

*The Essential Guide to
Dealing With Federal Tax Debt*

Don't let the IRS take your
hard-earned money before
you read this book!

THE SEVEN
BIGGEST
MISTAKES
TAXPAYERS
MAKE
WHEN
DEALING WITH
THE IRS

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FOREWORD

You may have received a notice from the IRS that you owe back tax, or know someone who has. Either way, requesting this book was a good choice. If you're like me, you do your homework before making an important decision. And believe me, you have an important decision to make. At some point, you must decide how to deal with your tax debt.

We have all seen those commercials that promise if you owe back tax, they can help you settle for pennies on the dollar with the IRS. This is a potential solution for many taxpayers and it really does happen. But the reality is that most of these national companies are based out of your home state and getting a hold of them can be problematic, especially when deadlines are looming and your stress level is escalated.

The fact is, there are many potential solutions to tax debt. Resolving your tax debt can take one or more of any number of forms, not just the offer in compromise which can lead to settling tax debt with the IRS.

The fact is, the offer in compromise has very stringent guidelines and these national tax debt resolution companies do not work with your fact-specific case. It is very difficult to get an accepted offer and if your advocate is not zealously working for you, you have just spent thousands of dollars on a company that does absolutely nothing for you when that money could have gone to paying off your tax debt or to a qualified tax attorney in your area.

What's more, attorneys are accountable to their clients and monitored by state licensing boards. National companies use enrolled agents, not a tax attorney, to handle your tax case. Enrolled agents are authorized to represent taxpayers before the IRS but they are not licensed attorneys.

Hiring a local tax attorney can be much more affordable than you think and has many benefits, including your ability to sit face-to-face in their office, and discuss all your concerns and questions. There are a multitude of strategies and getting the burden of tax debt off your shoulders requires a thorough analysis of your particular circumstances.

You have many questions about your tax debt, no doubt. This book can help. If you are thinking about hiring a tax attorney then this book can help you on your search for an experienced and qualified tax attorney. You'll find helpful tips on what to look for in a tax attorney and how to navigate the numerous ads on how to deal with your tax debt on the internet and on TV. This book also debunks some of the common myths associated with tax debt and the companies who handle them. So read this book from cover to cover. It will probably be the best initial decision you make about your tax debt resolution. And if you should have further question, you can contact me without obligation. My contact information is listed at the back of this book.

Jackie T. DiGiacomo, Esq.

January 2017

INTRODUCTION

In my tax law practice, I have helped many taxpayers who had been living their lives under the weight of tax debt. I have come to realize that people hold certain myths about the IRS and tax debt which simply aren't true.

One myth I've seen play out over and over is that once you get a tax bill, you must owe the tax. It's not true. I have helped many people eradicate tax debt because they did not really owe a tax. The IRS does get it wrong and my job is to correct it. There is nothing more satisfying than erasing a tax debt for a client.

CHAPTER ONE

WHAT IS A TAX ASSESSMENT?

The IRS receives information from many sources to determine your taxable income. If you do not complete and file your own tax return, the IRS will do it for you in the form of a Substitute For Return (“SFR”) and assess a tax liability. Oftentimes, the amount of tax assessed is far greater than the actual tax liability.

This occurs because the IRS uses information from your last filed return to determine your filing status and exemptions. If your situation has changed, the tax assessed may be greater. Also, the IRS does not calculate your deductions or take into account any tax credits you may be entitled to. You may have mortgage interest and other deductions which would reduce or eliminate your tax but if an SFR is prepared by the IRS, you are taxed using a “standard deduction” which could be thousands of dollars less than the actual deductions you are entitled to.

You may have sold property or stocks and not filed a tax return. If the IRS prepares an SFR, they will not reduce your gain by your cost basis which can lead to a hefty tax assessment.

Eliminating your tax debt may be as simple as filing a correct tax return. Many people use online tax preparation software which walks you through standardized questions and prepares a return based on the information you input and the answers you give. This could be fine for many people but these programs cannot substitute for a qualified tax preparer who can ascertain deductions based on conversations with their clients. If you don’t know about a deduction, you can’t give the program the information it needs to calculate the benefit.

The IRS will assess a tax liability when a taxpayer has not filed a return. The first step is to let the taxpayer know that a tax liability has been

calculated and what the “proposed assessment” is. This gives the taxpayer a chance to review what the IRS is “proposing” and it also gives the taxpayer a chance to dispute it.

