

Navigating Your Client Through IRS Appeal Process

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The Examination Process

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The Examination Process

Learning objectives

Upon reviewing this chapter, the reader will be able to:

- Discuss the types of examinations performed by the IRS;
- Discuss the various outcomes at the end of an examination:
- Distinguish the use, purpose, and procedures associated with a 30-day letter from those of a 90-day letter;
- Distinguish the various IRS Letter and Notices and procedures to respond; and
- Discuss the procedures to request the examination results be forwarded to the IRS Appeals Office.

I. Examination Division

A. Audit process

- a. The Examination Division of the Internal Revenue Service (IRS) is responsible for administering tax compliance. Their goal is to ensure all required tax returns are filed timely and accurately. To ensure voluntary compliance, the IRS uses their computers to identify mismatched third-party information returns (i.e., Form 1099, W-2, etc.) filed to determine if a taxpayer filed a return and reported the information. If there are any discrepancies from information returns, the IRS will send a notice to the taxpayer to resolve the issue. These notices come from an IRS Service Center and their goal is determine if the information they have is accurate, reliable, and why it is not reported. This type of correspondence audit is very common and leads to an accepted filed return.
- b. Once the return is accepted as filed, it goes through the IRS filtering system, known as the Discriminant Function (DIF). The DIF is designed to detect anomalies in tax returns. It is a mathematical technique used by the IRS for identifying and selecting returns for examination. Under the DIF system, mathematical formulas are developed and programmed into the computer to identify returns by assigning weights to certain basic return characteristics. The weights are then added together to produce a score for each return processed. Returns are then ranked in numerical sequence based on their score (highest to lowest). Generally, the higher the score the greater the likelihood of a significant tax change on examination. Returns with the highest score are made available for examination upon request. All individual returns are computer scored under the DIF system, as are all corporation returns having no balance sheet or assets under \$10,000,000 and all S corporation returns having assets under \$10,000,000.
- c. Once the return is scored and available, it will be reviewed by an IRS classifier. The classifier is experienced in tax law and IRS procedures for whatever type of return (1040, 1120-S, 1065, or 1120) they are reviewing. They first review the return in its entirety to gain an overview of the total return, consider the income, expense, and credit items of the return, and to evaluate each item as to its significance. If the classifier determines from the review that the return has a likelihood for noncompliance, it will be available for examination. Several different methods of examination can be conducted. They are the correspondence examination, office examination, or field examination. In addition, there are Campus Notices that seem like a formal audit but are not.

- d. One type of correspondence audit is a Campus request. These requests are generally done using a CP Notice based on the type of issue on the return. When the CP Notice is issued, it will provide information to the taxpayer regarding potential errors on the return, what caused the error, the amount of the error and the resulting tax, interest, and penalties due because of the error. There will be an explanation for any corrections to the return along with a solicitation of the taxpayer's agreement to the corrections. The taxpayer has two options: (1) agree with the IRS, sign the Notice, and remit payment or (2) disagree with the IRS and send in the information needed to resolve the disagreement. The information must be sent in by the due date in the IRS Notice. If an extension is needed, the taxpayer can call the phone number in the Notice to request an extension of time. Some examples of situations involving IRS Notices are as follows:
 - (i) CP Notices 180 and 181 are sent when a return is missing a schedule or a form. To resolve the matter, the taxpayer needs to send in the missing schedule or form by the due date to the IRS.
 - (ii) CP2000 Notice is sent when the information the IRS has on file does not match the information on the return. For example, a Form 1099 or W-2 was sent to the IRS and the taxpayer did not include it on their return. If the taxpayer agrees with the CP2000 Notice, they sign and return the Form included with the Notice or they can file an amended return, Form 1040X, and write "CP2000" across the top and send it to the address shown on the notice.
 - (iii) If in doubt what kind of Notice was received or if more information is needed to understand the Notice, www.irs.gov/individuals/understanding-your-irs-notice-or-letter, provides detailed information and explanation about every Notice the IRS issues.

Example 1: Jason received a CP2000 Notice stating that for his 2021 return, the IRS has information identifying that he received \$3,075 from XYZ, Inc., which was not reported on his tax return. The IRS is proposing to include the \$3,075 in Jason's income and assess an additional \$99 in tax plus \$15 in interest. If Jason agrees, he can sign the response page of the Notice and return it to the IRS within 30-days with a check for the \$114. If he does not send in the \$114 with the response, interest will continue to accrue, and the IRS will bill him.

If the taxpayer does not agree with the final IRS determination, the taxpayer will indicate they do not agree and the reason for the disagreement on the response section of the Notice, sign it and return by the date. The Campus will then forward the case to audit to issue the formal Appeals rights Notice or in some cases issue the Statutory Notice of Deficiency (discussed later). Failure to respond to a Notice can have a devastating effect for a taxpayer. If the Notice states that failure to respond is assumed agreement and monies are due, the IRS will assess and bill the taxpayer all tax, interest, and penalties due. If the Notice states that a Statutory Notice of Deficiency will be issued, the taxpayer will be required to petition the Tax Court within a specified time or the tax, interest, and penalties will be assessed. The result for failure to respond always results in the IRS assessing the tax, interest, and penalties. Once assessed, the IRS will send its Collection Division to collect the monies due or the taxpayer can pay the tax and petition for refund to the Claims Court, if the taxpayer believes the IRS is wrong. This can be very costly. CP Notice requests do not constitute an audit and as a result, the return may be examined at a later date.

Example 2: Alexis receives a CP2000 Notice for her 2021 tax return stating that the IRS had information from XYZ Retirement Company that she had received a distribution of \$75,669 reported on Form 1099-R that she did not report. The additional tax the IRS is proposing to assess is \$27,998 interest of \$2,441 and a substantial tax

understatement penalty of \$5,600. Alexis ignored the Notice. The IRS then issued Notice CP3219A, the Notice of Deficiency, allowing Alexis to petition the United States Tax Court. Alexis contacts her CPA as she is now concerned about the Notice. The CPA decides to take two courses of action. The first is to respond to the CP2000 Notice requesting removal of penalty under the First Time Penalty Abatement policy and the second is to petition the United States Tax Court within the allotted time. This will preserve Alexis' right to go to the Tax Court in the event the IRS will not remove the penalty. In addition, if the IRS does not respond, Alexis can request removal of the penalty from the Court.

The IRS did respond and denied the request for penalty removal because the substantial tax understatement penalty is not a penalty available under the First Time Penalty Abatement policy. The CPA does additional research and finds the Reasonable Cause provisions that could allow for abatement of the penalty and files the Tax Court petition agreeing to the tax and disagreeing with the penalty based on the Reasonable Cause efforts of Alexis (the Tax Court petition will be discussed in a later chapter).

Note:

IRS includes a bar code on their CP 2000 Notices. Make sure you either use their windowed envelope with the return form that is included or tape the bar code from the Notice to the outside of your own envelope to ensure the correspondence arrives at the correct location within the Service Center. Failure to do so can result in an untimely response when the information does not reach the right unit. Since no one person is assigned the case, the bar code is imperative to track the location of the file, so someone can review the information when it is returned.

- e. Correspondence examinations can be conducted either by an IRS Campus, a Revenue Agent, or Tax Auditor. In all cases, the IRS sends the taxpayer an initial contact letter identifying that the return is under examination. Campus examinations are generally conducted by correspondence although telephone discussions can be a part of the examination. The campus sends the taxpayer an initial contact letter requesting information or explaining corrections to the return along with a solicitation of the taxpayer's agreement to the corrections. According to IRS statistics, correspondence audits account for approximately 74 percent of all audits.
 - (i) The possible responses by the taxpayer to the initial contact letter include their agreement to the correction of the tax liability, the taxpayer requesting additional information on the changes to their tax liability, the taxpayer providing an explanation as to why the IRS correction is not accurate, the taxpayer discussing the correction with the IRS or the taxpayer either not agreeing with the correction or simply not responding to the IRS at all.
 - (ii) If the taxpayer agrees to a correction and has not indicated an inability to pay, or requested an installment agreement, the case is closed, and the taxpayer can either send in the money or they will be billed.
 - (iii) If the taxpayer requests an additional explanation from the IRS, a tax examiner will prepare a letter within 30 days responding to the taxpayer's question. The letter will request agreement or why the taxpayer does not agree.
 - (iv) Where the taxpayer does not respond, or where an agreement cannot be reached, a proposed notice of deficiency (i.e., a "30-Day Letter") is issued. This advises the taxpayer of the proposed changes and their appeal rights. Telephone contact should be made, if feasible, to discuss the case with the tax examiner and their manager.

(v) If the taxpayer fails to respond to the 30-Day Letter, or if the initial contact letter is received by the taxpayer but the subsequent 30-Day Letter is returned undeliverable, a Statutory Notice of Deficiency (a "90-Day Letter") is issued. The statutory notice requires the taxpayer petition the Tax Court if they do not agree with the IRS correction. If the taxpayer does not timely respond to the Statutory Notice of Deficiency, the IRS assesses the tax immediately.

Example 1:

Ted is an insurance adjuster with State Farm and Nationwide insurance companies. Ted lives in Philadelphia, Pennsylvania. He works all the damage claims that the insurance companies receive in the State of Delaware. Ted receives an audit letter requesting that he come into the IRS office in downtown Philadelphia and bring with him documentation to support his automobile expenses and charitable contributions. Ted contacts his CPA, who provides the IRS a valid Power of Attorney to represent Ted at the office audit. The CPA assembles the documentation and meets with the office auditor. Ted has all his receipts for the charitable contributions, which the officer auditor accepts. However. Ted has very few receipts for the automobile expenses, and he does not maintain an automobile log or any type of contemporaneous documentation supporting his business miles. Ted claims his business use of the automobile was 95 percent. The office auditor disallows the automobile expenses due to lack of documentation. The CPA requests a conference with the office auditor's manager as he believes a 100 percent disallowance is inappropriate. The CPA met with the manager and went over that the IRS knows that Ted is a claims adjustor which requires him to travel to the location of damaged assets to determine the claim value recommendation he will make to insurance companies to settle their claims. The CPA explains that Ted must use his car to travel to the locations so some automobile expenses should be allowed. The CPA is unable to convince the manager that 95 percent of amounts not proven should be allowed. However, the CPA can provide that the mileage from Ted's residence (his home office) is 100 miles round trip to the Delaware state border. Ted travels for the insurance companies 250 days a year. As a result, the CPA proposes that Ted be allowed \$14,375 of the claimed expenses because that would be the minimum allowed under the standard mileage rate. The CPA and IRS Manager agree to the \$14,375 allowance so the office auditor closed the case as agreed.

Example 2:

Same as example 1 except Ted receives a correspondence audit from the Service Center requesting the same information. Ted provides the receipts for the charitable contributions and the same explanation for the automobile expenses. Because this is a Service Center examination and Ted did not provide any receipts or proof of the business percentage, the automobile expenses will be disallowed in full. Since there is no one to personally talk to or no manager to contact, Ted will have to go to Appeals to have his case heard. Service Center correspondence examinations merely verify the information on the return, there is no ability for oral testimony because there is no one to talk to for the audit itself.

f. Office audit examinations are conducted by correspondence or in-person at an IRS office by tax auditors. Returns selected for office audits generally involve issues that may be too complex to be resolved by mail, but not complex enough to warrant a field examination. They often will involve issues that lend themselves to an analytical approach and require individual judgment, in addition to direct verification. They require an in-depth interview of the taxpayer and are used to handle such issues as unusual or large itemized deductions, dependency exemptions, travel and entertainment expenses, less complex Schedule Cs, and income from rents or royalties. The tax compliance officer (TCO) will receive the taxpayer's case file which will include the tax return and a classification sheet. The classification sheet will identify the issues the tax compliance

officer is required to examine. The TCO will send the taxpayer a letter, scheduling an appointment and requesting the documentation the taxpayer should bring to the appointment.

When the office examination is conducted, the TCO will take oral testimony and review receipts to determine whether the items on the return are accepted as filed or not. Once the determination is made, there are three outcomes -- no-change, a deficiency, or an overassessment.

- (i) If the outcome is a no-change, the tax auditor will prepare and provide Letter 3401, *No Change Report Transmittal Letter*, advising the taxpayer that a no change is proposed but is subject to review. A Letter 590, *No Change Final Letter*, will be sent when the report has been reviewed and accepted.
- Letter will be issued, and the taxpayer can either agree or disagree. If the taxpayer agrees, they will sign the audit report and either write a check or be billed for the deficiency. If the taxpayer does not agree, or fails to respond, the Statutory Notice of Deficiency (90-Day Letter) is issued, and the taxpayer will have to petition the Tax Court to resolve the matter, or the IRS will immediately assess and collect. The 30-Day Letter provides the taxpayer with the ability to go to the IRS Appeals Division where they can present their case to an independent third party. Prior to the issuance of the 30-Day Letter, the taxpayer should meet with the tax auditors group manager. This provides the taxpayer the opportunity to be heard by another party who has the authority to change the auditor's report, if warranted. It also allows the taxpayer to discuss the options and times frames if the disagreement is not settled.
- (iii) If the outcome is an overassessment (the taxpayer is entitled to a refund), they will sign the report and the IRS will process the report and pay the refund.
- g. Field examinations are conducted by correspondence or in-person at the taxpayer's place of business by revenue agents. The Regulations give the IRS the right to schedule the time and place of the examination.¹ The taxpayer can request that the examination be conducted at their accountant's office, however, the location of a taxpayer's representative will not be a consideration in determining the place of the examination.² The examination will be conducted at the location where the original books, records, and source documents are maintained. This includes all phases of the examination, the initial interview, review of books and records, fact finding, issue resolution, report writing, and the closing conference, etc. This location is usually the taxpayer's principal place of business. Therefore, to conduct the examination at the accountant's office, it will be necessary to have the records available at their office.

Revenue agents have accounting degree's and examine complex Schedule Cs, Schedule Ds, Schedule Es, Schedule Fs, Corporations, Partnerships, and S corporations. IRS examiners use their experience and knowledge to determine what will be examined on the return. However, all examiners use the following standards when determining what will be examined on a return:

Treasury Regulations 301.7605-1.

² Internal Revenue Manual (IRM) 4.10.2.9.2.3.

- (i) All large, unusual, or questionable items should be considered, including balance sheet and Schedule M items, income, deduction, credit, or classified items, and the scope of the examination should be limited or expanded to the point that all significant items are considered for the correct determination of tax liability.
 - Inquiries should be made for unreported income, including consideration
 of internal controls for all business returns, the type of taxpayer, and the
 taxpayer's standard of living. Indirect methods should be used when
 appropriate.
 - Package examination procedures should be followed, including consideration of prior and subsequent returns, related returns, and compliance items such as employment tax returns.
 - Issues should be examined to the extent necessary to provide sufficient information to determine the substantially correct tax, including conducting adequate interviews, the use of adequate exam techniques, consideration, and development of indicators of fraud, and sufficient development of the issues.
 - Examination conclusions should be supported by a correct application of the tax law.
 - Penalties should be considered and applied correctly.
 - Workpapers should document the examination audit trail and techniques used, and IRS report writing procedures should be followed.
- (ii) Once the examination is complete, just like in office audit examinations, there are three outcomes -- no-change, deficiency, or an overassessment. The same procedures are followed as discussed above.
- A Power of Attorney (POA) is necessary to represent a taxpayer during an IRS (iii) examination. This is done on Form 2848. When there is a valid POA on file with the IRS, they must correspond with the POA and provide copies to the taxpayer. An agent must follow the POA provisions and go through the POA unless it is bypassed. If the representative is unreasonably delaying or hindering the examination, they can be by-passed, and the taxpayer directly contacted. The IRM³ requires the agent issue Letter 4020-A, Warning Letter for Bypass Procedures for Preparers covered under Circular 230 (attorneys, CPAs, enrolled agents, and enrolled actuaries) to the POA (the taxpayer does not get a copy of this letter). This is only done with group manager approval. If the POA still hinders the process, the Agents territory manager will issue Letter 4020-C, Final Bypass Letter. Once that is issued, the agent can contact the taxpayer directly. The practitioner can continue to represent the taxpayer, if accompanied by the taxpayer. The representative will be afforded the courtesy of being advised of the time and place for future appointments with the taxpayer. If the agent contacts the taxpayer or does not provide the POA with correspondence and by-pass procedures have not taken place, the POA should remind the agent be remined of the IRM requirements and if necessary, contact the group manager to stop the agent's inappropriate behavior.
- **Example 1:** Harry's Form 1040 is under examination for his Schedule C consulting business. His CPA, Sally, provided the IRS agent a valid Form 2848, *Power of Attorney*

³ IRM 4.11.55.3.

and Declaration of Representative. Sally met with the agent and provided responses to the requests timely or requested additional time when needed. Sally discovered that on several occasions, the agent called Harry directly to discuss the case without Sally. Sally is concerned about the agent's behavior. What should Sally do? First, Sally should discuss the concern with the agent and remind them she has a valid POA on file and she is contact point for all discussion, concerns, and documents needed. If the agent continues with the behavior, Sally will need to speak with the agent manager and remind them that the Internal Revenue Manual (IRM) states that IRS personnel shall respect the taxpayer's right to representation at all times. In addition, IRM 4.11.55.2.1.2.3 states a civil suit can be brought against the IRS if an employee intentionally or recklessly disregards the Statute⁵ by by-passing a POA with approval. This behavior is a violation of the taxpayer's rights.

