Sequence of Events

The handling of tax resolution matters is a rigorous activity that requires a systematic approach. The proper sequence of events for handling tax resolution matters is briefly described in the following annotated outline.

It is important to stress that careful and thorough documentation is vitally important throughout the process; as is the awareness that the resolution of tax issues often means that you will probably have to make adjustments to your strategies while you are moving through the process as new information emerges. Tax issues are complex, and clients frequently fail to retrieve material information.

Steps in the handling of tax resolution cases are as follows:

1. **Meet with the client.** This initial client meeting involves several important steps:
    - Define the extent of the issue(s) and obtain information in order to identify the years, periods, and tax form types in question. Keep in mind that the client is often unaware of the full scope of their issues. They may be unaware that they have unfiled returns or they may be basing the estimate of how much they owe on a span of time less than that which encompasses their entire problem.
    - Estimate fees and discuss them with the client.
    - Obtain a signed Power of Attorney from the client. IRS Form 2848, which is used for Federal taxes, can also often be used to pursue cases involving state agencies if the box indicating the appropriate type of tax is properly filled out with the appropriate state form numbers. The Power of Attorney is the call to action demonstrating that the client is committed to addressing the tax issue by hiring a professional.

2. **Prepare letter of engagement and retainer agreement** that spells out what you will be doing to resolve the client's issue. This letter should include:
    - Specific periods/forms identifying items that need to be addressed.
    - Scope of services you will be addressing.

      Although these documents can be sent to the client for signature, it is preferable to have them available at the time of the initial consultation so an agreement can be reached on the spot.
    - Obtain a retainer deposit check at the time your services are engaged, and make sure that the client understands that you will cease work on his or her case if at any time the retainer is exhausted, and will not commence work until the retainer has been replenished. **Obtaining a retainer check at the time of engagement is a must.** Consider having your clients pay by credit card (Visa, Master Card or American Express) to ease the process of collecting from your clients. The ability to process these types of cards are relatively easy, and you will find that they not only help expedite collection in the tax resolution area, but also in your general accounting or law practice.
3. **Fax the Power of Attorney form** to East or West Coast Internal Revenue Service unit. The fax number for the West Coast IRS Unit, which is located in Ogden, Utah, is (801) 620-4249. The fax number of the East Coast IRS Unit, which is located in Memphis, Tennessee, is (901) 546-4115 or use e-Services online.
4. **Call the IRS or use e-services available to tax professionals online at www.irs.gov to order the client's transcripts**.
5. **Call the Revenue Officer** if one is assigned, and:
    - Introduce yourself. It's always good to develop a rapport with the Revenue Officer. You should also always ask for his or her name, badge number, and phone number and document this information.

- Determine the status of case. Is the IRS planning to levy against the client tomorrow? Talk to the Revenue Officer about holding off for 30 to 120 days. Typically, the IRS will put a hold on any account that will be full paid in 60 days. Please note that this 60-day time period seems to be a "moving target".
- Determine what other information may be needed from the client in order to proceed with and resolve the case.

6. **Call Automated Collections** ("ACS") if no one has been assigned to the client's case
7. **Obtain Tax Returns from client**. This step is important because if a filing or payment is delinquent. In some cases, you may find that the client has the necessary Tax Returns in his or her possession, while in other cases, it may be necessary for the client to go back to his or her accountant and have the returns prepared.
8. **Prepare tax returns if necessary**. In order to negotiate with the government, the client must be in compliance. This includes have all tax returns filed. If the client has unfiled delinquent returns which have not yet been prepared, you should prepare said returns as soon as possible. You should always be care to prepare complete and accurate returns. Often with delinquent returns a tax preparer will rush to prepare returns and cause their clients to acquire a much higher liability than should have been assessed.
9. **Send the client a Collection Information Statement** (i.e. form 433A or 433B) relating to them personally or if appropriate, their business. The questionnaire will not only be used to negotiate with the government but may be initially be used for your benefit in order to capture all relevant information including contact information (address, phone numbers, etc.), earnings information, living expense information or business information for both the taxpayer and spouse.
10. **Compare the following**:
    - Returns filed by you or the client with the Internal Revenue Service's records (via the transcripts that you requested in number 4).
    - Payments by the client to Internal Revenue Service records.

