DOWNLOAD PDF WHEN YOU OWE THE IRS: KEEPING THE TAX COLLECTOR AT BAY

Chapter 1 : Taxes-and-Ebay-eBay-Sales-May-Be-Subject-To-Taxes-

Because the tax collector may pressure you to pay the IRS from any existing liquid assets revealed on a Form â€”like cash, stocks, or CDsâ€”you can beat the IRS to the punch by prepaying some of your future expensesâ€—like your mortgage, rent, or insurance.

And this figure includes only people who have actually filed tax returns. There are several possible reasons you might owe the IRS back taxes: You believed you paid your taxes in full when you filed your return, but you later received an automated adjustment notice from the IRS. This probably means you forgot to report some item of income. After an audit, the IRS found that you owed additional taxes; you signed the audit report in agreement. After an audit, the IRS found that you owed additional taxes; you appealed and lost and did not file a petition in tax court. The tax bill became final. After an audit, the IRS found that you owed additional taxes; you filed a petition in tax court and came out still owing something. No matter which of these categories you fit into, one thing is clearâ€”you have a problem with the IRS. Let me tell you what passes for humor there: An auditor recently told me with a straight face that the IRS now requires a basic humanity test for all applicants. Those who flunk are hired by the collection division. Unlike other creditors, the IRS has no legal obligation to take you to court before seizing your car or paycheck. You can lose your business, your bank accounts, and even your pension. As far as the IRS is concerned, your tax obligation takes priority over all other debts. If the IRS records a notice of tax lien, your credit rating may be ruined for years. The IRS goal is to collect the maximum amount of taxes from you with the minimum amount of effort. The IRS starts by sending you computer-generated notices. All of these options are covered in this chapter. While reducing your bill through an Offer in Compromise, going into bankruptcy, or having the IRS determine you are temporarily unable to pay may be the most attractive options, they are the most difficult to get. Paying in full is the only alternative for most working people with homes and other assets. For many taxpayers, however, paying in installments is the only way they can do it. Recently, more than 2. In , Congress radically changed the bankruptcy laws, making it harder to use this alternative for dealing with tax bills. Read this entire section before making your decision on how to deal with the tax collector. First, do you really owe all the IRS says you owe? Before you agree to pay any amount to the IRS, make sure the bill is correct. You are entitled to a full explanation of why you owe any IRS bill. Here are some suggestions for making sure your bill is correctâ€”or for possibly reducing it. Review your tax returns or have a tax professional look at them to see if you may have missed any deductions, losses or carryovers, or similar items. If you find any, you can amend your tax return and reduce your bill. Review the bill to make sure you have been credited with all payments, including any wage or bank levies and any refunds taken. It is common for the IRS to miss or incorrectly apply payments and credits to your account. In general, the IRS has ten years to collect. After ten years, the debt is wiped out. There are a number of ways the ten-year period can be extended: The ten-year period does not start to run until you file your return and the IRS officially assesses the tax against you. Not filing a return and hiding for ten years accomplishes nothing. The IRS can extend the ten-year period by suing you in federal court. The IRS rarely does this. Certain actions on your part can extend the ten years. For example, if you file an Offer in Compromise, are out of the United States, are in litigation with the IRS, file for bankruptcy, request a Taxpayer Assistance Order, sign a waiver form, or request a Collection Due Process hearing, the ten-year period is extended until these circumstances are resolved. These various rules are more complicated than this summaryâ€”see an experienced tax professional for more information. Find out how the IRS calculated your bill and credited your account by requesting an account for the period in question. Call or your local IRS office. These printouts are not always easy to understand. If