Example 2:

Harry's Form 1040 is under examination for his Schedule C consulting business. His CPA, Sally, provided the IRS agent a valid Form 2848, Power of Attorney. Sally met with the agent, but because she is very busy due to tax season, she misses many of the due dates set by the agent for document requests. Sally has on occasion requested an extension on the due date but overall, she just does not respond until the agent follows up. The agent discusses the time frames with Sally and explains that constant delays are unacceptable and if the problem continues, the agent will begin the process to by-pass Sally's POA. Sally does not heed the warning and continues to delay the process. The agent's manager has also spoken to Sally on the issues to no avail. Sally will receive Letter 4020-A, Warning Letter for Bypass Procedures for Preparers covered under Circular 230, from the agent's manager advising her of her responsibilities under Circular 230 and conveying advance notice of a possible by-pass because she is violating Circular 230. It will include a chronology of events, copies of prior document requests, and a list of outstanding items. A copy of the letter will not be sent to the taxpayer. If that does not do the trick, Letter 4020-C, Final Bypass Letter, will be sent to Sally from the agent's territory manager. The agent will now contact Harry directly. Sally can continue to participate in the audit but only with Harry present. She will be afforded the courtesy of being advised of the time and place for future appointments with Harry.

B. Responding to proposed examination adjustments

Once an IRS examination is complete, the IRS will issue the taxpayer a 30-Day Letter. The 30-Day Letter provides the taxpayer the opportunity to disagree with the IRS. IRS procedures require the examiner to offer the taxpayer a meeting with their group manager to discuss the disputed adjustments in a further attempt to resolve the issues and obtain the taxpayer's agreement prior to the issuance of the 30-Day Letter. The IRS inserts a statement in the administrative copy of the examiner's report discussing the group manager's involvement in the case. Practitioners should always take advantage of this opportunity. The group manager's role is to ensure that the there is no dispute of the facts, that documents requested were provided, any oral testimony is accurately documented, if applicable and if the taxpayer has any other documents or fact to sustain their position. Although the group manager may agree with the examiner's conclusions regarding the application of the tax law, the meeting provides the practitioner an opportunity to ensure that the group manager has all the facts from both sides, not just the examiners.

If, at the conclusion of the examination, including a discussion with the group manager, the taxpayer is still not in agreement, the IRS will issue a 30-Day Letter to the taxpayer and the taxpayer will be informed of their appeal rights. The IRS will provide Publication 5, Your Appeals Rights and How to Prepare a Protest If you Disagree, which explains what the taxpayer must do to Appeal the IRS findings. The Publication 5 explains the use

IRM 4.44.55.1.2.3.2.

I.R.C. 7433.

of Form 12203 which is used in small case Appeals which are those cases where the total amount of tax and penalties for each tax period involved is \$25,000 or less. It also explains how to file a formal protest, which is done for cases where the total amount of tax is greater than \$25,000, employee plans and exempt organization cases, Partnership and S Corporation cases.

- (i) The 30-Day Letter requests that the taxpayer sign and return Form 4549, *Income Tax Examination Changes*, if the taxpayer agrees with the findings, or that the taxpayer exercises their appeal rights.
- (ii) The 30-Day Letter informs the taxpayer that if they fail to take appropriate action within thirty days, the case will be processed based on the proposed adjustments and the 90-Day Letter will be issued.
- b. If the taxpayer's response to the 30-Day Letter indicates a disagreement and the taxpayer requests an appeals conference, an examiner will review the case files to consider any additional information submitted that may allow the issues to be resolved at the examining level. If the additional information indicates that further development is warranted, the examiner will expedite the examination.
- c. A 30-Day Letter, as its name suggests, allows the taxpayer 30 days to request appeals' consideration of their case, but the IRS, upon request by the taxpayer or his representative, grants extensions of time almost as a matter of course if a reasonable justification is offered.
- d. If the taxpayer submits a written protest and/or requests appeals' consideration, the case file and written protest are transferred to the local appeals office. A protest generally will be reviewed at the group level within seven days of receipt to determine whether the protest is adequate, whether the case requires further development by the examiner, whether the examination report should be modified, and whether the written protest includes the requested information. When a protest is inadequate, the protest is returned to the taxpayer for improvement.
- e. If the taxpayer fails to respond to the 30-Day Letter, a Statutory Notice of Deficiency (i.e., a 90-Day Letter) is issued if it reasonably appears that the taxpayer or his or her representative received the 30-Day Letter or, if not received, that the IRS exercised due diligence in determining the taxpayer's last known address.
 - (i) In all events, a 90-Day Letter will be issued within the time frame fixed by law if the period of limitations will expire within 150 days and the taxpayer will not execute a consent to extend the period.
 - (ii) Notices of deficiency generally are issued within 60 days after the expiration of the 30-day period specified in the 30-Day Letter and any extensions.
- f. The Statutory Notice of Deficiency, also known as the 90-Day Letter, is issued when a taxpayer fails to respond to the 30-Day Letter. However, the IRS examiner's responsibility is to ensure tax compliance. They do this through tax examinations. A tax return examination has a statute of limitations, which is the latest date the IRS has to assess any additional tax due for that tax year. The statute of limitations date is the later of three years from the due date of the return or the date filed. Sometimes during an examination, it may be difficult to complete the examination within the statute of limitations. If that occurs, the IRS will ask the taxpayer to extend the statute. If the taxpayer refuses, the examiner will finalize the examination with whatever information they have, disallowing everything not completed. Rather than issuing a 30-Day Letter, allowing the taxpayer to go forward to appeals, they will issue the 90-Day Letter. This is done to toll the statute of

limitations and allow the IRS to assess any tax due immediately. When the 90-Day Letter is issued, the taxpayer has 90 days to petition the Tax Court, or the IRS will immediately assess any additional tax. Since the 90-Day Letter stops the statute of limitations, the IRS has all the time needed to assess any tax due. Usually during an examination, when there is six months left on the statute of limitations, the IRS will request an extension to allow them to complete the examination and afford the taxpayer all their rights allowed by law. For this reason, it usually is a good idea for the taxpayer to sign the extension. The IRS will generally request an additional year. However, the taxpayer can negotiate the date to less than an additional year to force the timely completion of the examination so that repeated extensions do not have to be signed. Remember though, this process will occur every time the statute is within six months. As stated, it is usually a good idea to sign the extension, without it, the taxpayer has no ability to provide any records to substantiate the items on the return nor can they have appeals hear the case. Their only option is to petition the Tax Court, which can be a time consuming, costly venture.

C. Request for appeals consideration

Appeals' review of a taxpayer's case is neither automatic nor required. A taxpayer must specifically request that its case be considered by appeals. The 30-Day Letter is the gateway to IRS appeals when the taxpayer does not agree with the examiner's tax changes. The Independent Office of Appeals can settle most differences without expensive and time-consuming court trials. Appeals cannot consider any reasons for not agreeing if they do not come within the scope of the tax laws. However, their role in the examination process is based on the hazards of litigation. Appeals considers both the IRS and taxpayer positions. However, their primary goal is to determine, if the case goes to court, who has the greater likelihood of success. When the 30-Day Letter is issued, Publication 5, Your Appeal Rights and How To Prepare a Protest If You Don't Agree, will be included. This Publication discusses the taxpayers appeal rights and how to prepare a protest when the taxpayer does not agree with the IRS. Conferences with Appeals Office personnel are held in an informal manner by correspondence, by telephone, or at a personal conference. A request for an appeals conference, is done either through a small case request or a formal written protest.

- a. Small case procedures apply if the total amount (tax and penalties) for any tax period is \$25,000 or less. This means that the taxpayer may make a small case request instead of filing a formal written protest. In computing the total amount, include a proposed increase or decrease in tax (including penalties), or claimed refund. Although the IRS may provide specific instructions in the 30-Day Letter, Form 12203, Request for Appeals Review, is generally used for small case procedures.
- b. A formal written protest is required where the total amount of the proposed additional tax, penalties, proposed overassessment, or claimed refund at issue exceeds \$25,000 for any taxable period. It is also required for all employee plans and exempt organization cases as well as in all partnership and S corporation cases. There is no official IRS form for a written protest. The IRS has identified what is needed for a valid written protest. The IRS will reject a protest and the taxpayer will be required to perfect the document if the protest fails to include the following:
 - (i) A statement that the taxpayer wants to appeal the examiner's findings to the appeals office:
 - (ii) The taxpayer's name, address, and daytime telephone number:
 - (iii) A copy of the letter showing the proposed changes and findings being protested or the date and symbols from the letter;

- (iv) The tax periods or years involved;
- (v) An itemized schedule of the adjustments with which the taxpayer does not agree;
- (vi) A statement of facts supporting the taxpayer's position on any contested factual issue. This provides the taxpayer the opportunity to emphasize facts that are beneficial while minimizing those that are not. The facts should tell the story why the taxpayer's position is correct.
- (vii) A statement outlining the law or other authority, if any, upon which the taxpayer is relying. The taxpayer should provide citations on law that is advantageous to their position. In addition, the protest should differentiate the legal position cited by the IRS. The taxpayer should include a conclusion that ties the fact and law to the conclusion that the taxpayer's position is the right one; and
- (viii) A declaration under penalties of perjury attesting the statement of facts, including any accompanying documents are true and accurate, which must be signed.

Practitioners who prepare and sign the protest must substitute a declaration stating:

- (i) That he or she submitted the protest and accompanying documents, and
- (ii) Whether he or she knows personally that the facts stated in the protest and accompanying documents are true and correct.
- c. The IRS does not require a formal written protest for cases of \$25,000 or less. However, it is highly recommended. When the IRS forwards the case file to appeals for review, they have prepared a formal report on the reasons for the changes. That report includes the issue, facts, tax law, government's position, taxpayer's position (usually just says taxpayer does not agree), and conclusion. The appeals officer reviews the file prior to scheduling the appeals conference appointment, including researching the tax law. Without a written protest from the taxpayer, the only position appeals reviews prior to the taxpayer's conference are the governments. With Appeals not knowing the taxpayer's indepth position, there is nothing for them to consider, research, or identify where the government might have erred. Although Appeals is an independent third party, a taxpayer not providing an in-depth protest, creates the potential for biasedness from Appeals only seeing the IRS position on the tax adjustments.
- d. The protest should deal with any defects and deficiencies in the examiner's report, such as improperly framed issues, misstatements or omissions of fact, or incorrect conclusions of law. Frequently, practitioners supplement the protest to supply further factual or legal support for the taxpayer's position.

Example:

Ted is an insurance adjuster with State Farm and Nationwide insurance companies. Ted lives in Philadelphia, Pennsylvania. He works all the damage claims that the insurance companies receive in the state of Delaware. Ted receives an audit letter for his 2021 tax return requesting that he come into the IRS office in downtown Philadelphia and bring with him documentation to support his automobile expenses and charitable contributions. Ted contacts his CPA, who provides the IRS a valid POA to represent Ted at the office audit. The CPA assembles the documentation and meets with the office auditor. Ted has all his receipts for the charitable contributions, which the officer auditor accepts. However, Ted has very few receipts for the automobile expenses, and he does not maintain an automobile log or any type of contemporaneous documentation supporting his business miles. Ted claims his business use of the automobile was 95 percent. The office auditor disallows the automobile expenses due to lack of documentation. The CPA requests a conference with the office auditor's manager as he believes a 100 percent disallowance is inappropriate. The CPA

met with the manager and went over that the IRS knows that Ted is a claims adjustor which requires him to travel to the location of damaged assets to determine the claim value recommendation he will make to insurance companies to settle their claims. The CPA explains that Ted must use his car to travel to the locations so some automobile expenses should be allowed. The CPA is unable to convince the manager that 95 percent of amounts not proven should be allowed. However, the CPA is able to provide that the mileage from Ted's residence (his home office) is 100 miles round trip to the Delaware state border. Ted travels for the insurance companies 250 days a year. As a result, the CPA proposes that Ted be allowed \$14,375 of the claimed expenses because that would be the minimum allowed under the standard mileage rate. The manger does not agree with the CPA's proposal, so the office auditor issues Ted a report disallowing all the auto expenses under Internal Revenue Code Section 274(d) for failure to substantiate the deduction with adequate records or sufficient evidence the amount of the expense, the time and place of the travel and date of the expense. The CPA prepares the following written response, even though not required as the tax is under \$25,000:

Form **12203** (March 2020)

Department of the Treasury - Internal Revenue Service

Request for Appeals Review

	•			
Complete the information in the spaces be	low, including yo	our signature and the date.		
Taxpayer name(s)			Taxpayer Identification Nu	ımber(s)
Ted Taxpayer			123-45-6789	
			T ()	
Mailing address			Tax form number	
One Liberty Bell Avenue			1040	
City			Tax period(s) ended 2021	
12345Philadelphia	ZID Code		2021	
State	ZIP Code			
PA Your telephone number(s)			Best time to call	
215-555-5555			Afternoon	
Identify the item(s) (for example: filing status,			ee with in the proposed chan	
report you received with the enclosed letter		_	nore pages if this is not enou	ıgh space.
Disagreed item		you disagree		
Automobile Expenses	See attachme	nt statement		
Disagreed item	Reason why	you disagree		
Disagreed item	Reason why	you disagree		
Disagreed item	Reason why	you disagree		
Name of Taxpayer		Signature		Date
Name of Taxpayer		Signature		Date
Name and signature of authorized represer Form 2848,Power of Attorney and Decla			s form, please attach a cop	by of your completed
Name		Signature		Date
CPA				
Your telephone number		Best time to call		
2115-666-6666		aFTERNOON		
Catalog Number 27136N		www.irs.gov	Form	n 12203 (Rev. 3-2020)

Attached Statement to Form 12203

Ted Taxpayer Liberty Bell Avenue Philadelphia, PA 12345 123-45-6789 Tax Year 2021

Issue:

Is the taxpayer entitled to a business deduction for automobile expenses?

Facts:

Taxpayer is an insurance adjuster that is required to travel to value damaged assets from insurance claim for State Farm and Nationwide insurance companies. The taxpayer resides in Philadelphia, PA and his claims territory is in the State of Delaware. Taxpayer did not maintain a travel log but from his income earned he can verify he traveled 250 days a year around the State of Delaware to value the damaged assets. Taxpayer has several other vehicles for personal use and uses the business vehicle solely to travel to Delaware. Taxpayer claimed a deduction for only 95% of the expenses of the vehicle even though he doesn't use it for personal purposes at all. Taxpayer reports all income received from valuing damaged assets in the State of Delaware. Taxpayer must use his automobile to perform the travel and therefore incurs automobile expenses in connection with his business travel.

Law:

IRC 274(d) allows a deduction for travel expenses incurred in a trade or business. The Courts have consistently held that the Cohan rule can be used to estimate business expenses incurred.

Governments Position:

Taxpayer did not provide a mileage log to substantiate his business miles, therefore under Internal Revenue Code Section 274(d) the IRS determined that no automobile expenses were deductible.

Taxpayer's Position:

Taxpayer did incur travel expenses to earn his income. He could not have travel to the State of Delaware, without traveling there in his business automobile. He calculated reasonable amounts for the cost of automobile expenses for gasoline, insurance, repairs, tags and various expenses to use the vehicle for business purposes. The government did not accept the taxpayer's oral testimony for the expenses even though they knew he traveled by automobile to earn his income. The 100% disallowance of the automobile expenses unreasonable and is not consistent with the Cohan rule applied by the courts.

Conclusion:

The taxpayer's automobile expenses should be allowed as a deduction.

Question to Ponder:

Based on your experience, discuss the pros and cons of extending the statute of limitations. Do you recommend your client extend the statute? Do you set any parameters on the length of the statute extension?

D. Letters and notices offering an appeal opportunity

The IRS sends notices and letters for many reasons. These include the following:

- a. A taxpayer filed a return and there is a balance due.
- b. A taxpayer filed a return, there was an inconsistency, and they were due a larger or smaller refund.
- c. The IRS has a question regarding the taxpayer's tax return or may need additional information.
- d. Something does not appear right on a return that was filed, and the IRS needs to verify a taxpayer's identity.
- e. They changed the taxpayer's return.
- f. There is going to be a delay in processing the return filed.

Each notice or letter contains a lot of valuable information, so it is very important to read it carefully. If the IRS is changing something, compare the information provided in the notice or letter with the information on the original return and respond to the notice as quickly as possible to minimize any additional interest and penalty charges and/or to preserve the taxpayer's appeal rights if they do not agree. If the notice does not seem self-explanatory, visit the IRS website. It contains a list of all the Letters and Notices the IRS issues with an explanation of each, including the steps to resolve the matter. The Letters and Notices not only explain the issues but how to appeal the findings. They can be broken down by category. The Letters and Notices by category include:

- a. Levy -- The Letters and Notices on levies are sent when the IRS intends to collect monies owed involuntarily. It is very important to pay close attention to this category of correspondence and respond timely. Failure to respond timely means the IRS will take the taxpayer's assets to satisfy any monies owed. Once they have the assets, even if they are wrong, it will be very costly and time consuming to get them back. When the IRS issues a levy letter, they are intending to take personal property. Property can include wages and other income, bank accounts, business assets, personal assets, (including a car and home), Alaska Permanent Fund Dividends, state tax refunds, and Social Security benefits. Most taxpayers are unaware that the IRS works in conjunction with the State revenue agencies and as a result the IRS can seize state refunds for federal tax liabilities. In addition, the IRS will turn over federal tax refunds to the states for a variety of reasons (i.e., state tax deficiencies, child support, etc.).
 - (i) Letter 11 -- This letter is to notify a taxpayer of unpaid taxes and that the IRS intends to levy to collect the amount owed. The taxpayer needs to file a Form 12153, Request for A Collection Due Process Hearing, and send it to the address shown on the levy notice within 30 days from the date of the letter to appeal the proposed action with the Office of Appeals.
 - (ii) **CP Notice 90** -- This Notice is to notify the taxpayer that the IRS has seized assets due to a levy and they will continue to seize assets, until the full taxes are paid. The taxpayer can file a Form 12153 within 30 days from the date of the letter to appeal the action with the Office of Appeals.