      You will also need to compare client filings and payment to payments made to other tax boards, which including state taxing agencies such as the California Franchise Tax Board, the California Employment Development Department, and the California State Board of Equalization. Keep in mind that although each of the above-mentioned agencies are in California, you must telephone each of these agencies separately as they each act alone.
11. **Calculate the penalties and interest.** You may do this by asking for the information when you contact the Revenue Officer or automated collections. You may also call separately to acquire this information. It is always good practice to cross-compare the numbers you obtain from the government with a "tax interest program" or other appropriate software program. This way you determine that the information you received is accurate. These programs can be downloaded from the Internet.
12. **Determine if:**
    - Assessments for all Federal and State taxing authorities are correct.
    - There are still returns that need to be filed.
    - The taxpayer has made all tax payments currently due (i.e. estimated tax payments, prior year tax payments, etc)
13. **Review the Collection Information Statement** sent by the client. Note that the information supplied by the client in the collection information statement is most often incomplete and a good portion of it will most likely be inaccurate. It is important that the client supply the actual amounts they earn and spend and do not make "ballpark" estimates. When negotiating with the government, your goal is to minimize the amount the client will have to pay via a settlement or monthly payment. In order to do so, you must accurately show that your client monthly disposable income ("MDI"); which is calculated by taking the client's take home pay amount and subtracting their necessary and reasonable living expenses, is as low as possible and is an amount they can continually afford to pay over an extended period of time. If you

provide an inaccurate Collection Information Statement which may include expenses that are not allowed, you are most likely going to obtain a result that is not as desirable as could have been accepted.

14. **Revise the Collection Information Statement as necessary.** See above.

15. **Contact the Government to Negotiate.** Be sure you are prepared when you contact the government. Whether you are billing hourly or charging a fixed fee, you should know that it takes a fair amount of time to get in touch with someone at the IRS. In addition, you may be transferred multiple times prior to reaching the person with whom you need to speak.

    For example, assume you are calling the IRS to negotiate an installment agreement and have a wage levy removed. Also assume that you have been on the phone for over an hour both waiting on hold and being transferred from ACS to the large dollar unit of collections. You finally reach the "right" person, make your case, supply the Collection Information Statement and come to an agreement. The Revenue Officer or representative then tells you that he or she will send the client instructions regarding the installment payment. All good, right? Not necessarily. They then ask you for the fax number to the taxpayer's payroll department so they can fax over a release to remove the wage garnishment. You then realize that you forgot to get a fax number for the client's payroll department. At this point you may have to call back after getting the number from your client. This may involve another 1+ hour phone call to the IRS to supply a fax number, or even worse, the representative you spoke with earlier did not take good notes and you may have to re-argue some or all of your case. In this particular instance, you can ask for a copy of the release to be sent to you and you can in turn forward it to your client's payroll tax department. The point is…BE PREAPERED!!!

16. **Contact the Client to discuss the results of your Negotiations.** As you practice more and more you will become better at estimating what the outcome of your client's case will be. That being said you never know when the IRS will throw you a curve ball. If you did your homework and everything is in order prior to contacting the IRS, you should be able to discuss with your client prior to making contact what you expect the outcome to be. Assuming you were right, it should be an easy conversation with your client after you are done negotiating with the IRS. On the other hand if the outcome is different, either the conversation will be quite pleasant when you share the news that you did better than expected. If the news is not good, make sure you explain why the outcome was worse than expected and be sure to refer to the information you were provided by the client. Often the less desirable outcomes stem from information you were not provided such as the taxpayer had defaulted on previous agreements or they have an S-Corp with unfiled returns.

    Make sure you are "paid up" when you are ready to negotiate with the IRS. Often you will receive final word when you least expect it. If your client has a balance owing to you, it may be hard to collect your final payment. Keep in mind that some clients go years without paying the IRS. Once you solve their case you may go to the bottom of the list.