a tax debt: federal tax liens, tax levies, and wage garnishments.

Chapter Four: What Collection Efforts Will the IRS Take If I Don't Pay My Taxes?

As discussed in the previous chapters, the IRS sends numerous notices and letters during the collection process. However, there are aggressive enforcement actions that the IRS can take to collect a tax debt. These enforced collection measures give the agency broad powers to levy property and place liens against property. You want to try to avoid this stage of the collection process whenever possible. Once your property or money is seized, it is virtually impossible to get it back.

Below I discuss three of the most common types of enforced collection measures the IRS uses to collect a tax debt: federal tax liens, tax levies, and wage garnishments.

Notice of Federal Tax Lien

A federal tax lien is the government's legal claim, through the IRS, against a person for taxes owed to the government.

The tax lien attaches to all property, including your financial accounts, personal property, and real estate. A Notice of Tax Lien is the public document filed by the IRS in the public records of the county in which you reside or own property. The filing of the tax lien notice alerts the public and anyone of interest that the government holds a lien against your assets.

Once the IRS files a Notice of Federal Tax Lien, the lien has several implications for you. First, you are at risk of losing your assets if the government levies the lien, including any future assets and income you may acquire. In addition, if you own a business, the lien can attach to your business property or your interest in the business, including the accounts receivable for the business.

Furthermore, a Notice of Federal Tax Lien can have a substantial negative impact on your credit score, making it difficult to qualify for credit. If you do qualify for a loan or credit account, you will likely pay a higher interest rate because of the federal tax lien. Lastly, if you file for bankruptcy relief, the tax lien may continue even after you receive your bankruptcy discharge.

You can avoid a Notice of Federal Tax Lien by working with the IRS to settle the tax debt. If you are unable to pay the tax debt in full, you can apply for an installment agreement or negotiate another resolution to the tax debt.

Tax Levies and Seizures

A Notice of Tax Lien is not a levy or seizure. The tax lien secures the interest the government has in your property because of the unpaid tax debt. A levy or seizure is the actual taking of property to satisfy the tax liability.

The Internal Revenue Code (IRC) authorizes the IRS to levy and seize property to satisfy a delinquent tax debt. Any property you own or have an interest in may be levied or seized to satisfy your tax debt unless the property is exempted from levy by the IRC.

Before the IRS can levy or seize property, it must take certain steps. It is important to understand these steps so that you know if your legal rights have been violated. In most cases, the IRS only levies property after the following three actions have been taken:

- The IRS assessed a tax liability and notified you of the debt by sending you a tax bill or other notice of the debt;
- You have not paid the tax debt; and,
- The IRS notifies you of the intent to levy by sending you a Final Notice of Intent to Levy and Right to a Hearing 30 days before the levy.

It is important to know that there are cases in which the IRS can seize or levy property without sending you a Final Notice of Intent to Levy. For example, if the IRS believes that you are going to dispose of assets or hide assets, it may seize those assets without a final notice. In addition, the IRS is not required to send a final notice if you are a federal contractor or if the IRS is seizing your state tax refunds. In many cases, a taxpayer receives the Notice of Levy and Right to a Hearing after the IRS has already seized the state tax refunds.

Property that the IRS might levy or seize to satisfy a delinquent tax debt includes:

- Real estate
- Vehicles
- State income tax refunds
- Financial accounts, including bank accounts and retirement accounts
- Social Security payments (usually up to 15 percent of the payments)
- Accounts receivable, such as rent or loan payments
- Boats and other recreational vehicles
- Other personal property

As mentioned above, some property is exempt from an IRS levy. In addition, you may qualify for a levy release if the levy causes an economic hardship that prevents you from paying your basic, reasonable living expenses. The release does not forgive the debt, but it can prevent the IRS from seizing the assets so that you can work out another arrangement for payment.

Another important note is that a bank must wait 21 days before it turns over funds to the IRS for a bank account levy. Therefore, you could have limited options to prevent the levy if you act quickly. Contacting a tax attorney is advised if you receive notice of a bank account levy.

Wage Garnishments

A wage garnishment is a specific type of tax levy the IRS uses to collect delinquent taxes. Your employer is notified that you owe a tax debt and the IRS is exercising its collection rights to levy a portion of your wages.

Even though your employer cannot terminate your employment because of an IRS wage garnishment, the process can be extremely embarrassing.

To determine the amount of wages the IRS garnishes each pay period, your employer provides you with a Statement of Exemptions and Filing Status. You must complete the form and return it to your employer within three days. Failing to complete the form results on your exempt wages being calculated based on a status of married filing separately with one exemption. Unlike other creditors, the law does not limit the amount the IRS can take from your wages. The law only limits what the IRS must leave for you each pay period. In other words, the IRS will garnish the highest amount allowed by law from your wages.