The IRS receives information from many sources via different types of forms. When you receive a W-2 in January, your employer sends that information to the IRS as well. When you receive a type of 1099, the IRS receives that information as well.

When you file your tax return, the information reported is matched to the information contained on your return and if there are no discrepancies or red flags for audit, your return is accepted.

If there is a discrepancy between what you reported and what was reported by others, the IRS will issue a tax deficiency assessment. This means that the tax you claimed you owe is less than what the IRS thinks the tax should have been.

Many taxpayers who receive notices from the IRS make the mistake of thinking the demand is accurate. Avoiding IRS notices is common. Getting a notice from the IRS that you owe back tax is difficult news to digest and the common reaction is to push it aside in your mind. Unfortunately, this only escalates the problem. The IRS will continue to pursue the collection of a tax assessment or tax deficiency assessment until and unless you reach some form of resolution.

The first step after getting a proposed assessment is to review its accuracy. Are there deductions and credits not taken into account? Is there an exemption that applies which was not factored in?

If your tax return was not filed, there is no statute of limitations on assessment. It can become increasingly difficult to deal with tax debt for tax years in the distant past as you may not have records to prove your deductions or cost basis. Sometimes, records can be recreated but if the year in question is too far in the past, you can lose valuable information

that can save you hundreds, thousands or even tens of thousands of dollars.

A qualified tax preparer can help recreate a prior year return with more precise accuracy and help steer you to get the documents you need to complete your return.

Don't make the mistake of thinking that because the IRS sent you a bill, you must owe the tax. Let a qualified tax professional assess your situation.

CHAPTER TWO

YOU ENTERED INTO THE TWILIGHT ZONE AS SOON AS YOUR RECEIVED A TAX BILL FROM THE IRS.

And you are not alone. Getting a notice from the IRS that you owe back tax is one of the most devastating types of news a person can receive in their lifetime. When you look the notice over, it can jar you into a state of denial. Being assessed a tax liability is bad enough, then tack on the penalties and interest and the number reaches some surreal figure that you can't possibly image could be right.

This triggers a common response which practically speaking, may not make the most sense, but in reality, that notice gets shoved in a draw with the promise that you will deal with it later.....

Later never comes but more notices do, each with its own special code and form number. The dollar figure that was unmanageable to begin with has just grown to epic proportion. And you go into shut down mode. Something in the back of your mind tells you that you need to deal with it but the overwhelming response, I can't right now, wins and those notices get put into the draw or tossed in the trash.

Over time, you know that the problem won't go away, but you just can't bring yourself to deal with it yet. You know that one day you're going to have to face it but today is not that day.

You don't have the money to pay the tax, you don't have the money to hire an attorney, you don't know what to do so you do nothing.

Did you know that just because the IRS says you owe money doesn't make it true? Did you know that quite often, the IRS gets it wrong? Did you know that solving a tax debt problem can be as simple as filing a correct tax return? Did you know that even if you do owe the tax, you

may qualify for Currently Not Collectible status and the IRS will take no collection action against you?

You need to be aware that the IRS agents who assess tax liabilities upon taxpayers can get it wrong and in many cases they do! This happens for many reasons:

- A taxpayer did not file a tax return so the IRS prepares one for them. When the IRS prepares a Substitute For Return, they almost always end up with a tax assessment based on incorrect information (such as the wrong filing status, incorrect exemptions and reduced credits). That tax bill can potentially be wiped out, including penalties and interest, with the filing of a correct tax return.
- Income that is properly excludable from gross income is included by the IRS, therefore creating a tax deficiency. If you sold property or stock and think you lost money on the deal and shouldn't have to pay tax, know that the IRS gets the gross gain figure and can calculate tax based on that gross amount. They don't take into account your cost basis or sec. 121 exemption. You can get a tax bill years after a loss sale on stock or the sale of your primary residence. And that tax bill could be tens of thousands of dollars or even over one-hundred thousand dollars. I've seen it happen. You may have rolled over retirement funds but a creative SFR agent may assess a tax and 10% penalty.
- The taxpayer and/or the accountant working with them get argumentative with an audit agent. When you are facing an audit, the audit agent has a great deal of authority and the process is in their hands. Getting condescending or argumentative with them is the least effective strategy to achieving a positive result. The legal arguments invariably get more complex because now the audit agent will widen the scope of the audit and look for the winning IRS position.
- Tell you that you do not need to hire an attorney, that you can work out your tax problems directly with them. The IRS will look to maximize your tax liability and work with you on an installment plan

to pay the tax debt they have assessed in full. You may not be aware that the tax debt they assessed is wrong but you end up paying it anyway.