- (iii) CP Notice 92 -- This Notice is to notify the taxpayer that the IRS seized their state tax refund and applied it to unpaid federal taxes. The taxpayer can file Form 12153 within 30 days from the date of the letter to appeal the action with the Office of Appeals.
- b. Audit -- The Letters and Notices for audits are sent when the IRS has concluded an office audit or field audit. They explain the items being adjusted, the reason for the adjustment, and the options available to the taxpayer.
 - (i) Letter 525 -- This letter is issued upon the conclusion of an office audit. It provides a computation report of the proposed adjustments. If the taxpayer agrees, they can sign the report and return to the office auditor. If they disagree, they have 30-days to file a protest requesting the matter be forwarded to Appeals.
 - (ii) Letter 531 -- This letter is issued if a taxpayer does not respond to Letter 525. It is the 90-Day Letter and allows the taxpayer to agree or disagree and petition the U.S. Tax Court within 90 days. Failure to respond will result in the immediate assessment of the additional tax proposed.
 - (iii) Letter 915 -- This letter is issued upon the conclusion of a field examination. Like Letter 525, it provides a computation report of the proposed adjustment. As with the Letter 525, the taxpayer can agree and return to the revenue agent or disagree and file a protest, requesting the matter be forwarded to the Office of Appeals. The taxpayer has 30-days to respond.
 - (iv) Letter 950 -- This letter is issued if the taxpayer does not respond to Letter 915. It is the 90-Day Letter for field examinations. The taxpayer can sign the report and agree or file a petition with the U.S. Tax Court within 90-days. Failure to respond will result in the immediate assessment of the proposed tax.
- C. CP Notice 2000 -- This Notice is when the IRS receives income, deduction, credit, or payment information that does not match the tax return filed. The Notice includes an explanation of all items not found on the filed return and a computation of the proposed adjustments to the tax return based upon this information. If the taxpayer agrees, they sign and return the agreement forms. If they do not agree, they can file a protest within 30-days requesting the matter be forwarded to the Office of Appeals. This Notice usually assesses penalties along with the additional tax. Even if the taxpayer agrees with the additional assessment of tax, they can disagree with the penalties and request abatement of the penalties. They can use the First Time Penalty Abatement provisions to request relief. If the taxpayer does not qualify for the First Time Penalty Abatement provisions, they can still request relief under the reasonable cause and good faith provisions. If the IRS does not abate the penalties, the taxpayer can file a protest and request the penalty issue be forwarded to the Office of Appeals for resolution. Failure to respond will result in the issuance of a 90-Day Letter and the opportunity for the taxpayer to petition the U.S. Tax Court. Failure to respond to the 90-Day Letter will result in the immediate assessment of the additional tax, penalties, and interest. Once the tax is assessed, the IRS will pursue the payment of the tax through Collection Letters and Notices, including Levy and Lien Notices.
- d. **Trust Fund Recovery Penalty** -- This letter is issued when the IRS has determined that an employer has not paid their payroll taxes and someone other than that employer is responsible.

- (i) Letter 1153 -- This letter explains that the IRS's efforts to collect the federal employment or excise taxes due from a business (named in the letter) have not resulted in full payment of the liability. Therefore, the IRS proposes to assess the penalty against the taxpayer. If the taxpayer agrees with the penalty for each tax period shown, the can sign the enclosed report and return it to the revenue agent or collections officer. If the taxpayer does not agree, they can file a protest requesting the matter be forwarded to the Office of Appeals. The taxpayer has 60 days to respond. Failure to respond will result in immediate assessment of the penalty.
- e. **Innocent Spouse Determinations** -- Innocent spouse determinations result when a married filing joint return has been adjusted and one of the spouse's requested relief from the liability because they believe only the other spouse should be held liable and the IRS has denied the request.
 - (i) Letter 3016 -- This letter provides a taxpayer 30 days to appeal the IRS denial for innocent spouse relief. If the taxpayer does not agree with the determination, they have 30 days to file a protest requesting the matter be forwarded to the Office of Appeals. Failure to do so will result in the proposed tax being assessed against both spouses.
- f. **Non-filers** -- When a taxpayer does not file a tax return and the IRS has information indicating a return should have been filed, they will use that information and file a return on behalf of the taxpayer. Once they make the determination of the tax due, they will issue a letter explaining what they did to arrive at the tax due.
 - (i) Letter 3391 -- This letter advises a taxpayer that IRS believes they are liable for filing tax returns for the periods identified in the letter. It includes a report with a computation of the proposed adjustments to the tax return(s) and explains the adjustments. If the taxpayer agrees, they can sign and return the agreement form. If they do not agree, they can file a protest, within 30 days of the date on the letter, requesting the matter be forwarded to the Office of Appeals. If the taxpayer does not respond, it will result in an immediate assessment of the proposed tax.

Form **12203**(March 2020)

Department of the Treasury - Internal Revenue Service

Request for Appeals Review

(Wardi 2020)			pouro recersor	
Complete the information in the spa	aces below, including yo	our signature and the d	late.	
Taxpayer name(s)			Taxpayer Identification N	umber(s)
Mailing address			Tax form number	
City			Tax period(s) ended	
State	ZIP Code			
Your telephone number(s)			Best time to call	
Identify the item(s) (for example: filing	s status evernations inter	act or dividenda) vou dis	agree with in the proposed char	nge or assessment
report you received with the enclose				
Disagreed item	Reason why	you disagree		
Disagreed item	Reason why	you disagree		
Disagreed item	rteason why	you disagree		
Disagreed item	Reason why	you disagree		
Disagreed item	Reason why	you disagree		
Name of Taxpayer		Signature		Date
Name of Taxpayer		Signature		Date
Name and signature of authorized r Form 2848,Power of Attorney and			this form, please attach a co	py of your completed
Name		Signature		Date
Your telephone number		Best time to call		
				40000
Catalea Number 27136N		www.irs.asv	Far	m 12203 (Rev. 3-2020

Purpose of this form: You can use this form to request a review in the Internal Revenue Service Independent Office of Appeals when you receive Internal Revenue Service (IRS) proposed adjustments or other changes of \$25,000 or less to a tax year questioned in the IRS letter you received with this form.

When you take no action and your case involves income taxes, we will send you a formal Notice of Deficiency and bill for the amount you owe. The Notice of Deficiency allows you to go to the Tax Court and tells you the procedure to follow.

When you don't agree with the IRS proposed adjustments or changes and you have submitted all supporting information, explanations, or documents, you may:

- (1) discuss the IRS findings with the person identified (or their supervisor) in the heading on the IRS letter that provided you this information; and if you can't reach agreement,
- (2) appeal your case by requesting an Appeals Review.

If you want to request an Appeals Review, complete this form and return it in the envelope provided to the address in the heading of the IRS letter.

The IRS Independent Office of Appeals is independent of the IRS office proposing the action you disagree with. Appeals conferences are conducted in an informal manner. Most differences are settled in these conferences without expensive and time consuming court trials. Appeals will independently consider the reason(s) you disagree, except for moral, religious, political, constitutional, conscientious objection, or similar grounds.

You can represent yourself in Appeals. If you want to be represented by another person, the person you choose must be an attorney, a certified public accountant, or an enrolled agent authorized to practice before the IRS. If you plan to have your representative talk to us without you, we need a signed copy of a completed power of attorney (Form 2848, Power of Attorney and Declaration of Representative).

If you don't reach an agreement in Appeals, the Appeals office will send you a Notice of Deficiency. After you receive the Notice of Deficiency, you may take your case to the United States Tax Court before paying the amount due as shown on the Notice of Deficiency. If you want to proceed in the United States Court of Federal Claims or your United States District Court, see Publication 5, Your Appeal Rights and How to Prepare a Protest if You Disagree, for more information.

You can get more information about your appeal rights by visiting the IRS Internet Web Site at http://www.irs.gov/appeals. You also can order blank tax forms, schedules, instructions and publications by calling toll-free 1-800-829-3676. Once you've placed your order, allow two weeks for delivery. For IRS Tax Fax Services, call (703) 487-4160 (not a toll-free number).

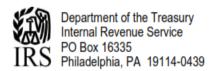
PRIVACY ACT STATEMENT

Under the Privacy Act of 1974, we must tell you that our legal right to ask for information is Internal Revenue Code Sections 6001, 6011, 6012(a) and their regulations. They say that you must furnish us with records or statements for any tax for which you are liable, including the withholding of taxes by your employer. We ask for information to carry out the Internal Revenue laws of the United States, and you are required to give us this information. We may give the

information to the Department of Justice for civil and criminal litigation, other federal agencies, states, cities, and the District of Columbia for use in administering their tax laws. If you don't provide this information, or provide fraudulent information, the law provides that you may be charged penalties and, in certain cases, you

may be subject to criminal prosecution. We may also have to disallow the exemptions, exclusions, credits, deductions, or adjustments shown on the tax return. This could make your tax higher or delay any refund. Interest may also be charged.

Catalog Number 27136N www.irs.gov Form 12203 (Rev. 3-2020)



s018999546711s JAMES & KAREN Q. HINDS 22 BOULDER STREET HANSON, CT 00000-7253

Notice	CP2000
Tax Year	
Notice date	January 23,
Social Security number	999-99-9999
AUR control number	99999-9999
To contact us	Phone 1-800-829-8310 Fax 1-215-516-2335
Page 1 of 8	

AUR Bar Code

Proposed changes to your Form 1040

Amount due: \$2,349.00

The information you provided in your December 10, request for removal or reduction of penalties associated with your Form 1040 did not meet our guidelines. As a result, we are not removing or reducing any penalties, and the total amount you owe for tax due, including penalties and interest, is \$2,349.00.

Billing Summary	
Tax you owe	\$2,519.00
Payments and credits	-410.00
Negligence penalty	60.00
Interest charges	180.00
Amount due by February 22,	\$2,349.00

What you need to do immediately

Review this notice, and compare our changes to the information on your tax return.

If you agree with the changes we made

- Complete, sign and date the Response form on Page 5, and mail it to us along with your payment of \$2,349.00 so we receive it by February 22,
- If you can't pay the amount due, pay as much as you can now, and make payment arrangements that allow you to pay off the rest over time. If you want to apply for an installment plan, send in your Response form AND a completed Installment Agreement Request (Form 9465). Download Form 9465 from www.irs.gov, or call 1-800-829-3676 to request a copy. You can also save time and money by applying online if you qualify. Visit www.irs.gov. and search for keyword: "tax payment options" for more information about:
 - Installment and payment agreements
 - Payroll deductions
 - Credit card payments

Or, call us at 1-800-829-8310 to discuss your options.

If you don't agree with the changes

 Complete the Response form on Page 5, and send it to us along with a signed statement and any documentation that supports your claim so we receive it by February 22,

If we don't hear from you

If we don't receive your response by February 22, , we will send you a Statutory Notice of Deficiency followed by a final bill for the proposed amount due. During this time, interest will increase and penalties may apply.

Notice	CP2000
Tax Year	
Notice date	January 23,
Social Security number	999-99-9999

Page 2 of 8

Shown on return	As corrected by IRS	Difference
\$18,000	\$30,075	\$12,07
0	592	593
0	1,875	1,87
		\$14,54
12,000	11,709	29
0	-132	-13
		15
		\$14,70
Shown on return	As corrected by IRS	Difference
\$32,000	\$46,701	\$14,70
4,000	6,254	2,25
0	265	26
\$4,000	\$6,519	\$2,51
Shown on return	As corrected by IRS	Differenc
\$8,745	\$9,155	-\$41
	\$18,000 0 0 12,000 0 Shown on return \$32,000 4,000 0 \$4,000 Shown on return	\$18,000 \$30,075 0 592 0 1,875 12,000 11,709 0 -132 Shown on return As corrected by IRS \$32,000 \$46,701 4,000 6,254 0 265 \$4,000 \$6,519 Shown on return As corrected by IRS

Explanation of changes to your Form 1040

This section tells you specifically what income information the IRS received about you from others (including your employers, banks, mortgage holders, etc.). This information doesn't match the information you reported on your tax return.

Use the table to compare the data the IRS received from others to the information you reported on your tax return to understand where the difference(s) occurred. To assist you in reviewing your income amounts, the table may include both reported and unreported amounts.

Tax withheld					
Received from	Address	Account information	Shown on return	Reported to IRS by others	Difference
Employer A	20 Clinton Street	SSN 999-99-9999	\$8,745	\$9,155	\$410
	Hanson, CT 99999	Form W-2			
Wages					
Received from	Address	Account information	Shown on return	Reported to IRS by others	Difference
Employer A	20 Clinton Street	SSN 999-99-9999	\$18,000	\$30,075	\$12,075
	Hanson, CT 99999	Form W-2			
Nonemployee	compensation				
Received from	Address	Account information	Shown on return	Reported to IRS by others	Difference
Payer & Partners	80 Fleming Hill	SSN 999-99-9999	\$0	\$1,875	\$1,875
	Chambers, CT 00000	Form 1099-MISC			

CP2000
January 23,
999-99-9999

Page 3 of 8

Explanation of changes to your 1040—continued		Form			
Other incom	е				
Received from	Address	Account information	Shown on return	Reported to IRS by others	Difference
Payer Casino	25 Lubbock Hill,	SSN 999-99-9999	\$0	\$592	\$592
	Suite 25A Chambers CT 00000	Form W-2G			

Misidentified income

If any of the income shown on this notice is not yours, send us the name, address, and social security number of the person who received the income. Please notify the payers to correct their records to show the name and social security number of the person who actually received the income, so that future reports to us are accurate.

Form W-2 or 1099 not received

The law requires you to report your income correctly. If your payers did not send you a yearly income statement (Form W-2, Form 1099, etc.), you must use the information you have (pay stubs, monthly income statements, deposit slips, etc.) to estimate the total amount of inc

Self-employment tax on self-employment (SE) income

Self-Employment (SE) generally includes nonemployee compensation and other income from part-time or full-time work and is subject to Self-Employment Tax. We figured the Self-Employment Tax on the net SE income reported on your return and/or on the underreported SE income. Self-Employment Tax consists of Social Security Tax of 12.4% and Medicare Tax of 2.9%. (Even if you have paid the maximum amount of Social Security Tax, you are still liable for additional Medicare Tax.) The deduction for one-half of the Self-Employment Tax is based on the change we made to your Self-Employment Tax. If you were an employee, you will be liable for income tax and the employee's share of Social Security (6.2%) and Medicare taxes (1.45%). Your social security account will be credited with the amount of Self-Employment income shown on this notice.

Overclaimed withholding

Our records indicate you are entitled to a lesser amount of withholding than the amount claimed on your tax return. Please send us a copy of Form(s) W-2, 1099, and/or over withholding documentation from the payer(s) to verify the additional withholding claimed on your tax return.

Notice	CP2000
Tax Year	CF2000
Notice date	January 23,
Social Security nu	mber

- You don't need to file an amended tax return for . We will
 make the correction when we receive your response. However, if
 you choose to file an amended tax return Form 1040X, write
 "CP2000" on the top of your amended federal tax return Form
 1040X and attach it behind your completed Response form. Go to
 www.irs.gov to download Form 1040X or call 1-800-TAX-FORM
 (1-800-829-3676).
- Please file an amended tax return Form 1040X for any other tax years in which the same error occurred.
- We send information about these changes to state and local tax agencies, so if the changes we made apply, file an amended state or local tax return as soon as possible.

Penalties

We are required by law to charge any applicable penalties. We assess a 1/2% monthly penalty for not paying the tax you owe by the due date. We base the monthly penalty for paying late on the net unpaid tax at the beginning of each penalty month following the payment due date for that tax. This penalty applies even if you filed the return on time.

We charge the penalty for each month or part of a month the payment is late; however, the penalty can't be more than 25% in total.

- The due date for payment of the tax shown on a return generally is the return due date, without regard to extensions.
- The due date for paying increases in tax is within 21 days of the date of our notice demanding payment (10 business days if the amount in the notice is \$100,000 or more).

If we issue a Notice of Intent to Levy and you don't pay the balance due within 10 days of the date of the notice, the penalty for paying late increases to 1% per month.

For individuals who filed on time, the penalty decreases to 1/4% per month while an approved installment agreement with the IRS is in effect for payment of that tax.

For a detailed computation of the penalty call 1-800-829-8310.

(Internal Revenue Code Section 6651)

Negligence

Description

Amount \$60.00

Total negligence

An accuracy-related penalty is charged if there is any underpayment of tax on your return due to negligence. This penalty is 20% of the net tax increase on the portion due to negligence. (Internal Revenue Code section 6662(c))

If you think we should not charge this penalty, please explain why, send any supporting documents, and request that we waive the penalty. We will review your request and determine if there is reasonable cause to waive the penalty.