Another important thing to note is that if you receive a bonus, fee, or commission in addition to your wages, that income is also subject to the wage garnishment. In some cases, if the bonus or commission is paid separately from your paycheck, the IRS could receive the entire bonus or commission since the exemption is based on the time-period your wages and other income is paid.

You Have Options

The IRS makes mistakes. As a tax attorney, I review the procedures taken by the IRS to ensure that it followed the proper protocols before pursuing collection enforcement measures. If a federal tax lien has been filed, I can negotiate with the IRS for removal of the tax lien, acceptance of an offer in compromise, or other means of mitigating the consequences of a tax lien.

In our next chapter, I review some of the secrets about IRS collection activities that the IRS will not tell you.

You can appeal a tax bill if you disagree with the amount the IRS says you owe.

IRS Secret

CHAPTER 5

Five Secrets the IRS Won't Tell You About Collections

The IRS agents are trained to push taxpayers to pay the debt in full. If you cannot pay the debt in full, the agent will suggest an installment agreement. I want you to know some of the secrets you will not hear from the IRS when dealing with delinquent tax debt.

Chapter Five: Five Secrets the IRS Won't Tell You About Collections

If you owe the IRS money and you are working directly with the IRS, there are some things that you need to know. The IRS agents are trained to push taxpayers to pay the debt in full. If you cannot pay the debt in full, the agent will suggest an installment agreement. Their job is to get you to pay your delinquent taxes, interest, and penalties in full. However, I want you to know some of the secrets you will not hear from the IRS when dealing with delinquent tax debt.

Five Things I Want You to Know About IRS Collections and Tax Liability

1. It is Not Always a Crime to Not Pay Taxes
2. The IRS has a Statute of Limitations for Collecting Taxes
3. Some Tax Debt Might Be Discharged in Bankruptcy
4. You Might Settle Your Tax Debt for Less Than You Owe
5. You May Not Have to Pay IRS Penalties

It is Not Always a Crime Not to Pay Taxes

As mentioned earlier in this eBook, if you file your tax return on time and you cannot afford to pay your taxes, non-payment of taxes is not a crime.

There is no such thing as a debtor's prison in this country. You must demonstrate to the IRS that you cannot afford to pay your taxes. A tax attorney can help you take the steps you need to prove to the IRS that you cannot afford to pay your taxes in full.

However, if you are taking steps to evade paying your taxes, you could be charged with tax evasion, which is a crime. You could serve five or more years in prison, depending on the tax crimes.

As with any tax problem, it is better to be proactive when dealing with the IRS. Working with a tax attorney can help you explore the various options you have available for paying your taxes, such as an installment agreement. In some cases, you might qualify for an offer in compromise to pay less than you owe to satisfy your tax liability.

The IRS Has a Statute of Limitations for Collecting Taxes

The IRS does not have an unlimited amount of time to collect tax debts. As with other legal actions, the IRS must collect your tax debt before the expiration of the statute of limitations or lose its right to pursue a tax lien.

In a typical case, the IRS has 10 years from the date the tax was assessed to collect tax debt. Barring any exceptions, the IRS must cease collection efforts after 10 years. For many people, the date of assessment is the date the tax return was filed. However, this date can be different if you did not file your tax return on time. (If you do not file your tax return at all, the 10-year limitation period does not apply.) Furthermore, some exceptions can extend the deadline for collecting tax debts. For instance, the statute of limitations is paused during periods when the IRS cannot take action against you to collect a debt, such as during a bankruptcy action. The statute of limitations is also paused if the IRS is considering an offer in compromise, request for innocent spouse relief, or installment agreement. Therefore, you cannot simply add 10 years to the date you filed your tax return and assume this is the deadline for the IRS to collect the tax debt.

The steps you take can extend the statute of limitations. There are several instances in which you may voluntarily extend the statute of limitations. For example, if you negotiate lower payments for an installment agreement, the IRS usually includes a waiver of the statute of limitations. In addition, as your Collection Statute Expiration Date (CSED) draws close, the IRS may (and likely will) become much more aggressive in its efforts to collect the delinquent taxes.

You must be very careful when working with the IRS on old tax debt. Working with an experienced tax attorney usually helps you prevent costly errors.

Some Tax Debt Might Be Discharged in Bankruptcy

It is true that most federal tax debt is not eligible for a discharge in a bankruptcy case. In other words, you may file bankruptcy to get rid of other debts, but you still owe the tax debt when the bankruptcy case is complete. However, this is not always the case.