you need an explanation, call , go to your local IRS office, or ask a tax professional for help. Compare your canceled checks, prior tax notices, tax refunds withheld, and bank and wage levies with the IRS printout. Send copies of your proof of payment or other supporting documentation. Almost all old tax bills include penalties and interest. It may be possible to have some or all of these unwanted additions canceled or abated. See Chapter 12 to determine whether or not you qualify and how to go about asking the IRS for an abatement. The Tax Gap Despite its fierce image and extraordinary powers, the IRS, by its own admission, is a lousy bill collector. The IRS collects only Add to that amount the taxes the IRS estimates are owed on unfiled returns and the total is even higher. The government calls this the tax gap. The IRS claims it has neither the personnel nor the computer power to do better. Congress has responded with increased funding. When the IRS systems have been fully modernized, the IRS will be able to track down tax delinquents and seize their bank accounts and wages more quickly than it can now. This avoids the hefty late-filing penalty but not the smaller late payment penalty. Send in as much as you can along with a completed Form , Installment Agreement Request. On Form , tell the IRS how much you can pay monthly on the balance. The IRS should reply within 30 days to let you know if a plan has been approved, or to request more financial information from you before making the decision. You may even receive a bill. Respond by sending in another copy of your completed Form along with the billing. The IRS might bump up the amount required to be paid every month, however. The IRS charges interest and a late payment penalty for each month you carry a tax balance. The interest rate changes quarterly. The IRS accepts payment by major credit card. Call for details. Request an extension of time to pay a bill in full or a payment plan. You can do this without talking to IRS personnel. Call on a touch-tone phone. You can get either an extension of up to days to pay in full or a monthly payment plan. Be sure to think about this before you call. If you need just a little time, request a day extension. The IRS mission is to collect the tax using the least amount of human power possible. This accounts for the reams of computer-generated tax bill notices you will get long before ever hearing from a human being. No person is likely to even look at your account until your bill is at least six months overdueâ€”often more like a year. You simply become a number in the IRS computer. Once a balance due from a tax return has been posted to your account, a Computer Paragraph, or CP, notice is automatically sent to you. The first letter is a nonthreatening CP Balance Due. If you have other outstanding tax bills, the IRS may speed up the notices. CP usually means your case is going to another IRS department. The total cycle, from the first notice to the last computer-generated letter, averages four to six months. This is the cushion before the IRS horror stories start coming true. It describes what the IRS can legally do to collect from youâ€”which is plenty. If you owe business or payroll taxes, collection on your account may be accelerated. The IRS often shortens the notice cycle to as few as eight weeks, depending on the size of the delinquency. Or, the IRS may stop the notices if it determines that your account is currently uncollectible, or that you are deceased, filing for bankruptcy, or incarcerated. This is the maximum time period that can be entered into the IRS computer to suspend the collection notice cycle. When the next CP notice comes, try responding by requesting another 45 days. If you are able, send a small payment with each of your request letters to show that you are trying. This should buy you an unofficial short-term payment plan, which might be all you need. Sometimes, making day delay requests throws a monkey wrench into the system. Taxpayers have been known not to hear from the IRS again for as long as a year. It all depends on the efficiency of your particular IRS campus and the priority your account is given. Automatic Refund, Asset, and Wage Seizures Even if you ignore the first few notices, you can buy some time by responding to the CP series notices. After the IRS sends the CP notice, it is required to send you a final notice, designated Letter , before it can take any assets.