Interest charges

We are required by law to charge interest when you do not pay your liability on time. Generally, we calculate interest from the due date of

Notice	CP2000
Tax Year	01 2000
	1
Notice date	January 23,
Social Security number	999-99-9999
Dage 5 of 0	

your return (regardless of extensions) until you pay the amount you owe in full, including accrued interest and any penalty charges. Interest on some penalties accrues from the date we notify you of the penalty until it is paid in full. Interest on other penalties, such as failure to file a tax return, starts from the due date or extended due date of the return. Interest rates are variable and may change quarterly. (Internal Revenue Code Section 6601)

Description	Amount
Total interest	\$180.00

The table below shows the rates used to calculate the interest on your unpaid amount due. For a detailed calculation of your interest, call 1-800-829-8310.

Period		Interest rate
July 1,	-December 31,	8%
January 1,	-March 31,	7%
April 1,	-June 30,	6%
July 1,	-September 30,	5%
October 1,	-December 31,	6%

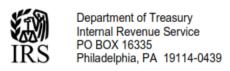
Beginning January 1,

Additional Information

- Visit www.irs.gov/cp2000. You can also find the following online: Amended U.S. Individual Tax Return (Form 1040X).
- For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).
- Review the enclosed document Publication 3498-A, The Examination Process.
- . Keep this notice for your records.

If you need assistance, please don't hesitate to contact us.

Note: Page 6 of 8 is a blank page on the IRS website.



Notice	CP2 00
Tax year	
Notice date	January 23,
Social Security number	999-99-9999
AUR control number	99999-9999

Page 7 of 8

[AUR BAR CODE]

INTERNAL REVENUE SERVICE PO BOX 105404 ATLANTA, GA 30348-5404

Fold here

Response form

Complete both sides of this form, and send it to us in the enclosed envelope so we receive it by February 22, . Be sure our address shows through the window.

To request more time to respond, call us at 1-800-829-8310. Remember: Additional interest will be charged during this period if the information in this notice is correct.

Provide your contact information

If your address has changed, please make the changes below.

James & Karen Q. Hinds 22 Boulder Street Hanson, CT 00000-7253

	□ a.m. □ p.m.		□ a.m. □ p.m.
Primary phone	Best time to call	Secondary phone	Best time to call

Indicate your agreement or disagreement

I agree with all changes

I agree with the changes to my tax return, and understand that:

- I owe \$2,349.00 in additional tax, payment adjustments, and interest.
- The IRS is required by law to charge interest on taxes that weren't paid in full by April 15,
- The IRS will continue to charge interest until we've paid the tax in full. Certain penalties may also apply.
- I can challenge these changes in the U.S. Tax Court only if the IRS determines after the date we sign this form that we owe additional taxes for
- . I can file for a refund at a later date.

Please sign and return this form with your payment.

Signature	Date
Spouse's signature	Date

		Tax year		
		Notice date	Janua	ary 23,
		Social Securit	y number 999-9	9-9999
		Page 8 of 8		
Indicate your agreement or disagreement Continued	☐ I don't agree with some or all of the changes Please return this form and include a statement signed by you th explains what you don't agree with. Also include copies of any documents, such as corrected W-2, 1099, or missing forms that support your statement.			signed by you that copies of any
	Note: You can fa	ax documentation	to 1-215-516-	2335.
	Signature			Date
	Spouse's signature			Date
2. Indicate your payment option	I am enclosing (check all that apply): Full payment of \$2,349.00 Partial payment of \$ No payment A completed Installment Agreement Request (Form 9465) Write your Social Security number xxx-xx-xxx, the tax year, and the notice number CP2000 on your payment and any correspondence. Make your check or money order payable to the United States Treasury.			
3. Authorization optional	If you would like to authorize someone, in addition to you, to contact the IRS concerning this notice, please include the person's information, your signature, and the date.			
	The authority granted is limited as indicated by the statement above the signature line. The contact may not sign returns, enter into agreements, or otherwise represent you before the IRS. If you want to have a designee with expanded authorization, see IRS Publication 947, Practice Before the IRS and Power of Attorney.			
	Full name of authorized person			
	Address			
	City	State	Country	Zip code
		□ a.m. □ p.m.		□ a.m. □ p.m.
	Primary phone	Best time to call	Secondary phone	Best time to call
	I authorize the person listed above to discuss and provide information to the IRS about this notice.			d provide
	Signature			Date
	Spouse's signature			Date

CP2000

Notice

The Appeals Process

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The Appeals Process

Learning objectives

Upon reviewing this chapter, the reader will be able to:

- Discuss the role of Appeals and the types of cases they attempt to resolve;
- Discuss the Appeals process for the various types of controversies; and
- Identify the Alternative Dispute Resolution options available.

I. Introduction

Once a correspondence, office audit, or field examination is completed, and the taxpayer has filed a valid protest, the case will be forwarded to the IRS Independent Office of Appeals¹. Although Appeals is part of the IRS, they are an independent, separate party from the IRS Examination Division. Their goals and responsibilities are completely independent. Their Mission Statement is:

"To resolve tax controversies, without litigation, on a basis that is fair and impartial to both the Government and the taxpayer, and in a manner that will enhance voluntary compliance and public confidence in the integrity and efficiency of the Service."

The mission statement makes it clear that the goal of Appeals is "to resolve" without litigation tax controversies. This differs from the Examination Division's goal which is tax law enforcement. Examination follows the letter of the law while Appeals wants to resolve the matter without litigation, sometimes regardless of the letter of the law.

This can be demonstrated by the following illustration:

A taxpayer is being examined because they claimed the child tax credit for a child. Their ex-spouse also claimed the child tax credit for the same child. Although the examiner will apply the law to determine who is entitled to the child tax credit, if both parties do not agree, the examiner will close the cases disallowing the child tax credit to both parties because this is a "whipsaw issue." A whipsaw issue is one where only one party can be right. So, if the examiner allows the child tax credit to the wrong party, it can result in both parties getting more child tax credit than allowed for one child. So, without agreement from both parties, the examiner will close both cases unagreed to Appeals.

Once the cases reach Appeals, they have great flexibility in offering settlements to a taxpayer. This is because they weigh the hazards of litigation. This means they look at the merits of the issue, which party has the greatest chance of success, and then base their settlement offer on that chance of success. Continuing with the illustration, there are three parties (the government and both parents) and only one child. The government has a 100 percent chance of success as only one of the parents is entitled to the child tax credit. However, there are two cases, so their success rate drops to 50 percent. Each parent also has a 50 percent chance of success. Appeals could offer both taxpayers 50 percent of the child tax credit. In effect, splitting the child. The letter of the law does not allow for partial child tax credit but due to the hazards of litigation, Appeals can allow a partial child tax credit rather than forwarding the case for trial. In addition, they would work with the taxpayers to sign a Closing Agreement to ensure the matter does not crop up again in future years.

Taxpayer First Act H.R. 3151 – 116th Congress (2019-2020).

A closing agreement is a written agreement with any person relating to the liability of such person (or of the person or estate for whom he or she acts) in respect of any internal revenue tax for any taxable period ending prior or subsequent to the date of such agreement. A closing agreement may be entered into in any case in which there appears to be an advantage in having the case permanently and conclusively closed, or if good and sufficient reasons are shown by the taxpayer for desiring a closing agreement and it is determined by the Commissioner that the U.S. will sustain no disadvantage through consummation of such an agreement.

Once the case is forwarded to Appeals, the taxpayer will generally be contacted, by phone, within 60 days from the date Appeals receives the case.

A. IRS Independent Office of Appeals

1. Role of Appeals

The role of Appeals is to resolve tax controversies, without litigation, on a basis which is fair and impartial to both the Government and the taxpayer. The Appeals process is less formal and less costly than court proceedings and is not subject to judicial rules of evidence or procedure. Historically, Appeals has been able to settle the majority of the cases that come within its jurisdiction. In addition, taxpayers do not give up judicial review by coming to Appeals. Independence is the most important of Appeals' core values. Independence from IRS compliance functions is critical for Appeals to accomplish its mission. Appeals conferences are informal and conducted by correspondence or telephone. Appeals will consider any reason the taxpayer has for disagreement, except for moral, religious, political, or constitutional arguments, conscientious objections, or similar grounds. If the taxpayer's case qualifies for an appeal, an Appeals employee will review the issues of the case with a fresh, objective perspective and schedule a conference with the taxpayer or their designated representative. The representative must be an attorney, a certified public accountant, or an enrolled agent authorized to practice before the IRS. If the taxpayer wants their representative to talk to the IRS without them being present, they must provide Appeals a copy of a completed power of attorney Form 2848, Power of Attorney and Declaration of Representative. An unenrolled preparer may be a witness in Appeals but not a representative. As a result, the taxpayer would always need to be present, whether by phone or in person, for Appeals to talk to or provide any information to an unenrolled preparer. According to IRS statistics, Appeals resolves over 100,000 cases per year.

II. Types of Appeals cases

A. Introduction

Appealing proposed deficiencies resulting from a correspondence, office or field examination is not the only function the Appeals Offices does for the IRS. If the controversy is from a correspondence, office, or field examination, they are resolved in the Appeals Examination Function. Appeals personnel in this function resolve general docketed and non-docketed cases generated from the IRS examination function, including innocent spouse determinations.

Other controversies between the IRS and taxpayers resolved in Appeals include matters before IRS Collection personnel and matters that are specialized in nature and need skilled specialized Appeals personnel to resolve the matter.

The Collection Appeals function resolves cases involving Collection Due Process, Offer in Compromise, Trust Fund Recovery Penalties, Jeopardy Levies, and Collection Appeals Program (CAP) cases.

The Appeals Specialized Examination Programs & Referrals function resolves a variety of specialized programs such as international issues, tax computations, innocent spouse, TEFRA, and penalty appeals. So, the Appeals process may be different based on the controversy the taxpayer does not agree with.

Regardless if the matter arises in the examination or collection function, it is important that all information requested, including any additional relevant information be provided to the tax auditor, revenue agent, or collection officer assigned the case. Waiting to provide the information to the Appeals Officer will generally result in the case being returned to the auditor, revenue agent, or referred to the revenue officer for consideration of the new information. Either action could cause delays in resolving the tax matters.

B. Examination

1. Appealing examination results

a. **First Notice from Appeals:** Normally, the taxpayer can expect to hear from an Appeals employee within 60 days after the Office of Appeals receives the file. Response times from Appeals can vary depending on the type of case and the time needed to review the file.

If it has been more than 120 days since the protest was filed requesting an appeal and there has been no contact from the Office of Appeals, then the taxpayer or representative should contact the IRS office where the appeals request was sent. If that office cannot provide a reason for the delayed Appeals response, there are two options:

- (i) Request the IRS office to contact Appeals for an approximate date when Appeals might initiate contact.
- (ii) Call the Appeals Account Resolution Specialist (AARS) function at 559-233-1267. The AARS can tell the taxpayer if their case has been assigned to an Appeals employee and how to contact that employee directly.

b. Appeals Conference:

(i) The appeals office is the only level of appeal within the IRS. Conferences with appeals office personnel may be conducted in person, through correspondence, by telephone, or via video conferencing with the taxpayer and/or their authorized representative. Generally, the Appeals Officer determines whether the conference will be in person, through correspondence, by video conference, or by telephone. Normally the Appeals Officer is in an office local to the taxpayer or representative. However, this may not always be the case due to the limited resources of the IRS. If the Appeals Officer is not in an office local to the taxpayer or representative, the taxpayer or representative may travel to the Appeals Officer's location to have a face-to-face conference. Otherwise, the conference will be held by telephone or video conference. The goal of a video conference is to provide a virtual face-to-face opportunity to meet, improving communication between the parties and assisting in resolution of the tax matters at issue.

- (ii) Whether the conference is by correspondence, telephone, video conference, or in person, the taxpayer or should be prepared to discuss all disputed issues at the conference. Most differences are settled at this level.
- (iii) Conferences with appeals office personnel may be conducted in person, through correspondence, via video conference, or by telephone with the taxpayer or its authorized representative.
- (iv) If the taxpayer provides significant new information on a major issue to Appeals, they will send the information to the examiner that referred the case to Appeals and ask that examiner to review the new information and provide their analysis and opinion in writing. The IRS examiner's opinion will be shared with the taxpayer/representative to provide the taxpayer/representative the opportunity to provide feedback on the examiner's opinion. If Appeals needs a further clarification from the IRS examiner, they will contact or invite the taxpayer and representative to participate in a conference call or a meeting if the clarification addresses the substance of the issues in the case. Appeals generally cannot meet with the examiner without the taxpayer being present. This is known as exparte communications.
- (v) The time it takes to resolve the case depends on the facts and circumstances and could take anywhere from 90 days to a year.
- c. If a face-to-face conference is not feasible, the Appeals Officer can offer the taxpayer/POA web-based conferring. Depending on the availability the virtual conferences can be on the Web-ex platform, Zoomgov or Microsoft Teams. The Appeals officer will explain the options to the taxpayer. All platforms are secure for the taxpayer's sensitive information.

Question to Ponder:

When it comes to Appeals conferences what are the advantages and disadvantages of face-to-face conferences versus telephone conferences versus virtual conferences?

e. Ex Parte:

- (i) The Revenue and Reform Act of 1998 (RRA '98):
 - Over the years, there has been public outcry that the IRS has abused their authority. As a result, Congress enacted RRA '98² which provided the taxpayer bill of rights and many other taxpayer protections. Prior to the Act, when a case was forwarded to Appeals, the Appeals Officer routinely communicated with the examiner regarding the case. This may have been to clarify something in the case file or request additional information. This was viewed by many in the private sector as a compromise in independence. Congress agreed and as a result they enacted RRA '98 provisions which required the IRS Commissioner to ensure an independent Appeals function, including the prohibition of ex parte communications between Appeals personnel and other IRS employees, including Counsel, to the extent that such communications appear to compromise the independence of Appeals personnel.

Public Law No. 105-206.

- (ii) What is ex parte?
 - Ex Parte is defined in judicial proceedings as a one-sided or partisan point of view received on behalf of or from one side or party only. Within the IRS, an ex parte communication is a communication that takes place between any Appeals employee (e.g., Appeals Officers, Settlement Officers, Appeals Team Case Leaders, Appeals Tax Computation Specialists) and employees of other IRS functions, without the taxpayer/representative being given an opportunity to participate in the communication. The term includes all forms of communication, oral or written.³ Written communications include those that are manually or electronically generated. Hence, RRA '98 prohibits Appeals from meeting with the examiner without providing the taxpayer the opportunity to participate.
 - Opportunity to participate in an oral communication means that the taxpayer/representative will be given a reasonable opportunity to attend a meeting or be a participant in a conference call between Appeals and the originating function when the strengths and weaknesses of the facts, issues, or positions in the taxpayer's case are discussed. The taxpayer/representative will be notified of a scheduled meeting or conference call and invited to participate. If the taxpayer/representative is unable to participate in the meeting or conference call at the scheduled time, reasonable accommodations will be made to reschedule it. If the taxpayer/representative is given an opportunity to participate in a discussion but declines to participate, Appeals will proceed with the discussion or meeting and document the taxpayer's/representative's declination. If no agreement can be reached regarding a mutually acceptable date and time for the discussion or meeting, Appeals will notify the taxpayer/representative of the date and time that the discussion or meeting will take place. If the taxpayer/representative does not participate in the discussion or meeting. Appeals will share with the taxpayer/representative the substance of the discussion or meeting, as appropriate, and give the taxpayer/representative a reasonable period of time within which to respond. The bottom line is the taxpaver cannot stop Appeals from talking or meeting with other IRS functions.
 - Opportunity to participate in a written communication means when a
 written communication is received by Appeals, the
 taxpayer/representative is furnished a copy of the written communication
 and given a chance to respond to it either orally or in writing.
 - Since a taxpayer/representative cannot stop Appeals from communicating with other IRS functions, especially the examiner, collection officer, or IRS Counsel, they should always make every reasonable effort to participate. Participation ensures that the taxpayer/representative sees and hears everything that is taking place firsthand rather than relying on the Appeals Officer to take good notes. Failure to participate is tantamount to waiving a very valuable taxpayer right.

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Rev. Proc. 2012-18.

(iii) Breaches in ex parte communications -- Most breaches of the ex parte communication rules may be cured by timely notifying the taxpayer/representative of the situation, sharing the communication or information in question, and affording the taxpayer/representative an opportunity to respond. Consequently, Appeals shall notify the taxpayer/representative of the breach and request input from the taxpayer/representative regarding the appropriate remedy for a breach of the ex parte communication rules.

After considering the specific facts and discussing the matter with the taxpayer/representative, as appropriate, Appeals may determine that an additional remedy is warranted, including reassigning the case to a different Appeals/Settlement Officer who has had no prior involvement in the case.

The specific administrative remedy; however, that may be made available in any particular case is within the sole discretion of Appeals. The deciding official for the determination of the appropriate remedy for a breach of the ex parte communication rules will be a second-level manager.