These are just a few of the tactics that the IRS uses to collect the maximum amount of tax from each taxpayer that they can, regardless of the actual amount owed. To a large extent, the IRS has been successful. Relying on the taxpayer's fear and human nature to ignore notices, they collect millions of tax dollars each year from people who didn't really owe tax to begin with.

You CAN ensure that your rights are protected and that only legitimate tax is paid. It may take time and effort but it is possible. Don't let the IRS take your hard-earned money if you don't owe the tax.

**Case Study:
Taxpayer Assessed Over \$17,000 Tax Liability
When A Refund Was Actually Due**

Recently I received a call from a woman in a state of panic. She just received notice from the IRS that her and her husband owed over \$17,000 in tax, penalties and interest for two tax years. Her husband was facing a potentially terminal illness and they did not file tax returns for the past 6 years.

When the tax returns for those two years were prepared by my tax preparer, we discovered that no tax was owed and in fact, they were due a refund of about \$5,500 collectively for both years. Unfortunately, the statute of limitations expired on the earlier year so they will not get their refund for that tax year. But they will get a refund of about \$3,500 once the other return is processed by the SFR department.

**Case Study:
Taxpayer Assessed Over \$150,000 Tax Liability
And Paying Forced Payroll Installment Agreement
When No Tax Actually Due**

For over two years, my client was making forced payroll installment agreement payments for a tax debt assessed for the tax year 2003. Her payments totaled over \$1,600 per month. Without doing the math, it's easy to see that she would never pay that off in her lifetime.

We discovered that the tax debt stemmed from the sale of her primary residence in that year. It was reported to the IRS that the gain from the sale was \$240,000.00 upon which they assessed a tax deficiency. It turns out that once her cost basis was subtracted (i.e. what she paid for the property) and factoring the capital gain exclusion for the sale of a primary residence, she didn't owe the IRS anything for that tax year. She has been paying a debt she didn't owe. In fact, she should have received a refund of \$745.00 that year.

With persistence over weeks of time and talking with many representatives from the Large Dollar Unit collections, I was able to get the payroll deductions stopped and secure a refund of over \$22,000.00 for my client.

This really happens.

**Case Study:
Taxpayers Audited and Assessed Over \$50,000 Tax Liability
When A Refund Was Actually Due**

My clients were audited by the IRS. They worked with their accountant through the audit process and at the end of the audit, they were still assessed over \$50,000.00 tax.

I filed a Tax Court appeal and when the case was completed, they received a refund for the tax years in question. Their refund combined for both years of the audit totaled over \$13,000.00.

CHAPTER THREE

DO YOU REALLY NEED TO HIRE A TAX ATTORNEY?

You definitely do not need a tax attorney for every tax debt resolution case. While there is no hard and fast rule, if you can determine that the tax assessment is erroneous and that the filing of your correct return will eliminate the tax debt, you should be able to clear things up by filing a corrected return.

If you feel comfortable dealing with the IRS on your own because the tax assessed based on their SFR and you can identify the incorrect assumptions in the SFR, you may not need the assistance of a tax attorney.

However, preparing a correct return is only one useful tool in dealing with tax debt and it may not be the issue in your case. You may have filed timely returns for which you owed tax but couldn't pay.

Tax debt resolution requires a highly skilled tax attorney because of the many nuances involved in taxpayer defense. An attorney who dabbles in tax law may take many more billable hours to figure out what resolution type is appropriate in your circumstance or, even worse, may overlook important defenses. An LL.M. degree in Taxation is a master of laws, an advanced law degree with a concentration in the field of taxation.

Many people rely on their accountant for audit assistance or in dealing with tax deficiency assessments. Accountants do not have the level of expertise required to represent taxpayers before the IRS. Once the numbers are crunched, representing a taxpayer who has been assessed tax requires a thorough knowledge of the tax code.

The experienced tax attorney can use the tax code to your advantage and determine the appropriate strategy for your particular situation. Not all

tax debt is the same. Each case requires analysis of what caused the tax debt, where in the collection process the case stands, and what the most effective defense strategy is in the given situation.

Unless the professional you are relying on has education, experience and legal authority to analyze your particular tax situation, you may be at a serious disadvantage when dealing with the IRS regarding a tax assessment.