Some tax debt is dischargeable in a bankruptcy case. If the tax debt meets certain criteria, you can get rid of the tax debt by filing for bankruptcy relief.

To be eligible for a discharge, you must meet each of the following criteria:

- The taxes owed must be at least three years old
- You must have filed the tax returns establishing the tax debt at least two years before filing the bankruptcy petition
- The IRS must have assessed the tax debt at least 240 days before the filing of the bankruptcy petition. Most taxes are assessed as of the date of filing of the tax return; however, some circumstances can change this date
- You cannot willfully attempt to evade or avoid paying your tax debt
- You cannot commit any fraud associated with the tax debt or tax returns

Many people may qualify to have the taxes discharged in bankruptcy; however, the IRS will not explain this fact to you because it wants to collect the debt.

You May Not Have to Pay IRS Penalties

In some cases, the penalties charged by the IRS can equal a substantial portion of your delinquent tax debt. The IRS wants you to believe that it never reduces penalties, but it does.

If you can show reasonable cause why the IRS should reduce penalties, you could save thousands of dollars. In some cases, taxpayers may qualify to have penalties reduced to zero.

Convincing the IRS to reduce or get rid of the penalties usually requires composing a convincing hardship letter explaining why you are entitled to this relief. A tax attorney can help you draft a compelling letter requesting a waiver of the penalties to help you pay your tax debt.

Learn More Secrets the IRS Does Not Want You to Know

If you are dealing with the IRS, call my office. I can tell you other things about your case that the IRS does not want you to know. In some cases, the information could save you thousands of dollars. In the last chapter, I explain other reasons why you need to consult with me about your tax problem instead of dealing directly with the IRS.

> *You might qualify for a hardship release for a tax levy.*
>
> IRS Secret

CHAPTER 6

Do I Need A Tax Attorney?

Tax resolution is not always simple. A DIY approach to resolving your tax problem may not be in your best interest. When you are dealing with IRS collection activities and enforcement measures such as tax liens, levies, and garnishments, you need an experienced attorney at your side to help you navigate the IRS collections process.

Reasons You Need a Tax Attorney

If you have not considered hiring a tax attorney to represent you in an IRS audit or IRS collection proceeding, some of the reasons why I encourage you to contact my office include:

IRS Audits

The IRS agent is not your friend. The agent is not there to protect your legal rights or your best interests. You would not represent yourself in a lawsuit in which you could lose thousands of dollars. Likewise, you should not represent yourself in an IRS audit that could result in thousands of dollars in tax debt.

Criminal Charges

If the IRS decides to file criminal charges, you definitely need an attorney to fight the charges. Some convictions for tax crimes can result in substantial prison sentences. An attorney may help mitigate the severity of a sentence if you are convicted of a tax crime.

Time

Dealing with the IRS can be very time-consuming. Instead of taking your time away from work and your family, let your tax attorney communicate with the IRS about your tax problem.

Confidentiality

If you work with a CPA or other tax professional, your communications are not protected. With a tax attorney, your communications are protected by attorney-client privilege. Your attorney cannot testify against you without your consent.

Making the Best Decisions

You may have several options for resolving an IRS problem. A tax attorney analyzes all your options, discusses the pros and cons of each option, and helps you make the best decisions in your case to increase your chance of a successful tax debt resolution.

Knowledge of Tax Laws

Tax laws are complex and the IRS interpretation of those laws can change frequently. Ignorance of the law is not a valid excuse. Hiring an experienced tax lawyer ensures that you do not make a costly mistake because you are unfamiliar with the tax code.

THIENEL LAW LLC

Having an Attorney on Your Side Can Reduce Your Tax Debt and Help You Avoid Future Audits

Depending on the facts and circumstances in your case, there could be many more reasons why you need to consult a tax attorney.

I focus on creating an individualized strategy that leads to a permanent solution to your tax problem.

Learn how I can help you solve your IRS problem by contacting me today.

Schedule a Consult

Documents to Bring to Your Initial Consultation

During your initial consultation with my office, it can be very helpful to have certain documents with you for us to review. Some of the documents to bring with you to your appointment include:

- ☐ All notices and letters you have received from the IRS
- ☐ Copies of your current and past year's tax returns, especially tax returns in question
- ☐ Real estate documents, including deeds, mortgages, closing statements, liens, etc.
- ☐ Records and statements for investments
- ☐ Records related to your living expenses and debts, including medical debts, credit card debts, charitable contributions, monthly budget, mortgage interest, all other taxes, business use of the home, business expenses, etc.
- ☐ The evidence you have for deductions and credits claimed on your tax return
- ☐ Business records, including business tax returns, profit & loss, balance sheets, etc.