If the breach occurred in the course of a Collection Due Process hearing, regarding proposed, levy, notice of levy or Notice of Federal Tax Lien, in Appeals and the case has proceeded to the Tax Court, the court may remand the case to Appeals for either a new or a supplemental hearing, depending upon what steps the court concludes are necessary to rectify the breach.

f. Taxpayer First Act

- (i) The Taxpayer First Act renamed the IRS Office of Appeals as the IRS Independent Office of Appeals. The office will continue to resolve tax controversies and review administrative decisions of the IRS in an impartial manner. However, there are some new requirements.
- (ii) The new rules require the Independent Office of Appeals to make its referred case files available to:
 - a. Individuals with adjusted gross incomes of \$400,000 or less for the tax year to which the dispute relates;
 - b. Entities with gross receipts of \$5 million or less for the tax year to which the dispute relates.
- (iii) In addition, when the IRS or Chief Counsel has issued a notice of deficiency to a taxpayer and denies the taxpayer's request for referral to the IRS Independent Office of Appeals, the IRS must now issue a notice to explain the reasons and tell the taxpayer how to protest the denial.

g. **Taxpayer responsibilities:**

- (i) In addition to the protest, if required, provide a statement that includes a list of all IRS positions that are unagreed, and understanding of the facts and law for each issue.
- (ii) A statement on how the taxpayer/representative believes the case should be resolved. Generally, this statement starts the settlement process. The taxpayer/representative should begin with a resolution of 100 percent concession of the government's position and the legal reason that the government is 100 percent wrong. That provides the best settlement opportunity, anywhere between

zero and 100 percent. However, if the taxpayer/representative is not firm on a 100 percent concession, they should have a number in mind that they would be willing to settle on. This will save time in the negotiations. If the taxpayer is firm on a 100 percent concession and the Appeals offer will not settle at a 100 percent concession, the taxpayer/representative should be prepared for the issuance of the Statutory Notice of Deficiency (90-Day Letter) by the Appeals Officer and prepared to petition the Tax Court.

- (iii) Assist Appeals by promptly and accurately resolving the case by attending meetings and conferences when scheduled and promptly responding to any requests for additional information or documentation.
- (iv) Providing Appeals the best time and method of contact.

C. Collection

1. Appealing collection actions

There are two main processes when appealing collection matters. They are Collection Appeals Process (CAP) and Collection Due Process (CDP). CAP is available to be used under more circumstances than CDP, but the downside is that the decision is final and cannot be appealed to the courts.

2. Collection Appeals Process

When a taxpayer disagrees with an IRS employee's decision regarding any levy, seizure, or Notice of Federal Tax Lien filing and want to appeal it, the first step is to request a conference with the employee's manager. If the manager upholds the employee's decision and the taxpayer does not agree they may request Appeals consideration. This is done by submitting in writing, Form 9423, *Collection Appeal Request*, within three business days of the conference. If the taxpayer requested a conference and was not contacted by the manager to have the conference, that would be noted when requesting Appeals consideration. The CAP is available for the following collection actions:

- a. Before or after the IRS files a Notice of Federal Tax Lien
- b. Before or after the IRS levies or seizes your property
- c. Termination, or proposed termination, of an installment agreement
- d. Rejection of an installment agreement
- e. Modification, or proposed modification, of an installment agreement

During the CAP, the collection actions the taxpayer is appealing generally will be suspended until the appeal decision is rendered. Regardless of the circumstances, it is always a good strategy to request the appeal as it provides the taxpayer additional time to figure out their options. In addition, as discussed earlier, the most important thing is stopping or delaying the NFTL, which can be devastating to a taxpayer's financial welfare.

Unlike CDP, a taxpayer cannot challenge the existence or amount of the tax liability and generally a taxpayer cannot appeal the CAP decision and proceed to court. CAP decisions appealable to a court are:

- a. **Notice of Federal Tax Lien** -- A taxpayer may appeal the proposed filing of a Notice of Federal Tax Lien (NFTL) or the actual filing of an NFTL at the first and each subsequent filing of the NFTL. A taxpayer may also appeal denied requests to withdraw a NFTL, and denied discharges, subordinations, and non-attachments of a lien.
- b. **Notice of Levy** -- A taxpayer may appeal before or after the IRS places a levy on their wages, bank account, or other property. Once the levy proceeds have been sent to the

- IRS, a taxpayer may also appeal the denial by the IRS of their request to have levied property returned to them.
- c. **Seizure of Property** -- A taxpayer may appeal before or after the IRS makes a seizure but before the property is sold.
- d. **Rejection, Modification, or Termination of Installment Agreement** -- A taxpayer may appeal when the IRS rejects their request for an installment agreement. They can also appeal when the IRS proposes to terminate or terminates their installment agreement. In addition, they can appeal when the IRS proposes to modify or modifies their installment agreement.
- e. **Wrongful Levy** -- If a taxpayer is not liable for tax and the IRS has levied or seized property, the taxpayer or wronged party can appeal the denial by the IRS to release the levy or seizure, or, return the property or its value.

3. Collection Due Process

- a. The purpose of a CDP hearing is to have Appeals review collection actions that were taken or have been proposed. After Appeals has made their determination and the taxpayer does not agree, they can go to court to appeal the Appeals' CDP determination. A taxpayer can request a CDP hearing if they receive any of the following notices:
 - (i) Notice of Federal Tax Lien Filing and Your Right to a Hearing.
 - (ii) Final Notice -- Notice of Intent to Levy and Notice of Your Right to a Hearing.
 - (iii) Notice of Jeopardy Levy and Right of Appeal.
 - (iv) Notice of Levy on Your State Tax Refund -- Notice of Your Right to a Hearing.
 - (v) Notice of Levy and of Your Right to a Hearing.
- b. To request a CDP hearing, the taxpayer must complete Form 12153, Request for a Collection Due Process or Equivalent Hearing, and send it to the address on the notice. The taxpayer must request a CDP hearing by the date indicated in the notice. The request must be filed timely to preserve the taxpayer's right to a judicial review. If the request for a CDP hearing is not timely, the taxpayer can request an Equivalent Hearing within one year from the date of the notice, but they cannot go to court if they disagree with Appeals' decision.
- c. During the CDP hearing, the 10-year period for collecting taxes is suspended and the IRS is generally prohibited from seizing (levying) the taxpayer's property subject of the hearing. However, they can seize the taxpayer's property during an Equivalent Hearing or a CDP hearing regarding the filing of a NFTL, but normally they will not. The 10-year period for collecting taxes is not suspended during an Equivalent Hearing. A taxpayer is entitled to only one CDP lien hearing and one levy hearing for each tax period or assessment.
- d. Under CDP the taxpayer can challenge the existence or amount of the underlying tax liability if there was no statutory notice of deficiency issued or the taxpayer did not have an opportunity to dispute the liability. When the taxpayer receives both a lien and a levy notice, they may appeal both actions concurrently by checking the boxes on Line 6 of Form 12153. The taxpayer is required to identify alternatives to, or reasons for disagreeing with, the lien filing or the levy action. Alternatives or reasons for disagreeing may include:
 - (i) Collection alternatives such as installment agreement or offer in compromise;
 - (ii) Subordination or discharge of lien;
 - (iii) Withdrawal of Notice of Federal Tax Lien;

- (iv) Appropriate spousal defenses;
- (v) The existence or amount of the tax, but only if no notice of deficiency of deficiency was received or the taxpayer did not otherwise have an opportunity to dispute the tax liability; and
- (vi) Collection of the tax liability is causing or will cause an economic or other hardship.
- e. Once the Form 12153 is filed to the address in the notice, it will be forwarded to the Office of Appeals. Once reviewed by the Office of Appeals, the taxpayer will be contacted to schedule a conference. The conference may be held by telephone, correspondence, or, if the taxpayer qualifies, in a face-to-face conference at the Appeals office closest to the taxpayer's home/business or their representative's address. To qualify for a face-to-face conference, the issues raised cannot be deemed as frivolous or made with a desire solely to delay or impede collection. Generally, the Office of Appeals will ask the Collection Function to review, verify, and provide their opinion on any **new** information submitted that Collection did not have the opportunity to review before the CDP process was requested. Any comments provided by Collection will be shared with the taxpayer who will be given an opportunity to respond to. If a face to-face hearing is scheduled, the Appeals officer will notify the taxpayer by letter of the steps they will need to take to qualify for the face-to-face conference.
- f. At the end of the CDP hearing, Appeals will issue a determination letter unless the taxpayer has withdrawn the hearing request. If the taxpayer does not agree with the Appeals determination, they may request judicial review of the determination by petitioning the U.S. Tax Court within the time period provided for in the Appeals' determination letter. The taxpayer may not raise different issues in the Tax Court if they do not raise them during the Appeals hearing. Therefore, it is beneficial for the taxpayer to raise all issues and present all evidence during the Appeals hearing, in order to preserve their rights to raise issues and have evidence considered in subsequent court proceedings.
- g. An Equivalent hearing is a process for a taxpayer to use and still get a chance to have an independent body hear their case because they did not file a request for the CDP hearing timely. The difference is the law does not prohibit IRS Collection from continuing the levy process during the hearing time. The collection 10-year statute is not extended since the IRS can still pursue levy and lien during the process and the taxpayer cannot go to court if they disagree with the Appeals decision.

Question to Ponder:

What are the advantages and disadvantages of the Collection Due Process (CDP) program versus the Collection Appeals Program (CAP)?

4. Installment agreements

a. Anytime a taxpayer receives a bill from the IRS for unpaid taxes and or penalties and interest, they have several options. They can agree and pay the monies due in full. They can disagree and call an account representative at the number listed to discuss the notice and why the taxpayer owes the money. If the taxpayer provides information that they do not owe the money and the account representative agrees, the account representative will send a notice stating no monies are due. However, if the account representative determines that the taxpayer still owes the money and the taxpayer does

not agree, the account representative will provide the taxpayer the next steps to dispute the bill.

Example 1:

In March 2021, IRS announced that the original filing date for 2020 individual tax returns was changed from April 15, 2021, to May 17, 2021. Anthony resides in Beaumont, Texas. In February 2021, Texas was plagued with severe winter storms and declared a federal disaster area. The IRS announced in IR-2021-43 that as part of the disaster relief efforts, taxpayers who reside or have businesses in Texas are granted additional time to file their 2020 tax return. The extended due date is June 15, 2021. Anthony files his 2020 tax return on June 15, 2021. On October 23, 2021, the IRS sends Anthony a CP2000 Notice assessing a penalty for filing his return after the May 17, 2021, due date. Anthony's CPA calls the IRS and speaks to an account representative explaining that the return was not due until June 15, 2021, because it was in a Presidentially declared disaster area. The account representative agrees that the penalty does not apply so it is removed. Anthony receives a new notice showing no amounts due.

Example 2:

Same as **Example 1**, except Anthony files his 2020 tax return on August 1 and he had not filed for an extension. When Anthony's CPA calls the IRS to remove the penalty, the account representative states that the penalty will not be removed because Anthony's return was due on June 15, 2021. Anthony can pay the penalty, request an installment agreement, or make an offer in compromise. Alternatively, Anthony's CPA can file a written request for abatement under the reasonable cause exceptions or first-time abatement program. If the IRS denies the request, they will issue the Statutory Notice of Deficiency (90-Day Letter), giving Anthony an opportunity to petition the U.S. Tax Court.

Example 3:

Continuing with **Example 2**, Anthony indicates to his CPA that he is going to pay the penalty and move on. However, he does not, so the IRS issues Anthony the 90-Day Letter. He does not tell his CPA he received the Statutory Notice, and he ignores it. As a result, Anthony defaults. Now the IRS will issue the CP14 letter for the balance due. Anthony still has the Installment Agreement and Offer in Compromise options. If he continues to do nothing, eventually the IRS will issue the Notice of Intent to Levy and the Notice of Federal Tax Lien. At that point Anthony can avail himself of the CAP and CDP options available (discussed above), giving him an opportunity to have an Appeals hearing and possibly petition the U.S. Tax Court. Unfortunately, this is a very common occurrence because so much time lapses between the different Letters and Notices, many taxpayers become complacent or think the IRS has forgotten about them until their wages are being garnished and their assets are being sold. Also, there is very little sympathy from Collection, Appeals, or even the Tax Court since the taxpayer has so many chances to resolve the matter or pay the money due.

- b. If the taxpayer agrees that they owe the money but do not have the resources to pay the amounts in full, they can request an Installment Agreement for periodic payments. This is done through the IRS on-line system, by calling 1-800-829-1040 or the taxpayer filing Form 9465, Installment Agreement Request, or going in person to an IRS office. To be eligible for an installment agreement, the taxpayer must file all required tax returns. Interest and any penalties will continue to accrue until the balance is paid in full. If the taxpayer does not make the payments as agreed to, the IRS will terminate the agreement and continue where they left off in the collection proceedings. So, if any payments cannot be made, it is important to contact the IRS and renegotiate the agreement. A set-up fee applies unless the taxpayer qualifies as a low-income taxpayer.
- c. If the IRS rejects the Installment Agreement request, the taxpayer can appeal the rejection by calling the telephone number shown on the rejection letter for the proposed

- installment agreement and telling the IRS representative that they want to Appeal the rejection (the request does not need to be in writing). If the matter is before a Revenue Officer, who rejected the request, the request for an appeal must be in writing, preferably using Form 9423, *Collection Appeal Request*. While a conference is recommended, the taxpayer does not have to have a conference with the Revenue Officer's manager before appealing the rejection of a proposed installment agreement.
- d. The request for an appeal of the rejection of a proposed installment agreement must be made on or before the 30th day after the date of the rejection letter (the mailing of written request, including a Form 9423, must be postmarked on or before such day). If the taxpayer appeals within the 30-day period, the IRS is prohibited from levying their property until the appeal process is completed unless the IRS believes the collection of the tax is in jeopardy. Once Appeals makes a decision regarding the rejection, the decision is binding on both the taxpayer and the IRS, meaning there is no judicial review of an Appeals' decision under the CAP.
- e. If the taxpayer defaults on the Installment Agreement payment terms and does not seek a modification, the IRS will issue CP 523, a Notice stating they intend on terminating the installment agreement. The taxpayer should call the telephone number on the termination notice and try to resolve the matter. If they are unable to resolve the matter, then they should explain they want to appeal the termination. This is done using Form 9423, Collection Appeal Request. The taxpayer has 60 days from the date of the notice of intent to terminate in which to request an appeal. Unless they appeal within 30 days after the date of the notice, or cure the default of the installment agreement, the installment agreement will terminate automatically. The taxpayer will still have the right to appeal for an additional 30 days.
- f. If the taxpayer has an approved Installment Agreement if effect, they must abide by the payment terms agreed upon. If they cannot keep up the payments as agreed upon, they should call the IRS and request a modification. In addition, if the IRS has an indication that the taxpayer's financial information provided had changed, the IRS can propose to modify the agreement. If the taxpayer is informed that their agreement is being modified or has been modified, and they do not agree, they may request an Appeals hearing under CAP procedures using the Form 9423, Collection Appeal Request.
- g. Once Installment Agreement is denied, terminated, or involuntarily modified and the appeal request is filed, IRS will not take any action to collect the tax for the tax periods Appeals is considering the request, unless the IRS believes the collection of the tax is at risk.
- h. Once Appeals makes a decision regarding termination or modification the decision is binding on the taxpayer and the IRS, meaning there is no judicial review of Appeals' decision following a CAP hearing. If Appeals finds for the taxpayer and it is discovered they provided false information, failed to provide all pertinent information, or fraud was involved, the Appeals decision become void, and the Levy and Lien Notices will be forth coming.

5. Offers in compromise

a. An Offer in Compromise (offer) is an agreement to settle a tax debt for less than the full amount owed. The offer program provides eligible taxpayers with a path toward paying off their tax debt and getting a fresh start. The ultimate goal is a compromise that suits the best interest of both the taxpayer and the IRS. The request should be made if the taxpayer is unable to pay the tax due, there is an economic hardship, or special circumstances that would cause paying the amount due to be unjust. To be considered, the taxpayer must make an appropriate offer based on what the IRS considers their true ability to pay.

- b. To be eligible for an Offer in Compromise, the taxpayer must:
 - (i) File all tax returns that are legally required to be filed;
 - (ii) Have received a bill for at least one tax debt that is part of the offer;
 - (iii) Made all required estimated tax payments for the current year; and
 - (iv) Made all required federal tax deposits for the current quarter if the taxpayer is a business owner with employees.
- c. An offer will be immediately returned without consideration if all tax returns legally required to be filed have not been filed.

Example 1: Monica Grey received a tax bill for \$5,000 on March 25, 2022, for a 2021 tax liability. Reviewing her financial position, her CPA determines she does not have the means to satisfy the bill and would like to make an Offer in Compromise. The CPA obtains a transcript from the IRS and finds she has not filed her 2018 or 2019 tax returns. He explains to Monica that she must gather her records for 2018 and 2019 to file those returns before an offer can be made. Monica will also have to file her 2021 tax return or put it on extension since the offer will probably not be consummated until after April 18, 2022 (the due date for the 2021 tax return).