Did you know...

The IRS has three years to give you a refund, three years to audit your tax return, and ten years to collect any tax due. These are the statute of limitations which put time limits on various tax-related actions that taxpayers and the IRS can take.

These deadlines hinge on multiple factors, such as whether or not a return has been filed (no statute of limitations on tax assessment if no return filed by taxpayer) and the date of the tax assessment which can be years after the return was due.

Filing your tax return timely starts the SOL clock ticking and sets the deadlines for the IRS to audit or collect on tax debt.

CHAPTER FOUR

DEALING WITH THE IRS

The IRS is a nation-wide organization with a multitude of departments which handle different tax situations. Depending on the type of action or actions taken, your rights and responsibilities may vary.

A case may begin with a proposed tax assessment because a return was not filed or a proposed tax deficiency because the IRS claims that the return filed understated income or overstated deductions. When you get the initial notice, this is your opportunity to dispute the tax assessed and provide documentation supporting your position.

If the proposed assessment is not addressed, it turns into a tax assessment. At this point, the IRS has determined that you owe the tax because you have not disputed it.

If the tax assessment is ignored, collection action is escalated. This can lead to a levy against bank accounts, your wages, tax liens filed against property you own and other collection action. It is important to note that with each action taken, the IRS is required to notify you in advance of the intent to take such action. This gives you the opportunity to dispute and appeal the IRS decision.

If your tax return is selected for audit, you may be required to attend an examination through a personal interview with an audit agent. This gives you the opportunity to review deductions taken and support them with documentation. If an examiner proposes changes to your return, they will provide an explanation of the reasons for the changes. An audit conducted by interview elicits a spectrum of emotions, including anger and fear. It is imperative not to react negatively to the decisions made by an auditor. Their perspective is not necessarily supported by the tax code and/or they may make mistakes that you can use to your advantage.

Being combative with an auditor is not necessary in order to achieve the right result. In fact, taking a polite, cooperative tone may lead to a favorable resolution more quickly. The auditor's findings are the first step in the process and he or she is not the ultimate arbiter of tax liability.

A taxpayer has the right to appeal the decisions made by the examiner. Having an advocate in the form of a tax attorney representing you through the process can make all the difference in your favor. Your tax attorney knows the law that supports your position and when the IRS examiner is applying the law incorrectly. It is not necessary that the examiner agree with your position because ultimately, the matter will get resolved as it makes its way up the appeal chain. Keeping your expectations reasonable is an important way your tax attorney can assist you through the process.

Once a tax liability has been assessed and the debt is in collections, a taxpayer has a right to appeal decisions made by an IRS regarding the liability. Depending on the circumstances and the type of collection action being taken, a taxpayer may pursue the Collection Appeal Program or request a Collection Due Process or Equivalent Hearing. A tax attorney will pursue the appropriate course of action on your behalf.

A taxpayer has a choice of which Court to take their appeal to if the administrative channels are not providing adequate remedy. The United States District Court hears tax cases in which a taxpayer sues for a refund. The tax must be paid before filing the complaint. A taxpayer may also appeal to the Tax Court. At the Tax Court, the tax liability does not need to be paid in advance of the appeal. There are a variety of considerations when selecting an appropriate court to hear your case if it becomes necessary to take it to court.

Once a case is scheduled on the Tax Court docket, a pre-trial settlement conference is yet another opportunity to resolve the tax controversy.

Throughout the course of a tax case, there are many opportunities to resolve the case. There are decisions to make throughout the life of a tax case and only a tax attorney has the knowledge, skill and experience to make the right choice at the right time.

