

How to Solve Your Tax Problems Using Four Critical Steps

Owing the Internal Revenue Service (IRS) more than you can pay is stressful; however, there are options available that you may not know exist. Whether you're a contractor, a business owner or a company employee, we understand the confusion that surrounds tax troubles. In this white paper, we've compiled four simple steps you can take to help you reduce stress and improve your chances of paying your taxes swiftly.

What to Do with an IRS Notice

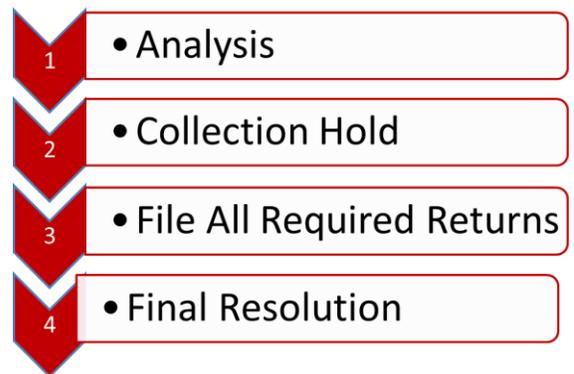
Let's say you've received an IRS notice in the mail saying you owe back taxes. The most common way people deal with this type of notice is to put it off or ignore it. ***This only makes matters worse.*** It is crucial that you reply to the IRS right away; don't put it off!

You must also understand why they are contacting you. Typically, it's a specific issue that requires your immediate attention. The notice will tell you whether or not you need to take any action to resolve the issue. If action is required, read the instructions carefully and follow up with the letter. If you don't understand the letter or the instructions or need help following up, a qualified tax attorney can help.

Do I Need a Tax Attorney?

If you're facing a current tax problem that doesn't seem to be going away no matter how hard you try, then ***you're in need of a tax attorney*** who can guide you toward final tax resolution. Tax attorneys can help negotiate lower payments with the IRS (if that's the best solution for you), guide you during the filing process, act as your advisor on crucial tax questions and free up more of your time by taking on the more tedious aspects of tax resolution. While you're encouraged to work alongside a tax attorney and do what you can, they're there to help you every step of the way to ensure you obtain the freedom you

rightfully deserve from the IRS. Here are the four steps toward a fresh start:



Step 1: Analysis

The first step to getting your taxes resolved is probably the most difficult, because simply getting started often seems daunting. First and foremost, individuals owing taxes (or their attorneys) need to get on the phone with the IRS to find out exactly what is needed to resolve the issue. Ask questions such as, "How far along am I in the collection process?" or "What returns are missing that need to be filed?"

This is usually where a tax resolution attorney comes into play. They can help you organize your documents, review your current financial situation and get in touch with the IRS.

By analyzing and organizing everything, a tax attorney can critically assess your situation and find the best options available for your circumstances. You and your tax attorney can find out where you stand with your taxes and discuss your options during this first, yet crucial, step. Doing this will help you come up with a plan of action and a timeline for getting free of your tax problems and moving on with your life.

Step 2: Collection Hold

Once you and your tax attorney have carefully analyzed your situation, you can now move onto the next step in tax resolution. You may be in a situation where you need the IRS to give you more time to find that resolution. In this case, applying for a collection hold may be your best option. A collection hold gives you the time to carry out the plan your attorney develops for you, because it stops the IRS from seizing your assets or garnishing your wages. Since the IRS rarely grants enough time all at once, your attorney will typically go back to them several times for additional collection holds. Should they ever refuse a hold, it's possible to take actions to make it impossible for them to collect; these may include filing appeals, setting up payment plans (as a delaying tactic even if the long range plan does not include making payments) and other options that, in effect, force the IRS to grant a collection hold.

Step 3: File All Required Returns

The third step is to catch up on all filing requirements. A competent tax lawyer can ensure that you have a proper check list for all the documents you must have in order.

This step is dependent on the game plan you came up with in the analysis step. When you go about filing every single missing return,

Don't Be Victimized by Scammers!

Sound too good to be true? It probably is. Tax resolution scams abound. If anyone promises to settle your tax debts for pennies on the dollar – before they have even reviewed your situation – run away.

Irreputable and illegitimate tax resolution agencies will say whatever they need to draw you in. Salespeople will make grand promises and charge huge up-front fees without ever doing anything to engage the IRS. This leaves the taxpayer in an even more dire situation, as interest and penalties add up, while the time to settle tax debts dwindles away.

If you do engage one of these agencies, do your research first. Be sure to ask them about their processes, the credentials of the person handling your case, their timeline to resolve and their success rate in settling tax debts. Also check their reputation with the Better Business Bureau and ask for references from people in your local area.

you open up the relief options you have available to you. Depending on what you're attempting to accomplish, the strategy will vary on how your returns should be filed. If your tax attorney suggests you should pay in full, then you'll want to make sure you're adding all the deductions you genuinely have so what you owe will be as little as possible. If you're trying to settle, you do not want to include deductions, because in this case, it helps if you owe more to the IRS. Seeking the advice of a qualified tax attorney can enable you to choose the best option for your circumstances, and make a big difference in what you end up paying the IRS.