- d. To request an Offer in Compromise the taxpayer must file an application on Form 433-A (OIC), Collection Information Statement for Wage Earners and Self-Employed Individuals, if applicable or Form 433-B (OIC), Collection Information Statement for Businesses. An application fee and initial offer payment must be made with the application. If the return is married filing joint, each taxpayer must their own application and each must provide information on joints tax liabilities as well as separate tax liabilities. When the application is submitted, the taxpayer must identify where the monies will be coming from in order to make the payments. This is to ensure that the taxpayer will have the funds necessary to make the required to avoid default.
- e. If the taxpayer can satisfy the debt in full, through installment payments or through the equity in their assets, the offer will not be accepted.
- f. The IRS may levy the taxpayer's assets up to the time the IRS official signs and acknowledges the offer as pending. In addition, they may keep any proceeds received from the levy. So, timing is very important. If the taxpayer has any intention of requesting an Offer in Compromise, they should begin the process as soon the tax bill is received to avoid levies. After an offer is filed, the taxpayer must continue to timely file and pay all required tax returns, estimated tax payments, and federal tax payments. Failure to meet the filing and payment responsibilities during consideration of the offer will result in the offer being returned.
- g. If the offer is accepted, the taxpayer must continue to stay current with all tax filing and payment obligations through the fifth year after the offer is accepted (including any extensions). Otherwise, the offer will be defaulted. If the offer is defaulted, the taxpayer will be liable for the original tax debt, less payments made, and all accrued interest and penalties.
- h. If the offer is rejected, the taxpayer has 30 days of the date the IRS notifies the taxpayer of the decision to reject the offer to request an Appeals hearing. The request must be in

writing using Form 13711, *Request for Appeal of Offer in Compromise*, and mailed to the address on letter rejecting the offer. It is required that the taxpayer include the specific items that the taxpayer does not agree with and the reason for the disagreement, including any law or authority. The taxpayer should include any documents supporting the reasons for disagreement, including a copy of the rejection letter. There are many reasons that the taxpayer may not agree with the offer rejection, including the IRS miscalculated the determination of the taxpayer's future income, the taxpayer's equity in their assets, special circumstances that the IRS failed to consider properly.

- i. Collection action will be suspended while the offer in compromise process is taking place, for 30-days after a request is rejected and while the appeals process is taking place unless the IRS gets some indication that collection of the amount owed is at risk.
- j. The IRS offers a pre-qualification on-line tool at http://irs.treasury.gov/oic_pre_qualifier/ where the taxpayer can answer a series of questions to determine if they are eligible for an Offer in Compromise, the potential amount of the amount that will need to be paid, and the potential amount that will be forgiven.
- k. Taxpayer First Act

6. Trust fund recover penalties

- a. Employment taxes are the amount an employer withholds from their employees for their income tax and Social Security/Medicare tax (trust fund taxes) plus the amount of Social Security/Medicare tax that the employer must pay for each employee. Federal unemployment taxes are also considered employment taxes. Employment taxes are incurred at the time wages are paid. The employment taxes owed are required to be remitted using electronic funds transfer generally through the Electronic Federal Tax Payment System (EFTPS). If the employer does not pay their employment taxes the IRS can:
 - (i) Assess a failure to deposit penalty, up to 15 percent of the amount not deposited in a timely manner;
 - (ii) Propose a Trust Fund Recovery Penalty assessment against the individuals responsible for failing to pay the trust fund taxes; and
 - (iii) Refer the matter to the Department of Justice for civil collection or criminal prosecution.
- b. Trust fund taxes are the income tax, Social Security tax, and Medicare tax (trust fund taxes) withheld from the employee's wages. They are called trust fund taxes because the employer holds these funds "in trust" for the government until it submits them in a federal tax deposit. Certain excise taxes are also considered trust fund taxes because they are collected and held in trust for the government until submitted in a federal tax deposit. To encourage prompt payment of withheld employment taxes and collected excise taxes, Congress has passed a law that provides for the Trust Fund Recovery Penalty.
- c. The Trust Fund Recovery Penalty is a penalty that is assessed personally against the individual or individuals who were responsible for paying the trust fund taxes, but who willfully did not do so. The amount of the penalty is equal to the amount of the unpaid trust fund taxes.
- d. Letter 1153 informs the taxpayer that the IRS has not been able to collect employment taxes from a specific employer named in the letter and now they are proposing to assess the trust fund penalty against the taxpayer. If the taxpayer agrees with the penalty, they

- will sign and return Form 2751, *Proposed Assessment of Trust Fund Recovery Penalty (TFRP)*, within 60 days from the date of the letter.
- e. If the taxpayer does not agree, they can submit a request for appeal to the office/individual that sent them the letter within 60 days from the date of the letter. The letter contains information and lists the IRS publications on how to file an appeal/protest. Failure to respond will result in assessment of the penalty amounts against the taxpayer and begin the collection process to collect it. The penalty can be assessed regardless of whether the company is still in business.
- f. Since the trust fund assessment is a penalty, the appeals process is under the general small case or written protest rules.
- g. Small Case Requests are permitted if the total amount of the proposed assessment for each tax period is \$25,000 or less. If more than one tax period is involved and any tax period exceeds the \$25,000 threshold, a formal written protest for all periods must be filed. The small case procedures are:
 - (i) Send a letter to the attention of the IRS officer whose name and address are listed on the letter (Letter 1153) that stating that the taxpayer wants to appeal the proposed assessment(s) received.
 - (ii) Enclose a copy of the Letter 1153 including name, address, Social Security Number, and daytime telephone number.
 - (iii) Explain the reasons the taxpayer does not believe they are responsible for the unpaid taxes and/or the reasons they disagree with the amount of the proposed assessment(s).
 - (iv) Include a clear explanation of taxpayer's duties and responsibilities during the tax period(s) listed in the letter for the employer named in the letter.
- h. Formal Written Protest are required if the total amount of the proposed assessment for any one tax period is greater than \$25,000. The formal protest procedures require:
 - (i) A statement that the taxpayer wants to appeal the proposed assessment(s). The formal written protest be sent to the attention of the IRS officer whose name and address are listed on the letter (Letter 1153) received. It should include:
 - The taxpayer's name, address, Social Security Number, and daytime telephone number;
 - A copy of the Letter 1153;
 - The tax periods involved:
 - An explanation of why the taxpayer does not believe they are responsible for the unpaid taxes or the reason they disagree with the amount of the proposed assessment(s);
 - A clear explanation of the taxpayer's duties and responsibilities as they relate to the employer named in the Letter 1153;
 - The law or authority, if any, the taxpayer is relying on; and
 - A valid signature under the penalties of perjury statement as follows:
 - "Under the penalties of perjury, I declare that I examined the facts stated in this protest, including any accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete."
- i. If the taxpayer chooses to have a representative (which is always the best decision), they will prepare and sign the protest for them. The representative substitutes a declaration stating:

- (i) He or she submitted the protest and accompanying documents; and
- (ii) He or she knows personally that the facts stated in the protest and accompanying documents are true and correct.
- j. The case will be forwarded to the Office of Appeals for consideration. Conferences with appeals office personnel may be conducted in person, through correspondence, or by telephone with the taxpayer or its authorized representative. Generally, the Appeals Officer determines whether the conference will be in person, through correspondence or by telephone. Normally the Appeals Officer is in an office local to the taxpayer or representative. However, this may not always be the case due to the limited resources of the IRS. If the Appeals Officer is not in an office local to the taxpayer or representative, the taxpayer or representative may travel to the Appeals Officer's location to have a face-to-face conference. Otherwise, the conference will be held by telephone.
- k. Whether the conference is by correspondence, telephone, or in person, the taxpayer or should be prepared to discuss all disputed issues at the conference. Most differences are settled at this level.
- Appeals will consider the reasons for the disagreement between the taxpayer and IRS
 except those based on moral, religious, political, constitutional, conscientious objection,
 or similar grounds.
- m. If the taxpayer does nothing, the IRS will issue a CP15B, assessing the penalty. This requires that the taxpayer pay the penalty and then, file a suit for refund claim. To be eligible to file the suit for refund, the taxpayer must pay the withheld tax for one employee for each quarter of liability that is unagreed and file a claim for refund on Form 843, *Claim for Refund and Request for Abatement*, for the amount paid. If the taxpayer does not file suit, collection actions will continue.
- n. Since the IRS must give the employee the credit for Social Security, Medicare, and the federal income tax, they are very aggressive in pursuing this penalty. As a result, there are numerous court cases per year on the issue. In almost all cases, the IRS is sustained, and the taxpayer owes the monies. When a taxpayer is contacted about an employer's unpaid payroll taxes, it should not be taken lightly, and the taxpayer should have their CPA represent them because the IRS casts a wide net to include anyone, they can hold responsible to pay the Trust Fund Recovery Penalties. The responsible party will always be a shareholder or officer of a corporation and anyone who has signatory authority over the business bank account. To date the IRS has been successful in holding many individuals responsible including a director of a tax-exempt organization, an office manager, and even an accountant was held responsible for their client's failing to pay over their employment taxes.

7. Innocent spouse determinations

- a. Generally, when a tax return is filed Married Filing Jointly, both the taxpayer and spouse are responsible, jointly, and individually, for paying any tax, interest, or penalties on the joint return.
- b. If a taxpayer believes their current or former spouse should be solely responsible for an incorrect item or an underpayment of tax on the joint tax return, they may be eligible for Innocent Spouse Relief. This could change the amount the taxpayer owes or entitle them to a refund.
- c. A taxpayer may be allowed innocent spouse relief only if all of the following apply:
 - (i) The taxpayer filed a joint return for the tax year(s) the tax is owed.

- (ii) There is an understated tax on the return(s) that is due to erroneous items of the person the taxpayer filed the joint return with. An erroneous item is any income, deduction, credit, or basis is an erroneous item if it is omitted from or incorrectly reported on the joint return.
- (iii) The taxpayer can show that when they signed the return(s) they did not know and had no reason to know that the understated tax existed (or the extent to which the understated tax existed).
- (iv) Considering all the facts and circumstances, it would be unfair to hold the taxpayer liable for the understated tax.
- **Example 1:** Debbie and Ken Murphy file a joint return showing \$5,000 of tax, which was fully paid. The IRS later examines the return and finds \$10,000 of income that Ken earned but did not report. With the additional income, the total tax becomes \$6,500. The understated tax penalty is \$1,500, for which both Debbie and Ken are both liable. If Debbie can show she had no reason to know Ken did not report the \$10,000 when she signed the return and therefore it would be unfair to hold her liable, she can file Form 8857, *Request for Innocent Spouse Relief*, to obtain relief from the joint liability.
- Example 2: Same as Example 1, except Ken files 8857, Request for Innocent Spouse Relief. Ken is not eligible to file Form 8857 or be granted relief because the tax due is directly from income he did not report.
- d. The taxpayer should file Form 8857, Request for Innocent Spouse Relief as soon as they become aware of a tax liability for which they believe only their spouse or former spouse should be held responsible for. This can be because:
 - (i) The IRS is examining the taxpayer's tax return and proposing to increase the tax liability.
 - (ii) The IRS sends the taxpayer a notice. To request innocent spouse relief, the taxpayer must submit Form 8857, Request for Innocent Spouse Relief, no later than two years from the date of the IRS's first attempt to collect the outstanding debt.
- e. The IRS will discuss the matter with the other spouse before they make any determination. Remember, if one of the spouses is determined to be innocent, the other spouse owes all the money. When former spouses are involved, the IRS generally has an uphill battle. For example, in **Example 1** with Ken and Debbie, even though the monies owed are a result of income Ken earned, it is very advantageous for Ken to provide facts and even documents that Debbie was aware of the unreported income when she signed the return, so he is not solely responsible for the tax debt. This means the IRS can pursue Debbie's assets to satisfy the monies owed also.
- f. If the taxpayer does not agree with the Innocent Spouse determination, either or both may appeal the decision.
- g. Appeals will issue a final determination letter to both spouse after they consider the appeal. If either or both spouses do not agree with the appeal determination, the requesting spouse can appeal to the U.S. Tax Court to review the request for relief no later than the 90th day after the date the IRS mails the taxpayer's a final determination letter. The non-requesting spouse will become a party to the proceedings. If a Form 8857 is filed and no final determination letter is issued within six months, the taxpayer can also petition the Tax Court.
- h. If no petition is filed or filed late, the Tax Court cannot review the request for relief.

i. While the taxpayer is gong though the innocent spouse relief, the IRS cannot collect the tax due. As a result, the time to make a determination on the Form 8857 request and the appeals hearing will suspend the 10-year collection period, to collect the taxes. The amount of time the suspension is in effect will be added to the time remaining in the 10-year period.

8. Federal tax liens

- a. A federal tax lien is the government's legal claim against a taxpayer's property when they neglect or fail to pay a tax debt. The lien protects the government's interest in all of the taxpayer's property, including real estate, personal property, and financial assets. A federal tax lien exists after the IRS:
 - (i) Assesses the liability;
 - (ii) Sends the taxpayer a bill explaining how much they owe (Notice and Demand for Payment); and
 - (iii) The taxpayer neglects or refuses to fully pay the debt timely. This can include ignoring the bills being sent from the IRS, not arranging a payment plan, or requesting an offer in compromise.
- b. When a taxpayer does not pay their first bill for taxes due, a lien is created by law and attaches to their property. It applies to property (such as a car) and to any current and future rights the taxpayer has to property. The IRS files a public document, the Notice of Federal Tax Lien, to alert creditors that the government has a legal right to the taxpayer's property. It establishes the priority of the government's claim on the taxpayer property versus the claims of other creditors.
- c. It is reported by consumer credit reporting agencies and can a negative effect on a taxpayer's credit rating. Employers, landlords, and others may also use this information when considering whether to hire or rent property to a taxpayer.
- d. If a taxpayer receives a Notice of Federal Tax Lien, they can pay the tax immediately, apply for an Installment Agreement, a payment plan, or an Offer in Compromise (settlement of the unpaid taxes for less than what is owed) or appeal the Notice. Within five business days of the first filing of the Notice of Federal Tax Lien for a specific debt, the IRS will send the taxpayer a Notice of Federal Tax Lien Filing and Right to a Collection Due Process Hearing. The taxpayer will have until the date shown on the notice to request a CDP hearing with the Office of Appeals.
- e. To appeal the Notice, the taxpayer must complete Form 12153, *Request for a Collection Due Process or Equivalent Hearing*, and send it to the address in the notice.
- f. Appeals will schedule the CDP hearing and issue a determination on whether the Notice of Federal Tax Lien should remain filed, or whether it should be withdrawn, released, discharged, or subordinated.
- g. If the taxpayer disagrees with the determination, they have 30 days to file a petition with the U.S. Tax Court.
- h. If the taxpayer does not want to use the CDP procedures, they can use the CAP. This program provides for a hearing with appeals as well and results in a faster resolution. However, the taxpayer cannot appeal the decision to the U.S. Tax Court. The taxpayer would file Form 9243, *Collection Appeals Process*, to appeal using this process.
- i. If the taxpayer is successful, appeals will release the federal tax lien. They do this by filing a Certificate of Release of Federal Tax Lien with the same state and local

authorities with whom they filed the Notice of Federal Tax Lien. They will release the lien if:

- (i) The debt is fully paid;
- (ii) Payment of the debt is guaranteed by a bond;
- (iii) The taxpayer has met the payment terms of an Offer in Compromise which the IRS has accepted; or
- (iv) The period for collection has ended.
- j. Appeals could decide to withdraw the Notice of Federal Tax Lien. A "withdrawal" removes the Notice of Federal Tax Lien from public record and tells other creditors that the IRS is abandoning their lien priority. This does not mean that the federal tax lien is released or that the taxpayer is no longer liable for the amount due. Appeals would withdraw a Notice of Federal Tax Lien if:
 - (i) Th taxpayer has entered into an Installment Agreement to satisfy the tax liability;
 - (ii) It will help the taxpayer pay their taxes more quickly;
 - (iii) The IRS did not follow their own procedures;
 - (iv) The Notice of Federal Tax Lien was filed during a bankruptcy automatic stay period; or
 - (v) It is in the taxpayer's and government's best interest. This generally happens when the Taxpayer Advocate is involved in the matter.