Chapter 2 : Can Back Taxes Be Taken Out of a Refund? | Finance - Zacks

Keep the IRS from knocking at your door with this eGuide Concerned about what to do if you can't pay your taxes? This Nolo eGuide will give you the info and strategies you need to deal with the IRS when you owe the agency money.

Usually the filing requirements, penalties, and collection techniques mirror those of the federal IRS. For more specific information, write or call your state taxing authority. Even if you live in a state without an income tax, there may be helpful information in this chapterâ€”for example, your state may tax business entities or estates. Most state taxing authorities act quickly when they receive IRS information if it means the taxpayer will owe the state more, too. By the time the IRS comes to collect, you may have set up a state installment plan or lost your property to a state tax collector, leaving little for the IRS. Why the IRS gives this information to the states before it acts on it is a mystery. Because of the computer linkage, if you are audited by the IRS, your state automatically finds out. Based on IRS adjustments, the state can change your state tax bill without conducting a separate audit. Send the state agency a copy of your tax court petition. Request that no further action be taken until your case has been decided. States seldom audit individual taxpayers. They prefer to let the IRS audit you and then tag on a bill. States are more likely to audit businesses for sales or employment taxes. If you are audited by your state taxing authority, most of the general principles of this book will apply. Most state tax assessments can be appealed, as with IRS audits. If your appeal of a proposed state assessment is rejected â€”even an assessment following a state auditâ€”you cannot contest the tax bill in most state courts unless you pay the bill first. If the IRS pursues you as a nonfiler, so probably will your state. Most states automatically dun taxpayers based on IRS bills. So, if the IRS makes a mistake in the bill, the state will, too. Some states have enacted their versions of the federal Taxpayer Bill of Rights. To find out if your state has one, and to obtain a copy, call or write your state taxing authority. Many of the state bills include grievance procedures. The California bill, for example, provides an administrative hearing to protest an improper seizure of property. Also, ask if your state has a taxpayer advocate who acts much the same as an IRS taxpayer advocate. If your state has a taxpayer advocate whom you want to contact, first try by phone. Tell them your home and work telephone numbers and the best times to reach you. In some situations, the IRS has six years. See Chapters 3 and 6. Similarly, state time limitations vary from one to five years. Once additional taxes are assessed, the IRS has ten years to collect them. Again, state limitations differ tremendously. Bewareâ€”in many states, the period to collect the tax is renewable; that is, it is not limited. In California, for example, the ten-year period can be renewed twice, for a total of 30 years. It spits out a series of notices. Just like the IRS, the state files liens and seizes your property. States act quickly at grabbing property, often much faster than the IRS. And some states hire private collection agencies, usually to go after debtors who have moved beyond the state line. The state may have an informal conference or appeal hearing. If you are unsuccessful, you must pay the tax and then file a claim for a refund or sue in state court. Some states let taxpayers go to court without first paying a tax bill, similar to tax court. Letters are lost and calls not returned. Most state taxing authorities must respond to your inquiries within a certain number of days. Avoid lost mail and unreturned phone calls by dealing with the state taxing authority in person. Always get the name and direct telephone number of any employee you talk to. This fixes some responsibility and may keep him from vanishing when you call back. If you reach any agreement over the phone or in person, immediately send a confirming letter. Later, if anyone disputes the agreement, speak to a supervisor or the state taxpayer advocate. Consider asking for political help. State Tax Bills Most state tax collectors operate similarly to the IRSâ€”they may accept installments, seize assets, or settle tax bills for less than the full amount owed. States can also suspend collection for hardship. Some states, like California and New York, are especially tough to deal with. As with the IRS, you may be able to get a time payment agreement over the phone or by writing. You might have to visit the state tax office in person. Call to make an appointment or go to the office and wait in line. You may be required to complete financial disclosure forms showing your assets, bank accounts, and sources of income. Many states use an abbreviated version of the IRS financial disclosure Form Therefore, before meeting with a state tax collector, thoroughly review the material in Chapter 6 on Forms A and B if you own a business. Gather together your proof of expenses, such as credit card bills and rent receipts. Expect an argument if you list expenses the collector does not think are absolutely necessary. Charitable contributions, cigarette expenses, and entertainment are usually in this category. Provide a copy of your most recent pay stub. If your pay varies due to bonuses or overtime, take the lowest recent stub. If self-employed, take in your last tax return â€”unless your income has dropped lately. In that event, write up a projection of your income and expenses for the next three months to a year. State tax offices tend to accept any documentation that appears to be genuine. Let your conscience be your guide. State tax collectors often display a take it or leave it attitude. They demand payment plan commitments on the spot, without much negotiating. They may reject requests for agreements to last more than 12 months. If you need longer, you may have to agree for now and ask for more time later. Most can give you more time to pay, regardless of how tough they talk. And even if you get an installment agreement, the state may record a tax lien, just like the IRS. State laws vary as to the amount of wages that the state can take. Keeping your bank account from tax collectorsâ€”state or federalâ€”is always a concern. See Chapter 6 about protecting your bank accounts from collectors. If you have made financial disclosures, the state will have a list of your assets, such as your bank accounts, car, and home. Most states have the power to seize houses, but you may be entitled to full or partial protection under the state homestead exemption. Homestead exemptions never protect you from the IRS, however. In some states, if tax collectors take a house, they must pay the homeowner the amount of his statutory homestead exemption. Every state is different, so check with an attorney or do some legal research. Let each taxing agency know you owe the other. Make your federal and state financial disclosure forms match. Propose installment plans simultaneously with payments in proportion to your total tax debt. I should pay in that proportion. Negotiating is simpler when your monster has one head, not two. Typically, states seize wages and property more quickly than the IRS. Finally, if you borrow money to pay off the state, this is another debt and expense to list on your IRS financial disclosure form. Bankruptcy State tax bills, like IRS debts, can be handled under federal bankruptcy law. If the state is about to take your property, filing for bankruptcy could give you a reprieve. Collection activities must stop. State tax debts may or may not qualify for discharge in a Chapter 7 bankruptcy. See a bankruptcy lawyer in your area for details. Contact your state tax agency and ask if it can be done and, if so, how. There is probably a form for making the request. Keep going up the ladder until you are satisfied you have received the final word. Suspending Collection If you can convince the state that paying would be a hardship, you may get a collection reprieve. You will likely have to tell a sob story and make a financial disclosure, in person, in writing, or perhaps on the phone. Expect the state to balk, so be persistent with your request. If you are unemployed, have health problems or other serious difficulties, you should prevail.