Chapter Five

THE SEVEN BIGGEST MISTAKES TAXPAYERS MAKE

- 1. The taxpayer ignores IRS notices.** The single biggest mistake you can make is to ignore the tax debt completely. Avoiding tax debt is human nature and your auto-response of putting it aside until you can deal with it is very natural. However, the IRS will escalate their collection action and you may lose your rights if you delay dealing with the notices you are getting. Each notice gives a deadline for responding and failing to respond may prevent you from exercising your legal rights. But even if you have ignored every IRS notice and have a levy, lien or seizure, favorable resolution may still be possible.
- 2. The taxpayer hires the wrong professional to deal with tax debt.** National tax resolution companies need a certain kind of taxpayer/client for their process to work. They often times promote one particular resolution track and whether or not your tax matter can be resolved in a simpler, more effective way is irrelevant. A tax attorney understands the tax return, the tax collection process, the tax law, and utilizes a variety of tools offered by the Internal Revenue Code to assist taxpayers in handling tax assessments. An accountant has one piece of the puzzle – the tax return and may even understand certain facets of the tax code. Assisting taxpayers with tax debt is not what they typically do and a professional who dabbles in tax debt assistance can put the client at a real disadvantage by a lack of knowledge of all the taxpayer tools the tax code has to offer.
- 3. The taxpayer refuses to hire a tax attorney.** If the tax debt is complex enough to warrant the involvement of a tax attorney, then it is usually preferable to hire a tax attorney early in the resolution process. Often times the tax attorney can spot potential problems very early on and take measures to avoid them or minimize their impact. The tax attorney can usually anticipate defenses or strategies that would be most effective, rather than attempting to fit your complex tax matter into one resolution track (such as the offer

in compromise). As discussed earlier, hiring a tax attorney may save you hundreds, thousands or even tens of thousands of dollars. A tax attorney has the education, experience and legal authority to understand all the tax debt defenses a taxpayer has.

4. The taxpayer listens to bad advice from well-meaning people.

Many people have, at one point or another in their lifetimes, experienced tax problems. When you confide in others, invariably they will have advice to offer. My message is clear – not all tax problems are alike and resolution can take one or more of any number of forms. If resolution is the end result, who cares what form it takes? The tax attorney does. Why? Because the end goal of the tax attorney is to minimize or eliminate the tax liability which in turn, therefore, reduces any potential penalties and interest tacked onto the tax debt. This can save you a substantial amount of your hard earned money.

5. The Taxpayer hides important information from the tax attorney.

Once you decide to hire a tax attorney, an attorney-client relationship is formed. Information you provide to your attorney is, in most circumstances, privileged communication which the attorney is required to maintain in the strictest of confidence. It is important to be upfront with everything so that your attorney can implement the best strategy.

6. The taxpayer does not provide essential documents or meet deadlines.

Once the tax attorney has been retained, cooperation is imperative to meet deadlines. Tax resolution requires mutual cooperation. If tax returns need to be filed and your tax attorney needs information from you to minimize or eliminate your tax debt, such as records verifying cost basis for a property sale or stock sales, providing that information timely can prevent escalating collection action by the IRS. A tax attorney, even with a fully executed Power of Attorney, cannot sign a tax return on behalf of the taxpayer. Making availability in your schedule or alternative arrangements to meet all deadlines in your tax case is an important part of the resolution process.

7. The taxpayer becomes argumentative and combative with IRS employees. Dealing with the IRS can be frustrating, no doubt. And particularly in an audit when you have to explain your tax return to someone who is looking to discount your deductions and increase your tax liability. A tax attorney who is working in your best interest should use civility and politeness as a tool to your benefit. IRS agents are overworked and have large caseloads. They have stringent requirements and deadlines to meet and are governed by budget constraints. Making their job harder may provide instant gratification but in the long run, only serves to defeat the taxpayer's cause. In my experience, I have found that providing supporting documentation in an organized fashion with a genuine desire to manage the process fluidly elicits far greater cooperation from an IRS employee and produces better results for my clients.

CHAPTER SIX

WHAT A TAX ATTORNEY CAN DO FOR YOU

I can't speak for every tax attorney, but I can tell you what I do for my own clients in any given case.

- During my initial interview with a potential client, my goal is to lift the weight of the burden they are and have been carrying since first hearing from the IRS that they owe back tax. During this initial interview, I am listening for key factors which will help determine which resolution strategy or strategies to pursue.
- Educate and teach clients about tax debt resolution strategies which may be appropriate for their situation, the tax collection process and about their rights and responsibilities during the resolution process.
- Relieve the client from dealing directly with the IRS. Once my clients have hired me to deal with their tax debt, they leave my office feeling a sense of relief that is priceless. Their lives are instantly transformed because the burden they have been carrying around for so long has been lifted.
- Perform investigation of the client's tax situation by gathering tax documents from multiple sources, including the client, to analyze the tax assessment. Often I discover there is a tax problem in a tax year the client was unaware of.
- Seek to have any levy, garnishment or lien removed if in place. Often times, when my initial call to the IRS is placed, I can usually negotiate the release of pending or existing levies or garnishments.
- Read and analyze all tax documents received from all sources, including transcripts ordered from the Internal Revenue Service, such as Account Transcripts and Wage and Income Transcripts.
- Meet and confer with the tax preparer if tax returns need to be prepared. The client has the opportunity to prepare their own return, hire a tax preparer of their choosing, or have our in-house tax preparer complete the tax return(s).