Step 4: Final Resolution

The fourth and final step of the process is the final resolution. This is the most rewarding of all the steps. While the final resolution doesn't ensure that you won't have issues with future tax years (especially if you fall behind again), it does help release that heavy burden you've been carrying around for some time.

The final resolution stage is different for each individual, both in how to reach it as well as the end result. Because of this, it can be challenging to create a general blanket statement about the final resolution. However, it's safe to say that this stage is obtainable for practically anyone owing the IRS, and no matter your situation, you can be free from your current tax worries once and for all. While it takes time, hard work and cooperation with your tax attorney, it is achievable.

While there are many options available to you, we will cover some of the primary ones.

Option 1: Currently Not Collectible Status

The IRS may grant currently not collectible status (CNC) when you can show you are not able to pay anything toward your tax debt at the present time. Once you gain not collectible status, the IRS cannot take your property, garnish your wages or levy your bank accounts. They can, however, still place liens on your property.

Before the IRS will grant you not collectible status, you must demonstrate to them that your reasonable monthly household expenses exceed your monthly household income. Keep in mind, however, that you don't get to set your own budget. The IRS will give you a standard allowance for certain types of expenses such as food, clothing, vehicle

operating costs, out-of-pocket health care expenses and miscellaneous expenses.

You need to know these allowances while negotiating, because if you give the IRS actual numbers for your expenses and those numbers are less than their standard allowances, they usually won't tell you. *That can mean the difference between qualifying for CNC and having to actually pay your back taxes.*

Option 2: Installment Agreement

Contrary to popular belief, the IRS can be patient. In fact, the IRS will allow just about anyone to pay their taxes in installments. For people who do not qualify for currently not collectible status because they make more money than their living expenses, an installment agreement may be their best option.

Standard Installment Agreements

As with currently not collectible status, the IRS will examine your finances. If their budget analysis shows money left over at the end of the month, after paying your expenses, that left-over amount, your disposable monthly income, is generally the monthly payment amount they assign.

Partial Pay Installment Agreements

When negotiating a payment plan, the amount of your payment is generally whatever you can afford based on your budget analysis. Sometimes, this amount is not enough to cover the entire debt before the IRS runs out of time to collect (generally 10 years). When this happens, the IRS will allow you to pay whatever you can afford and will forgive the remaining balance once their time to collect is up. This is known as a *partial pay installment agreement* (PPIA).

Streamlined Installment Agreements

The ***streamlined payment plan*** was established under a program called the *Fresh Start Initiative*. It is available to people who owe less than \$50,000. It basically allows you to pay off your taxes over six years, no questions asked. This means no budget analysis, no showing them your check stubs or bank statements, no hassle. The IRS does require, however, that you set up automatic

bank withdrawals for your monthly payments. This is a good option for people who have a significant ability to pay, but don't want to pay everything they can afford on a monthly basis. It allows you to make a fixed payment, even if you can actually afford to pay more.

Option 3: Offer in Compromise

People who cannot pay their taxes in full before the time limit under which the IRS can collect them, can submit an offer in compromise, by which they suggest a one-time, lump sum payment of less than what they owe.

The amount the IRS will accept is based on a formula dependent on how much the tax payer can pay – how much they actually owe is almost irrelevant. What this means is that you may be able to get an amazing settlement. For example, our office at Ayar Law Group settled a \$100,000 tax deb for a one-time payment of \$100. We even settled a \$45,000 tax debt for less than \$15. Now, needless to say, these results are not typical, but they illustrate the point that if you qualify for offer in compromise, all the IRS is really looking at is the amount they think you can pay.

Of course, the IRS has rigid qualifications for offer in compromise, and not everybody meets them. The IRS will only entertain your offer in compromise after you have convinced them that you will never be able to pay them the full amount you owe. This is where a skilled, experienced attorney who focuses only on tax problem resolution can make a big difference in your outcome.

Option 4: Penalty Abatement



A good tax attorney can usually have penalties waived for first time offenders. Even if it's not your first offense, a good tax attorney can often have penalties waived for "reasonable cause."

Final Notes

Imagine the relief you'll feel when you are no longer hounded by the IRS. Facing the IRS alone can be done, but for finding a quick, effective resolution that delivers the best financial results, it only makes sense to consult an expert who lives and breathes tax problem resolution and knows the ropes.



About Ayar Law Group

Ayar Law Group, an award-winning, boutique tax law firm, represents individuals and businesses with tax problems that require creative resolutions. Because our focus is exclusively on tax problem resolution, we have the experience and knowledge to minimize clients' financial exposure and protect their assets whether those assets are in the United States or abroad.

If you're seeking assistance with your tax issue(s) and want to discuss them with one of our tax attorneys, call our office today for a free consultation at **(248) 262-3400**.

Our offices are located in Southfield, Detroit, Troy, Novi and Farmington Hills, Michigan. For more information, visit www.ayarlawgroup.com. We invite you to sign up on our home page for our free email newsletter that will give you regular tips and articles describing tax resolution approaches.