Chapter 3 : Can Debt Collectors Intercept Tax Refunds? | Pocket Sense

If you want a complete copy of an old tax return, use IRS Form , Request for Copy of Tax Return, and make a payment of $50 for each year you need a copy. The form is available on the IRS website and has the mailing address where it should be filed based on your geographic area.

Rules of the Game-Tax Laws D. Interpreting the Tax Code E. Self-Assessment of Income Taxes F. Winning the IRS Game 2. Consequences of Not Filing C. Amending Tax Returns J. Winning Your Audit A. How an Auditor Approaches an Examination G. Preparing for an Audit H. Who Should Attend the Audit? How to Act at an Audit J. Pros and Cons of Appealing an Audit B. How to Appeal an Audit C. How the Appeals Office Works D. Preparing for an Appeals Hearing E. Meeting the Appeals Officer F. Presenting a Case to an Appeals Officer G. Negotiating a Settlement H. Going to Tax Court: No Lawyer Necessary A. Tax Court Facts B. Appealing to Higher Courts 6. Keeping the Tax Collector at Bay A. Suspending Collection of Your Tax Bill 7. Liens and Levies A. Avoiding a Levy E. Getting a Tax Levy Released F. Contacting the Taxpayer Advocate Service C. Taxpayer Assistance Orders 9. Owning Property Jointly Fraud and Tax Crimes: Do You Really Have to Worry? Employees or Independent Contractors? Penalties and Interest A. Penalties Added to Tax Bills B. Interest on Tax Bills C. Understanding Penalty and Interest Notices D. Reducing or Eliminating Penalties and Interest E. Designating Voluntary Tax Payments Finding and Using a Tax Professional B. Tax Professionals and Audits C. Hiring a Tax Return Preparer D. Researching Tax Questions State Tax Collection Departments E. Settling Your Bill F.

Chapter 4 : Owe back taxes? Collection agencies may have your number - CBS News

If you're applying for a new passport or planning to renew the one you have, be prepared to get rejected if you owe the IRS more than $51, in overdue taxes.

The IRS has hired four companies to go after long-delinquent taxpayers â€” often poor people â€" by using tactics forbidden to government employees who pursue unpaid taxes. One of the four private agencies going to work for the IRS was discharged by the U. Education Department two years ago amid department allegations that the company used misleading tactics while trying to collect student loan debt. But advocates of the IRS outsourcing, including congressional leaders who approved it in , say the IRS uses most of its resources going after major tax delinquents and does not have the personnel to pursue everyone who has long-due taxes. They say the collection agencies, which begin work this week, will be monitored to ensure they follow strict rules of conduct. Outsourcing failed before Congress insisted on the use of private collectors despite the failure of two similar outsourcing programs over the last two decades. Each cost the Treasury Department more money than it received in overdue taxes. He called for the IRS to continue outsourcing collections. Lawmakers argue that private companies have more resources and different tools than the budget-strapped IRS. Those include allowing collection agencies to target tax delinquents by phone, something the IRS has never done. Debt collectors will be required to comply with the Fair Debt Collection Practices Act, which is designed to curtail abusive or deceptive behavior. The IRS says it will review the companies regularly and examine the taxpayer complaints that the companies are required to report. Critics say collection agencies have been known to call delinquent debtors six or more times a week, give inaccurate information and use dubious methods to force payment. If you owe taxes and are called by a debt collector claiming to work for the IRS, you should verify the phone number with the IRS, Keckeisen says. Collection agencies benefit Two of the companies, Pioneer Credit Recovery and ConServe, are in the home state of the chief advocate for outsourcing the work: Schumer is a longtime proponent of privatizing tax collection, in part because of its benefit to collection agencies. The four debt collection companies â€" which also include Iowa-based CBE Group and California-based Performant â€" will be allowed to keep about 25 percent of the money they recover for the government. Pioneer has done similar work for the U. Department of Education but was dropped from its roster in for tactics the department deemed improper when collecting on defaulted student loans. The Consumer Financial Protection Bureau and attorneys general in two states have also sued Navient and Pioneer, accusing them of similar problems. Pioneer denies that it did anything wrong and has appealed its dismissal by the Education Department. The company says it is a leader in enrolling borrowers in income-driven repayment plans and has helped nearly , students rehabilitate their loans. Pioneer says the allegations by the CFPB and the attorneys general were not based on evidence of harm. Some of those options, like taking out personal loans, could drive people further into debt. Materials reviewed at the hearing also showed that other companies working for the IRS directed collectors to use a psychological pause, with one characterizing its effect bluntly: The program will continue to ramp up over the spring and summer. The Taxpayer Advocate Service has estimated that some , accounts will be transferred. Many of those accounts belong to low-income families. If enough people with old debts turned over to collectors elect to work directly with the IRS instead, it could create a new problem for the Treasury Department, a loophole left unaddressed since the last time the IRS outsourced collections: If they think the IRS is no longer on their trail, they might never pay their bill.