Do not worry if you cannot bring the above documents to your first appointment. It is more important that you make an appointment and keep the appointment so that you can learn about your legal rights and options for dealing with an IRS problem.

Some additional considerations...

In addition to the checklist of documents, it can be very helpful to bring a list of questions you might have related to the IRS issue. It can be easy to forget questions you want to ask a tax attorney, especially when you are anxious, frustrated, and stressed from dealing with the IRS. I welcome the opportunity to address each of your concerns and answer all your questions regarding a delinquent tax debt or other IRS problem.

Let's Start Working on Your Tax Settlement Today

It is my goal to help you find an affordable solution to your tax problems. There are alternatives to IRS collection actions. Let's begin working together to devise and execute a strategy that ensures your legal rights are protected while we find a resolution to your tax problem that works for you.

Some Final Thoughts…

IRS collection activities can be overwhelming and frightening. The onslaught of notices and letters can be confusing and intimidating. At times, the IRS collection process can appear to move very slowly. Therefore, many taxpayers become complacent in believing that the IRS will continue to send letters and notices without taking any aggressive collection efforts.

However, the IRS will not wait forever to begin taking enforcement actions. As discussed in this eBook, the IRS has a statute of limitations for collecting tax debt. As the deadline for collecting tax debt draws near, you may realize too late that the collection agents of the IRS can quickly take action to seize your wages, funds in your bank account, and other property.

You are not alone! Determining the best course of action to deal with your delinquent tax debt involves numerous factors, including extensive knowledge of the tax code and IRS rules and regulations. For taxpayers who are unfamiliar with the tax laws, handling an IRS collection matter can be difficult. I am here to help you resolve your tax problem.

Don't Wait Until Your Property is in Jeopardy to Contact a Tax Attorney

An IRS tax problem affects many areas of your life in addition to your financial well-being. Dealing with an IRS tax problem can put your property and income at risk. In addition, it could jeopardize your freedom if you are charged with and convicted of a tax crime. The IRS is a powerful government entity with thousands of agents and well-trained, experienced attorneys on its side. You need a tax attorney on your side to protect you.

You Have Options...

Tax laws are complex, and for that reason, I encourage you to contact me to discuss your case. As discussed in Chapter Six, there are many benefits of hiring a tax lawyer to help you with your problems with the IRS. In addition to protecting your legal rights during the IRS collection process, I also help clients negotiate resolutions to their tax problems. Some of the options you might have available for resolving your debt problems include:

Offers in Compromise

Reduce the amount you owe to the IRS. In many cases, you can pay a small fraction of the amount you owe. In some cases, you can make those payments over several months.

Penalty Abatement

Fully remove or partially remove tax penalties. By reducing or removing the penalties assessed by the IRS, you can save thousands of dollars and make paying your taxes more affordable.

IRS Payment Plans

These allow you to pay your delinquent taxes over several months. In some cases, taxpayers may have up to 72 months to pay delinquent taxes.

Innocent Spouse Relief

This is an option if you filed a joint tax return with your spouse, but you have a valid reason for not being held liable for the tax liability created by the tax return.

Appeals

In many cases you can appeal decisions such as the findings made during audits, offers in compromise, innocent spouse relief, installment plans, or other IRS matters.

Bankruptcy

Bankruptcy relief may be an option for some taxpayers when the taxes owed meet the criteria for a discharge under the Bankruptcy Code and Internal Revenue Code.

Each taxpayer's situation is unique.

I welcome the opportunity to meet with you to discuss your situation at length to determine how I can help you resolve your IRS tax problem.

Schedule a Consult

My clients work with me because I understand how important it is to protect both the businesses that they are building and the legacy they want to leave to their families - and to the world.

"We have relied on Mr. Thienel for both personal and professional legal advice for over 10 years. His problem-solving skills are exceptional and his ability to communicate effectively have helped us tremendously. Absolutely, highly recommend, Mr. Thienel!"

- Client - Mignon

"Steve is very good and attentive. We have worked together on corporate, personal, litigation and other matters. He is good at breaking things down to the essence and simplifying complex issues. He is great to work with and timely responds when needs arise. I would unconditionally recommend him."

-Client - Ted

Let's Talk!

Meet Steve

Steve is a tax attorney with decades of experience consulting with individuals and businesses to ensure their tax issues are addressed with minimal stress. From tax preparation and compliance to assisting with audits and IRS conflicts, Steve Thienel is your partner in tax matters.

Get personalized, comprehensive tax advice today.

Schedule a consult with Steve today.

Schedule a Consult

THIENEL LAW LLC

Contact Steve Thienel

5457 Twin Knolls Road,
Suite 300
Columbia, MD 21045

Tel: 443-535-9717

sthienel@thienel-law.com