- Review and analyze any levy, garnishment, lien or seizure to ensure IRS compliance with the law and pursue the removal of any wrongful or illegal levy and/or return of property.
- In an audit, represent the client throughout the entire audit process, including the review and analysis of examination results and the pursuit of the appeals process.
- Research and write legal arguments in support of the client's position on any given tax position.
- Ensure the taxpayer's rights are not being infringed by collection agents and auditors who can get creative in bending the rules to suit their course of action against taxpayers.
- Research and prepare a Private Letter Ruling request for a thorough analysis of the IRS position on your particular tax situation before a controversy ensues.
- Research and prepare written opinions which can save you thousands or tens of thousands of dollars in penalties and interest if your position does not ultimately prevail.

CHAPTER SEVEN

TOP FIVE MYTHS

1. **Myth #1: IRS Approves Most Offers in Compromise.**

FALSE. Despite the claims to radio and television advertisements, it is difficult to obtain an accepted Offer in Compromise from the IRS. The ideal candidate must be able to demonstrate fixed expenses that meet or exceed projected income and limited equity in assets held. The IRS may reject certain expenses and deductions so that even if you pay utilities and home expenses in excess of the national standard, the IRS will try to limit your expense to the national standard. While the IRS has relaxed its criteria for acceptance in recent years, the acceptance rate for all Offers is still only less than half.

2. **Myth 2: Filing a tax extension protects you from aggressive IRS scrutiny.**

FALSE. A tax extension is not IRS tax relief! What many people don't understand is that filing a tax extension is not an extension of time to pay a tax you may owe, it's just an extension of time to file your tax return.

The most important tax savings strategy you can implement is to file your tax return on time, even if you don't have the money to pay your tax bill. If you can't afford to pay your tax, you can still file your income tax return on time and save on the failure to pay penalty right off the bat. You can always request an installment agreement to deal with the money you owe.

3. **Myth #3: You have to pay your IRS tax bill in full.**

FALSE. The average taxpayer also may not know that the IRS offers payment options for struggling taxpayers who can't afford to pay

their tax bill in full. An installment agreement can help you make affordable monthly payments on your tax debt and avoid adverse collection action from the IRS.

4. Myth #4: You don't file your taxes because you're irresponsible.

FALSE. The myth is a destructive one that I've learned is far from the truth. The truth is, most people who are in tax trouble are honest, hardworking people who have a lot of guilt because they believe that their lack of income tax filing is a result of their own irresponsibility. They know what they should do but they do not. And the reason they do not is fear. They have crippling anxiety and fear tax debt that they may or may not even owe.

The sad part of procrastinating and having unfiled tax returns is that people who fear taxes may actually be missing out on some tax relief including income tax refund money that would rightfully be theirs. According to the IRS, millions of individuals who failed to file a tax return leave billions in unclaimed refunds. Once you talk to a tax attorney about your tax debt, the weight of the world will be lifted from your shoulders. Why wait? Call today.

5. Myth #5: Hiring a tax attorney costs too much.

FALSE. Like any other professional, tax attorneys charge a fee for their services. Like any other industry, some professionals will charge an arm and a leg and give you very little to show for it (like the national tax debt resolution companies). Hiring a qualified tax attorney can be more affordable than you think and save you much more in the long run. Some creditors will go away if you ignore them long enough but the IRS or the State taxing authority escalate their collection action if they are ignored. They will eventually garnish wages and levy bank accounts to get their tax dollars. The State of Maine is even suing people to get money judgments for tax debt.

Not dealing with your tax debt will cost you much more in the long run in penalties, interest and stress.

Chapter Eight

WHAT YOU NEED TO KNOW ABOUT NATIONAL TAX DEBT RELIEF COMPANIES

You need to know a few things about national tax debt relief companies and the advertising they do. If you have been doing your research online about tax debt relief, you have been bombarded with advertisements and websites from companies who promise you professional tax debt help at low cost. Very few of them actually give good, useful information to help you make an informed decision about which one to choose. So you search the internet boards to see who has the least amount of customer complaints and hope that you are spending your thousands of dollars wisely.