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Chapter 5 : Study Guide - Stand Up to the IRS - Best CPE

Chapter 6 - When You Owe the IRS: Keeping the Tax Collector at Bay Assignment: Chapter 6 > Review Questions Chapter #6: # The learning objectives for this lesson are to gain an understanding of.

The federal government, and state agencies working with the federal government, can take all or part of your income tax refund. Private debt collectors cannot. Neither the IRS nor the Treasury Department will intercept your tax refund to pay for credit cards, car loans or mortgages. Tips If you owe money to the federal government due to unpaid taxes or legally obligated debts, such as child support, the chances are good that your tax refund can be intercepted and used to satisfy these issues. However, private debt collectors cannot acquire your tax refund in this fashion. The IRS can keep your tax refund if you owe federal taxes that are past due. Your state can have your federal refund intercepted to pay past due state taxes and to collect unpaid child support. These are known as offsets. Additionally, your tax refund can be kept to pay other federal debts that are not tax-related. These debts are called federal agency nontax debts. They include federally guaranteed student loans and unemployment benefits that were fraudulently obtained. Alternatively, the spouse who is not legally responsible for the debt can file a Form , Injured Spouse Allocation, to try to get their part of the refund. Form can be sent with your joint tax return, or you can file it separately later. This may seem like splitting hairs, but the IRS can also hold your refund. While the IRS is responsible for collecting taxes, they also contract with four private collection agencies to go after old unpaid tax debts. Reviews are not mixed on how this is going. In spring , they ordered the IRS to stop handing over debts to private collection agencies for taxpayers whose incomes are less than percent of the federal poverty level. The IRS responded by agreeing that it can do more to identify taxpayers experiencing hardship and exempt them from further collection attempts. Nothing has been implemented yet. But this is listed as a priority issue for the IRS to tackle in Programs that use private collection agencies to collect tax debts has been tried in the past and scrapped. The income was supposed to pay for the program and then some. IRS Private Debt Collector Challenges For starters, the collection agencies have to get over the hurdle that the IRS has been telling the public for years that they will never contact them by phone. So getting a call from one of them could be confusing. The IRS is addressing this problem by sending taxpayers written notice that their account is being transferred to a private collection agency. When they call, these agencies are supposed to identify themselves as contractors working for the IRS to collect a tax debt. An IRS private debt collector will not ask for payment by a prepaid debit card, an iTunes card or a gift card. They will direct you to the IRS website to make an electronic payment or tell you to mail a check made out to the U.

Chapter 6 : Item details: Stand up to the IRS -

IRS Tax Tip , April 21, If you owe a debt that's past-due, it can reduce your federal tax refund. The Treasury Department's Offset Program can use all or part of your refund to pay outstanding federal or state debt.

Chapter 7 : Chapter 14 - When You Owe State Income Taxes - Tax Attorney Fred Daily

Dealing with the IRS 13th Edition Tax Attorney Frederick W. Daily Erica Good Pless, J.D., LL.M.

Chapter 8 : Chapter 06 - When You Owe the IRS - Tax Attorney Fred Daily

In addition, any future federal tax refunds or state income tax refunds that you're due may be seized and applied to your federal tax liability. See Topic No. for refund offsets. You may call the IRS at (see Telephone and Local Assistance for hours of operation) to discuss any IRS bill.

Chapter 9 : Stand Up to the IRS | TaxConnections

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