9. Federal tax levy

- a. A federal tax levy is a legal seizure of a taxpayer property to satisfy a tax debt. The IRS will usually levy only after these three requirements are met:
 - (i) The IRS assessed the tax and sent the taxpayer a Notice and Demand for Payment (a tax bill);
 - (ii) The taxpayer neglected or refused to pay the tax; and
 - (iii) The IRS sent the taxpayer a Final Notice of Intent to Levy and Notice of the Right to A Hearing (levy notice) at least 30 days before the levy.
- b. The IRS may provide the notice in person, leave it at the taxpayer's home or their usual place of business, or send it to the last known address by certified or registered mail, return receipt requested. If the taxpayer does not pay their overdue taxes, make other arrangements to satisfy the tax debt, or request a hearing within 30 days of the date of this notice, the IRS can seize the taxpayer's property.
- c. The IRS can seize, a.k.a., levy:
 - (i) **Wages, salary, or commissions.** The IRS will serve the levy once, not each time the taxpayer is paid, and the levy continues until the is fully paid, other arrangements are made, or the collection period ends.
 - (ii) The taxpayer's bank account. Seizure of the funds in the bank account will include funds available for withdrawal up to the amount of the seizure. After the levy is issued, the bank will hold the available funds and give the 21 days to resolve any disputes about who owns the account before sending it to the IRS. After 21 days, the bank will send the IRS the money, and any interest earned on that amount, unless the taxpayer has resolved the issue in another way.
 - (iii) The taxpayer's retirement account, including Qualified Pension, Profit Sharing, and Stock Bonus Plans, IRAs, SEP-IRAs, Keogh Plans and Thrift Savings Plans. They can also seize up to 15 percent of federal payments including contractor payments, Social Security payments, federal retirement

- annuities, or 100 percent of payments due to a vendor for property, goods, or services sold or leased to the federal government.
- (iv) The taxpayer's house, car, or other property. If they seize the taxpayer's house or other property, they will sell the property and apply the proceeds (after the costs of the sale) to the tax debt. Prior to selling the property, they will calculate a minimum bid price and provide the taxpayer a copy of the calculation. This will give the taxpayer an opportunity to challenge the fair market value determination. Once the value is agreed on, the IRS will then provide the taxpayer with the notice of sale and announce the pending sale to the public, usually through local newspapers or flyers posted in public places. Once notice is given, they will generally wait 10 days and then sell the property. They will apply the proceeds to the tax debt and if there is any money left over, they will tell the taxpayer how to get a refund.
- d. Property that cannot be seized includes:
 - (i) Unemployment benefits.
 - (ii) Service-connected disability payments.
 - (iii) Workers' compensation.
 - (iv) Public assistance payments.
 - (v) Minimum weekly exempt income.
 - (vi) Court-ordered child support payments.
 - (vii) Schoolbooks, clothing, undelivered mail, fuel, provisions, furniture, personal effects for a household, and certain amounts worth of books and tools for trade, business, or professions.
 - (viii) There are also limitations on the ability to seize a primary residence and certain business assets.
- e. To appeal a Notice of Levy, the taxpayer can request a CDP hearing within 30 days from the date of the Notice of Intent to Levy and Notice of Your Right to a Hearing. The appeal request should be sent to the address on the taxpayer's notice using Form 12153, Request for a Collection Due Process or Equivalent Hearing. Appeals will contact the taxpayer to schedule the conference. As with other appeals conferences, it may be held by telephone, correspondence, or, if the taxpayer qualifies, in a face-to-face conference at the Appeals office closest to the taxpayer's home, school, or place of business. At the end of the hearing, the Office of Appeals will provide a determination.
- f. If the taxpayer does not agree with the Appeals determination, they can file a petition with the U.S. Tax Court within 30 days.
- g. A timely request for a CDP hearing will suspend the 10-year collection period, to collect the taxes. Both the prohibition on levy and the suspension of the 10-year period will last until the determination the IRS Office of Appeals makes about the disagreement is final. The amount of time the suspension is in effect will be added to the time remaining in the 10-year period.

Example:

Gene Duffy receives a Notice of Levy from the IRS on April 1, 2022. Gene does not agree with the Levy and files a timely Form 12153 to request a CDP hearing on May 15, 2022. The appeals conference is held on July 1, 2022, and on September 1, 2022, appeals issues a decision upholding the Notice of Levy. The appeal suspends the 10-year period for five months, so the period the IRS has to collect the taxes will be extended by five months.

h. If the taxpayer misses the deadline for requesting a timely CDP hearing and they still want to go to Appeals, they can use Form 12153. The taxpayer must request an equivalent hearing within one year from the date of the levy notice. An equivalent hearing request does not prohibit levy or suspend the 10-year period for collecting the taxes and the taxpayer cannot go to court to appeal the IRS Office of Appeals' decision.

III. Alternative dispute resolution

A. Fast track mediation

The IRS offers fast track mediation services to help taxpayers resolve many disputes resulting from various disputes with IRS Collection activities like offers in compromise, trust fund recovery penalties, and qualifying collection due process cases. This process allows for a faster resolution with trained mediators whose goal is to bring the parties to agreement at the lowest level in the IRS organization. It is an efficient process to ensure the least time and cost to all parties. The prohibition against ex parte communications between Appeals and other IRS employees does not apply to fast-track mediation because Appeals mediators are not acting in their traditional Appeals settlement role.

- a. Fast track mediation⁴ is available when there is an unresolved issue in the collection process. Fast track mediation lets taxpayers resolve disputes at the earliest possible stage in the collection process. To participate in the program, the taxpayer must apply using Form 13369, Agreement to Mediate. Once the fast-track mediation application is accepted, the goal is resolution within 40 days.
- b. With fast-track mediation, a trained mediator from Appeals is assigned to assist in a resolution between the taxpayer and IRS on the disputed issue(s). The taxpayer retains full control over every decision made during the process.
- c. For the case to be considered for fast-track mediation, the taxpayer is required to try and resolve all issues with the IRS. This entails working cooperatively with the IRS revenue officer and meeting with the revenue officer's manager before requesting an Appeals mediator. If the mediator is unable to bring both parties to resolution, the taxpayer still has the opportunity to request a formal Appeals hearing and go through the normal unagreed procedures. If the taxpayer is not satisfied with how the process is going, they can withdraw from mediation at any time and revert back to the normal collection process.
- d. If a resolution is reached through fast-track mediation, the matter is closed. This process makes resolution faster instead of the taxpayer having to endure the normal, long-drawnout process when the parties do not agree.
- e. To apply for the program the taxpayer must complete Form 13369, *Agreement to Mediate*, and include a written statement detailing each disputed issue and why they do not agree. It is important to obtain a copy of the pertinent workpapers from the revenue officer to prepare the written position. To ensure there is no misunderstanding, request the revenue officer's workpapers and any managerial conferences in writing to ensure the taxpayer has a written trail to document their cooperation throughout the process. To be eligible, the taxpayer must be current with filing requirements and current with deposits. Generally, within one week of receiving the signed agreement to mediate, a mediator will contact the taxpayer and IRS representative to schedule the meeting. Once the meeting is scheduled, the goal is to resolution in 40 days.

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⁴ Rev. Proc. 2003-41.

- f. Cases or issues not eligible for fast-track mediation include:
 - (i) Issues for which there is no legal precedent.
 - (ii) Issues where the courts have rendered opposing or differing decisions in different jurisdictions.
 - (iii) Industry specialization program issues.
 - (iv) An issue for which the taxpayer has filed a request for competent authority assistance.
 - (v) Service Center penalty appeals cases.
 - (vi) Service Center Offer in Compromise cases.
 - (vii) Collection Appeals Program cases.
 - (viii) Automated Collection System cases.
 - (ix) Constitutional issues.

B. Fast track settlement

Fast track settlement⁵ is a customer-driven approach to resolving tax disputes at the earliest possible stage in the examination process. The program is designed to provide an independent Appeals review of the dispute where all parties have a say in the process, utilize the mediation skills and delegated settlement authority of Appeals, and reduce the length of a taxpayer's overall examination experience. The case remains under the jurisdiction of examination during the fast-track settlement process. The prohibition against ex parte communications between Appeals and other IRS employees does not apply to fast-track settlement because Appeals mediators are not acting in their traditional Appeals settlement role.

- a. Fast track settlement brings Appeals resources to a mutually agreed upon location to resolve the dispute before the examiner issues the 30-Day Letter. The issues must be fully developed. A specially trained Appeals employee facilitates the discussion between the taxpayer and the revenue agent and their team or group manager to reach and execute a settlement that all parties agree with.
- b. Applying for fast-track settlement is done using Form 14107, Application for Fast Track Settlement. A formal written protest is not required. Once the application is complete and the case is accepted into the fast-track settlement program, an Appeals official will serve as a facilitator to arrive at and execute a resolution or settlement that is mutually agreeable to all parties. This program is different from fast-track mediation because the Appeals employee has settlement authority. This means, the Appeals Officer has the ability to consider the hazards of litigation, just like in a traditional appeals case.
- c. Just like in fast-track mediation, the goal is an expeditious resolution. The resolution goal depends on which jurisdiction the taxpayer's case resides with. If the taxpayer is being examined by the Small Business Self-Employed (SBSE) Division of the IRS (individual taxpayers and businesses with less than \$10 million dollars in assets), the time frame is 60 days to provide a recommended resolution. If the taxpayer is being examined by the Large Business & International Division (LB&I) of the IRS (businesses with assets of \$10 million dollars or greater), the time frame is 120 days to provide a recommended resolution.
- d. The taxpayer does not have to accept the Appeals Officer's recommendation and can withdraw from fast-track settlement at any time. If they withdraw or do not agree, the examiner will close the case unagreed, allowing the taxpayer an opportunity to proceed

⁵ Rev. Proc. 2003-40, Rev. Proc. 2017-25.

to the traditional Appeals process. This is good news because it gives the taxpayer a second attempt to convince a different Appeals Officer's that their position is the correct one. More importantly, it gives the taxpayer an opportunity to change their strategy. Since the taxpayer already knows the reason for the decision by the Appeals Officer in fast-track settlement, they have an opportunity fine tune their position and find additional precedence.

- e. The IRS also does not have to accept the Appeal Officer's recommendation and can withdraw from fast-track settlement at any time and simply close the case unagreed, allowing the taxpayer to use the traditional appeals process. However, the onus on the IRS is much different. Without any additional documents or information, it is difficult for the IRS to switch strategies which means there is a good likelihood a new Appeals Officer would recommend the same findings. To continue to pursue a dead issue is a huge drain on resources that could be used pursuing issues that can be upheld. As a result, many times the IRS accepts Appeal's recommendation resolution, so they can move their resources to better cases. This is a win-win for the taxpayer. If Appeals recommends resolution for the IRS, the taxpayer can strengthen or revise their position to obtain a better resolution the second time around and if Appeals recommends resolution for the taxpayer, there is a strong likelihood the IRS will accept the recommendation.
- William Burke's individual tax return for the 2020 tax year is under examination. The IRS disallowed some travel expenses as a result of their findings. The IRS issued their report on the adjustment and asserted a penalty in addition to the tax. The CPA representing William fills out Form 14107, Application for Fast Track Settlement, which is accepted. The Settlement conference is conducted, and the Appeals Officer determines based on the information provided that the IRS has a 75 percent chance of success in court. The Appeals Officer provides the parties the research and reasoning why they determined that 75 percent of the penalty should apply. As a result, their recommended settlement is the taxpayer is liable for 75 percent of the penalty. If both parties agree, Appeals will draft a settlement agreement for a 75 percent penalty which both parties will sign the settlement agreement and the case will be closed agreed.
- Example 2: Continuing with Example 1, except the taxpayer does not agree with the settlement recommendation. Once either party does not agree, Appeals is no longer involved. The examiner will issue the 30-Day Letter which will include 100 percent of the penalty. The CPA will prepare a written protest on why the penalty does not apply. Since they have the insight and reasoning of the Appeals' Officer recommendation from fast-track settlement, they do additional research and find some cases that provide how the penalty would not apply. The CPA builds that language into the written protest. Of course, this will have no impact on the examiner, and they will forward the case to Appeals. However, when the new Appeals Officer reads the protest and does their research, they find that the preponderance of evidence dictates that the hazard of litigation has shifted and if the case went to court, the government only has a 25 percent chance of success. As a result, they offer a 75 percent concession of the penalty.
- Example 3: William Burke's individual tax return for the 2020 tax year is under examination. The IRS disallowed some travel expenses as a result of their findings. The IRS asserted a penalty in addition to the tax. The CPA representing William fills out the Form 14107, Application for Fast Track Settlement, which is accepted. The Appeals Officer conducts the settlement conference and determines, based on the information provided, that the IRS has a 25 percent chance of success in court. The Appeals Officer provides the parties the research and reasoning why they determined that 75 percent of the penalty should not apply. As a result, their

recommended settlement is the taxpayer is liable for 25 percent of the penalty. The IRS examiner does not agree. This is where IRS management gets involved. If IRS does not take the settlement recommendation, they will issue the 30-Day Letter and the CPA will prepare the written protest. The case will then forward back to Appeals under the traditional process. Since all Appeals Officers are provided the same training to determine the hazards of litigation, it is likely, without any additional information, the second Appeals Officer would reach the same 75 percent, possibly a 100 percent concession of the penalty. So, even if the examiner does not agree, IRS management will usually accept the Appeals settlement recommendation so as not to waste any more resources pursuing an issue they cannot win. So, the question is, why doesn't the IRS use a different strategy like the CPA did in **Example 2**? The answer is the examiner already fully developed the issue and provided their position in writing. Fully developed means they had all information necessary to reach their conclusion. So, there is no additional information to request to sustain the position they have already provided. Even if they did request more, the CPA would tell the examiner there is no additional documentation to provide and then if they pushed it, argue in Appeals that the agent was being vindictive and prolonging the examination knowing they had little chance of success. This will cause the hazards of litigation to go up in favor of the taxpayer's success. So, generally the IRS will accept the settlement agreement from Appeals.

C. Early referral

Taxpayers whose returns are under the jurisdiction of Examination or Collection may request the transfer of a developed but unagreed issue to Appeals, while the other issues in the case continue to be developed in Examination or Collection. The early resolution of a key issue may encourage taxpayers and the Service to agree on other issues in the case. Early referral can also be requested with respect to issues regarding an involuntary change in method of accounting, employment tax, employee plans, and exempt organizations. Regular Appeals procedures apply, including taxpayer conferences.

- a. The early referral request is made by the taxpayer in writing to the case or group manager. The request must:
 - (i) Identify the taxpayer and the tax periods to which those issues relate;
 - (ii) State each issue for which early referral is requested;
 - (iii) Describe the taxpayer's position with regard to the relevant early referral issues. This statement must contain a brief discussion of the material facts and an analysis of the facts and law as they apply to each early referral issue; and
 - (iv) Must include a declaration that "Under penalties of perjury, I declare that I have examined this request [or submission], including accompanying documents, and to the best of my knowledge and belief, the facts presented are true, correct, and complete." The declaration must be signed by any person currently authorized to sign the taxpayer's federal income tax returns.
- b. Issues excluded from early referral include an issue:
 - (i) Where a 30-Day Letter has been issued;
 - (ii) That is not fully developed;
 - (iii) When the remaining issues in the case are expected to be completed before Appeals could resolve the early referral issue;
 - (iv) That is designated for litigation by the Office of Chief Counsel;
 - (v) Where the taxpayer has filed a request for Competent Authority assistance, or issues for which the taxpayer intends to seek Competent Authority assistance; or

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⁶ Rev. Proc. 99-28.

- (vi) That is part of a whipsaw transaction. (The term "whipsaw" refers a transaction between two parties and differing characteristics of transactions will benefit one and hurt the other for tax purposes. For example, divorced parents both claiming a child as an exemption).
- c. Just like fast-track mediation, Appeals has settlement authority and can use the hazards of litigation to propose a recommended settlement. In addition, the taxpayer can withdraw from the process at any time. If the fast-track mediation is not completed by the time the rest of the examination is completed, the issues will be rolled into 30-Day Letter and follow the unagreed case procedures. Unlike the other alternative dispute resolution tools available, there is no specific time goal for resolution other than the before the entire examination is completed. Early referral is a toll mandate by Congress under the IRS Restructuring and Reform Act of 1998, so it was the first resolution tool available. The IRS has continued to improve and expand its application though the other resolution procedures discussed earlier.

D. Post-appeals mediation

Post-appeals mediation (PAM) is similar to fast-track mediation except it is for disputes between the taxpayer and their Appeals or Settlement Officer rather than Collection and the taxpayer. The program is for a trained mediator from the Office of Appeals to assist the taxpayer and an Appeals Officer or Settlement Officer reach a settlement and agreement on disputed issue(s) while the case is still under Appeals' consideration. It is a procedure that may be used only after Appeals settlement discussions are unsuccessful and, generally, when all other issues are resolved but for the issue(s) for which mediation is being requested. Just like the other resolution tools, once a PAM application is accepted, the goal is resolution within 60-90 days. PAM is available for both legal and factual disputes. For a case to be considered for PAM, the taxpayer must work cooperatively and try to resolve all issues with the Appeals Officer or Settlement Officer before filing the request. The mediator does not have settlement authority and cannot render a decision regarding any issue in dispute. Both Appeal's and the taxpayer can withdraw from PAM any time before reaching agreement.

- a. To apply for PAM, send a request to the Appeals Team Manager (Copy the Appeals Area Director)⁷ a written statement containing:
 - The taxpayer's name, taxpayer identification number, and address (and the name, title, address, and telephone number of a different contact person, if applicable);
 - (ii) The name of the Team Case Leader, Appeals Officer, or Settlement Officer;
 - (ii) The taxable period(s) involved;
 - (iv) A description of the issue for which mediation is being requested, including the dollar amount of the adjustment or, if applicable, the OIC in dispute; and
 - (v) A representation that the issue is not an excluded issue.
- b. Cases not eligible for PAM include:
 - (i) Cases considered by an IRS campus site;
 - (ii) Issues docketed in any court, designated for litigation, or under consideration for designation for litigation;
 - (iii) "Whipsaw" issues, which are issues for which resolution with respect to one party might result in inconsistent treatment without the participation of the other party; and

⁷ Rev. Proc. 2014-63.

- (iv) Collection cases, except for certain OIC and Trust Fund Recovery Penalty cases.
- c. The Appeals Team Manager will confer with the Appeals Office of Tax Policy and Procedure before deciding to approve or deny a mediation request. Generally, the Appeals Team Manager will respond to the taxpayer and the Team Case Leader or Appeals Officer within two weeks after the Appeals Team Manager receives the request for mediation. If Appeals approves the mediation request, the Appeals Team Manager will inform the taxpayer and the Team Case Leader, Appeals Officer, or Settlement Officer and will schedule a conference or conference call at a mutually agreeable time that may include a representative from the Appeals Office of Tax Policy and Procedure to discuss the mediation process. If Appeals denies the mediation request, the Appeals Team Manager will promptly inform the taxpayer and the Team Case Leader, Appeals Officer, or Settlement Officer. Although no formal appeal procedure exists for the denial of a mediation request, a taxpayer may request a conference with the Appeals Team Manager to discuss the denial. The denial of a mediation request is not subject to judicial review.