They show you charts and graphs and testimonials about settlements for pennies on the dollar for tax debt. I'm not saying that the offer in compromise program doesn't work to achieve that result. But what you may not realize when you are hiring one of those companies is:

- Many of these companies are located out of your home state. You cannot go to their office and sit with the person working on your tax debt. You and your tax debt are at the mercy of their schedule.
- The contract they will have you sign makes it virtually impossible to receive a refund. I've seen one contract from a national company that states half of the fee paid is applied to executing the Power of Attorney form, which is the first step in dealing with the IRS – without it, the IRS will not disclose any information. My client paid \$2,500.00 just to authorize that company to speak with the IRS on her behalf.
- Although companies may advertise that they have licensed tax attorneys on staff this does not mean that a tax attorney will be handling your case, or even reviewing or analyzing your case. National tax debt relief companies utilize enrolled agents to represent

you before the IRS. Enrolled agents are authorized to represent taxpayers before the IRS, and are required to have the technical skill to do so. However, they are not attorneys and are not educated or knowledgeable about the law, nor are they trained in the skill of legal writing or legal argument.

- Be cautious of claims that create unjustified expectations. For example, claims that your case can settle for pennies on the dollar through negotiation with the IRS. Each tax debt resolution case requires skilled analysis. The appropriate strategy may be as simple as filing a correct tax return. These companies make their money from putting taxpayers through the offer in compromise program and utilizing unskilled staff to complete the paperwork.
- Many of these companies charge their fee based on your income level, not a standard fee for all clients. Once they assess your financial data, the fee they charge is based on how much they can get from you while you are in a state of desperation, trying to get out from under excessive tax debt.

CASE STUDY:

National Tax Debt Relief Company Nearly Cost Client
Over \$43,000.00 in Tax Debt

I received a call from a woman who was at her wit's end back in December of last year. She said her and her husband were working with a national company on an offer in compromise and the IRS had rejected it. They were demanding the entire \$43,000.00. She was trying desperately to get in contact with the company she had already paid \$5,000.00 to but there was no response to any of her emails and no return phone calls. There was a 30 day deadline to appeal the rejection and she didn't know what to do. While she was trying to make the holidays special for her two small children, the weight of this was hanging over her.

When I finally met with her in January, I sprang into action and determined what needed to get done. I submitted the appeal and worked on preparing our case. One day before the deadline, the national company submitted an appeal since they were unaware that my client had come to see me. When I reviewed their submission, there were glaring errors which would never have produced a favorable result for my clients.

The most fatal error which the national company did not address was that the IRS was erroneously using a 113 month calculation of future income when the appropriate time frame was 48 months. This one factor translated into a savings of tens of thousands of dollars.

As I negotiated further with the IRS, we were able to secure an offer acceptance at \$4,729.00. In this occasion, I was able to see the documentation produced by the national company so I am privy to their negligence and errors.

We have attempted to contact the company via certified mail, email and telephone to demand a refund but have thus far been ignored. I researched their business filings and although the company does business in California, they are organized in Delaware and have no registered agent.

They may, as their website claims, have helped many people secure favorable results but my experience with this particular company highlights incompetence and shady business dealings.

My client was able to sit across the desk from me, look me in the eye and get straight answers from me. She received from my office the service she deserved – responsive and diligent. Now her family can finally put this behind them and focus on what really matters in life.

CASE STUDY:

Client Put Through Offer In Compromise Program

With No Chance of Offer Being Approved

Recently a client came to me after having sought help from a national tax debt relief company. His offer is being considered and has not yet been rejected but when the offer is processed, it will be.

The Offer in Compromise program was the least effective means of dealing with this taxpayer given his current financial status and we are developing a more effective strategy to handle his tax debt. Additionally, this company does not, and is not qualified to, dispense advice on how to better handle his financial matters as to avoid the continuing cycle of incurring large future tax debt.

This company charged in excess of \$7,000.00 to put my client in a program that he simply does not qualify for under his current circumstances.

Chapter Nine

ABOUT MY PRACTICE

I am a solo practitioner with years of experience handling tax debt resolution for taxpayers. I have used creative solutions to assist taxpayers who have been living with embarrassment, fear and anxiety to reclaim their lives. I thrive in helping people face one of the most difficult challenges a person can face – tax assessment.

I am an advocate who genuinely cares about helping my clients not only face the taxing authority but to piece their lives back together after living with the weight of tax debt.

If you are ready to lift the weight of the world off your shoulders, I can help. Call (207) 361-4700 for a free 30-minute phone consultation today.

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