Department of the Treasury - Internal Revenue Service Form **9423** Collection Appeal Request (February 2020) (Instructions are on the reverse side of this form) 1. Taxpayer's name 2. Representative (attach a copy of Form 2848, Power of Attorney) 3. SSN/FIN 4. Taxpayer's business phone 5. Taxpayer's home phone 6. Representative's phone 7. Taxpayer's street address 8. City 9. State 10. ZIP code 11. Type of tax (tax form) 12. Tax periods being appealed 13. Tax due Collection Action(s) Appealed 14. Check the Collection action(s) you are appealing Federal Tax Lien Levy or Proposed Levy Seizure Rejection of Installment Agreement Termination of Installment Agreement Modification of Installment Agreement Explanation 15. Explain why you disagree with the collection action(s) you checked above and explain how you would resolve your tax problem. Attach additional pages if needed. Attach copies of any documents that you think will support your position. Generally, the Internal Revenue Service Independent Office of Appeals will ask the Collection Function to review, verify and provide their opinion on any new information you submit. We will share their comments with you and give you the opportunity to respond Under penalties of perjury, I declare that I have examined this request and any accompanying documents, and to the best of my knowledge and belief, they are true, correct and complete. A submission by a representative, other than the taxpayer, is based on all information of which the representative has any knowledge. 16. Taxpayer's or Authorized Representative's signature (only check one box) 17. Date signed **IRS USE ONLY** 18. Revenue Officer's name 19. Revenue Officer's signature 20. Date signed 22. Revenue Officer's email address 21. Revenue Officer's phone 23. Date received 24. Collection Manager's name 25. Collection Manager's signature 26. Date signed 27. Collection Manager's phone 28. Collection Manager's email address 29. Date received

www.irs.gav

Catalog Number 14169l

Form 9423 (Rev. 2-2020)

Instructions for Form 9423, Collection Appeal Request

For Liens, Levies, Seizures, and Rejection, Modification or Termination of Installment Agreements

A taxpayer, or third party whose property is subject to a collection action, may appeal the following actions under the Collection Appeals Program (CAP):

- a. Levy or seizure action that has been or will be taken.
- b. A Notice of Federal Tax Lien (NFTL) that has been or will be filed.
- c. The filing of a notice of lien against an alter-ego or nominee's property.
- d. Denials of requests to issue lien certificates, such as subordination, withdrawal, discharge or non-attachment.
- e. Rejected, proposed for modification or modified, or proposed for termination or terminated installment agreements.
- f. Disallowance of taxpayer's request to return levied property under IRC 6343(d).
- g. Disallowance of property owner's claim for return of property under IRC 6343(b).

How to Appeal If You Disagree With a Lien, Levy, or Seizure Action

1. If you disagree with the decision of the IRS employee, and wish to appeal, you must first request a conference with the employee's manager. If you do not resolve your disagreement with the Collection manager, submit Form 9423 to request consideration by Appeals. Let the Collection office know within two (2) business days after the conference with the Collection manager that you plan to submit Form 9423. The Form 9423 must be received or postmarked within three (3) business days of the conference with the Collection manager or collection action may resume.

Note: If you request an appeal after IRS makes a seizure, you must appeal to the Collection manager within 10 business days after the Notice of Seizure is provided to you or left at your home or business.

- 2. If you request a conference and are not contacted by a manager or his/her designee within two (2) business days of making the request, you can contact Collection again or submit Form 9423. If you submit Form 9423, note the date of your request for a conference in Block 15 and indicate that you were not contacted by a manager. The Form 9423 should be received or postmarked within four (4) business days of your request for a conference as collection action may resume.
- On the Form 9423, check the collection action(s) you disagree with and explain why you disagree. You must also explain your solution to resolve your tax problem. Submit Form 9423 to the Collection office involved in the lien, levy or seizure action.
- 4. In situations where the IRS action(s) are creating an economic harm or you want help because your tax problem has not been resolved through normal channels, you can reach the Taxpayer Advocate Service at 877-777-4778.

How to Appeal An Installment Agreement Which Has Been Rejected, Proposed for Modification or Modified, or Proposed for Termination or Terminated

- If you disagree with the decision regarding your installment agreement, you should appeal by completing a Form 9423, Collection Appeal Request.
- You should provide it to the office or revenue officer who took the action regarding your installment agreement, within 30 calendar days.

Note: A managerial conference is not required. However, it is strongly recommended a conference be held with the manager whenever possible.

Important: Never forward your request for an Appeals conference directly to Appeals. It must be submitted to the office which took the action on your installment agreement.

What Will Happen When You Appeal Your Case

Normally, we will stop the collection action(s) you disagree with until your appeal is settled, unless we have reason to believe that collection or the amount owed is at risk.

You May Have a Representative

You may represent yourself at your Appeals conference or you may be represented by an attorney, certified public accountant or a person enrolled to practice before the IRS. If you want your representative to appear without you, you must provide a properly completed Form 2848, Power of Attorney and Declaration of Representative. You can obtain Form 2848 from your local IRS office, by calling 1-800-829-3676, or by going to www.irs.gov.

Decision on the Appeal

Once Appeals makes a decision regarding your case, that decision is binding on both you and the IRS. You cannot obtain a judicial review of Appeals' decision following a CAP. However, there may be other opportunities to obtain administrative or judicial review of the Issue raised in the CAP hearing. For example, a third party may contest a wrongful levy by filling an action in district court. See Publication 4528, Making an Administrative Wrongful Levy Claim Under Internal Revenue Code (IRC) Section 6343(b).

Note: Providing false information, failing to provide all pertinent information or fraud will void Appeals' decision

Refer to Publication 594, The IRS Collection Process, and Publication 1660, Collection Appeal Rights, for more information regarding the Collection Appeals Program. Copies of these publications can be obtained online at www.irs.gov.

Privacy Act

The information requested on this Form is covered under Privacy Acts and Paperwork Reduction Notices which have already been provided to the taxpayer.

Catalog Number 141691 www.irs.gov Form 9423 (Rev. 2-2020)

Form 13711 (December 2017)

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employee

Service

Department of the Treasury - Internal Revenue Service

Request for Appeal of Offer in Compromise

Provide the information required in the spaces below. You must sign and date this form. Taxpayer Identification Number Taxpayer name Taxpayer Identification Number Mailing address Tax form number City State ZIP Code Tax period(s) ended Taxpayer's current daytime telephone number Name of authorized representative ZIP Code Mailing address City State Best time to call (during normal business hours) Telephone number of authorized representative If you disagree with a specific item shown on the Income and Expense Table and Assets and Equity table you received with your rejection letter, identify the specific item(s). In the space next to the disagreed item, provide a brief statement indicating why you don't agree with our determination (if the disagreed item is the value of future income, indicate that under "Disagreed Item," and provide an explanation under "Reason for Disagreement"). There is room for more entries on the back of this form, and you may use additional pages, if necessary. Attach supporting documents for each disagreed item you identify and indicate on them which issue they apply to. If you disagree with a reason for the rejection stated in our letter but not discussed on the Table, identify what statement you disagree with, the reason you disagree and attach any supporting documentation. Additional pages may be attached. If you do not agree with the Service's analysis of economic hardship or Effective Tax Administration, please provide an explanation with documentation. If possible, attach a copy of the rejection letter to this form. Disagreed item Reason for disagreement (attach supporting documentation) Certification of Taxpayer: Under penalties of perjury, I declare that to the best of my knowledge, the information contained herein is true, correct, and complete. Signature of Taxpayer Date signed Signature of Taxpayer Date signed Certification for authorized representative: Check the box that applies depending on whether you have personal knowledge. I declare that I have submitted the protest and accompanying documents and to the best of my knowledge, the facts stated in the protest and accompanying documents are true, correct, and Scan this QR Code with your smartphone or other device with a I declare that I have submitted the protest and accompanying documents, but have no personal knowledge concerning the facts stated in the protest and the accompanying QR reader, or go to the website url shown, to view more information Signature of authorized representative (Attach a copy of your completed Form 2848, about completing this Power of Attorney and Declaration of Representative.) form and other Appeals Signature of authorized representative www.irs.gov/compliance/appeals processes online. Date signed Form 13711 (Rev. 12-2017) Catalog Number 40992F www.irs.gov

Disagreed item	Reason for disagreement (attach supporting documentation)
Disagreed item	Reason for disagreement (attach supporting documentation)
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Catalog Number 40992F www.irs.gov Form **13711** (Rev. 12-2017)

Form **12153**

Department of the Treasury - Internal Revenue Service

(July 2022)

Request for a Collection Due Process or Equivalent Hearing

Use this form to request a Collection Due Process (CDP) or Equivalent Hearing (EH) with the IRS Independent Office of Appeals (Appeals) if you have received a letter offering an appeal under IRC 6320/6330 (CDP notice).

IRS Use Only

Complete this form and send it to the address for requesting a hearing (not the payment address) shown on your CDP notice. Include a copy of your CDP notice to ensure proper handling of your request. For further information on these hearings, please see the instructions for this form.

Call the phone number on the CDP notice or 1-800-829-1040 if you are not sure about the correct

address or if you want to fax your he	earing request.	
Si desea ver el formulario y las instru	cciones en español, visite <u>http://w</u> v	ww.irs.gov/pub/irs-pdf/f12153sp.pdf.
Basis for hearing request (both bo Filed Notice of Federal Tax Lier		ceived lien <u>and</u> levy notices) osed or Actual Levy
2. Equivalent Hearing (see the instru	ctions for more information on Equi	valent Hearings)
If my request does not meet the that is equivalent to a CDP hea	e requirements for a timely CDP ring	hearing, I would like a hearing
3. Taxpayer name <i>(Taxpayer 1)</i>		
Taxpayer Identification Numbe	er	
Current address		
City	State	ZIP code
4. Best telephone number and time Home Work Telephone number	to call during normal business h Cell Time	ours
5. Taxpayer name (Taxpayer 2)		
Taxpayer Identification Numbe	er	
Current address		ZIP code
6. Best telephone number and time		
Home Work	Cell	odio
Telephone number	Time	☐ a.m. ☐ p.m.
Tax information as shown on you to complete section 7 if you include	• • • • • • • • • • • • • • • • • • • •	• • • • • • • • • • • • • • • • • • • •
Type of Tax (Income, Employment, Excise, etc. or Civil Penalty)	Tax Form Number (1040, 941, 720, etc.)	Tax Period or Periods
		40450
Catalog Number 26685D	www.irs.gov	Form 12153 (Rev. 7-2022)

reason for the dis	requesting a nearing. You pute. Make the best selection in the reason for your requesternstructions)	on(s) from the choices belo	w or use as much space as
☐ I am not liable f	or the tax the IRS is trying to	collect	
☐ I claim innocent	spouse relief (see instruction	s)	
☐ My taxes were	discharged in bankruptcy		
☐ I've made paym	ents that were not applied to	my taxes	
☐ I want the Notic	e of Federal Tax Lien withdr	awn	
☐ I am currently u	nable to pay due to financial	hardship (see paragraph 9)	
☐ I am unable to p	pay in full and would like a co	ollection alternative (see pa	ragraph 9)
Other issues(s)	and/or comment(s)		
financial statem unless you mee with your Form	•	ls) or Form 433-B (busing eption (see below). Submearly submission of the f	esses), with your request, nitting this information
situations apply.) Installment Agreer agreement without p	nt Exceptions (no financial s ment: To see if you can auto providing a financial stateme payments/online-payment-a	matically obtain an installn nt and without an appeal, v	nent III
Offer in Compromi	se: Only if based on Doubt a	as to Liability.	
10. Signatures	I understand the CDP hearing and of limitations for collection action. sign and date this request before company, add your title (president	I also understand either my repr Appeals can accept it. If you are	esentative or I (but not both) must signing as an officer of a
SIGN HERE	Taxpayer 1's signature		Date
	Taxpayer 2's signature (if a joint re	equest, both must sign)	Date
Representative's signat	ure (include an executed Form 2848)	if signing for the taxpayer(s) unless	a Form 2848 is already on file)
Representative's name		Telephone number	Date
IRS Use Only			<u> </u>
IRS employee (print)		Telephone number	Received date
Catalog Number 26685D	W	ww.irs.gov	Form 12153 (Rev. 7-2022)

Important Things to Know for a CDP or Equivalent Hearing

Your timely request for a CDP hearing will prohibit levy action in most cases. A timely request for a CDP hearing will also suspend the 10-year period IRS has, by law, to collect your taxes. Both the prohibition on levy and the suspension of the 10-year period will last until the determination Appeals makes about your disagreement is final. The amount of time the suspension is in effect will be added to the time remaining in the 10-year period. For example, if the 10-year period is suspended for six months, the time left in the period the IRS has to collect taxes will be extended by six months. You can go to court to appeal the CDP determination Appeals makes about your disagreement.

If you want a hearing with Appeals after the deadline for requesting a timely CDP hearing has passed, you must check the box in item 2. In this case you will receive an equivalent hearing, which is the same as a CDP hearing except it does not prohibit levy or suspend the 10-year period for collecting your taxes; also, you cannot go to court to contest Appeals' decision about your disagreement. You must request an equivalent hearing within the following timeframe:

- Lien Notice—one year plus five business days from the filing date of the Federal Tax Lien.
- Levy Notice—one year from the date of the CDP levy notice.

Keep a copy of your hearing request and proof of the date you sent it.

Your request for a CDP levy hearing, whether timely or equivalent, does not prohibit the IRS from filing a notice of federal tax lien.

You will have to explain your reason for requesting a hearing when you make your request. Below are examples of reasons for requesting a hearing.

"I am not liable for (I don't owe) all or part of the taxes." You can generally raise a disagreement about the amount you owe if you did not receive a deficiency notice for the liability or if you have not had another prior opportunity for Appeals or a court to consider your disagreement with the amount you owe. A deficiency notice is a notice explaining why you owe taxes—it gives you the right to challenge in court, within a specific time frame, the additional tax the IRS says you owe.



Penalty appeal—Appeals may remove all or part of the penalties if you have a reasonable cause for not paying or not filing on time. For what is reasonable cause to remove penalties, see Notice 746, Information About Your Notice, Penalty and Interest, at https://www.irs.gov/pub/irs-pdf/n746.pdf, or by scanning this QR code.

Innocent Spouse Relief - You believe that your spouse or former spouse is the only one responsible for all or a part of the tax liability. Learn more about this request at https://www.irs.gov/businesses/small-businesses-self-employed/innocent-spouse-relief, or by scanning this QR code. You must complete Form 8857, Request for Innocent Spouse Relief, for an Innocent Spouse request to be considered.





Prior bankruptcy: You may have received a prior bankruptcy discharge and your taxes were not excepted from the discharge. Note that even if your taxes were discharged, your pre-bankruptcy property may remain subject to a tax lien if the property was excluded from the bankruptcy or if a notice of the lien was filed before the bankruptcy. Learn more about bankruptcy at https://www.irs.gov/businesses/small-businesses-self-employed/declaring-bankruptcy, or by scanning this QR code.

"I've made payments that were not applied to my taxes." You may disagree with the amount the IRS says you have or have not paid

If You Want to Propose a Lien Resolution – For the filing of a Notice of Federal Tax Lien (NFTL) against your property, choose a lien resolution and submit appropriate documentation with this form.

Withdrawal: When you request a withdrawal of the NFTL, you are asking the IRS to remove the NFTL information from public records because you believe the NFTL should not have been filed.

Subordination: When you request a subordination, you are asking the IRS to make a Federal Tax Lien secondary to a non-IRS lien.

Release: You can get a Federal Tax Lien released if you pay your taxes in full or complete the terms of an accepted Offer-in-Compromise.

Discharge: When you request a discharge, you are asking the IRS to remove a Federal Tax Lien from a specific property.

Learn more about the NFTL, what may be the right alternative to your issue, and what documentation to include with your Form 12153 at https://www.irs.gov/businesses/small-businesses-self-employed/understanding-a-federal-tax-lien. or by scanning this QR Code:



Catalog Number 26685D www.irs.gov Form **12153** (Rev. 7-2022)

If You Want to Propose a Collection Alternative — Common collection alternatives include:



• Full payment— Pay your taxes by personal or cashier's check, money order, or other approved method. To learn more about payments, visit https://www.irs.gov/payments.

- Installment Agreement or Short-Term Payment Plan—Pay your taxes fully or partially through monthly or deferred payments.
- Offer in Compromise—You offer to make one or more payments to settle your tax liability for less than the full
 amount you owe. To learn more about this resolution, visit https://www.irs.gov/payments/offer-in-compromise or
 by scanning this QR code:



• Currently Unable to Pay—You may not be able to pay due to job loss, illness, reasonable expenses that exceed income, etc.

Appeals may consider freezing collection action until your circumstances improve. Interest and applicable penalties will continue to accrue on your liability.



If you want to discuss with Appeals a collection alternative listed in Item 9 of the Form 12153, submit a completed Form 433-A (individual) and/or Form 433-B (business), as appropriate, with this form. Submitting this information with your Form 12153 is not required but will help you obtain the quickest resolution of your case. Locate copies of these forms at https://www.irs.gov/businesses/small-businesses-self-employed/collection-process-for-taxpayers-filing-and-or-paying-late, or by scanning this QR code.

Appeals will evaluate the financial information and your specific circumstances to try to reach an agreement with you regarding payment or other resolution of your issues. Appeals may ask the IRS Collection Function to review, verify and provide it's opinion on any information you submit. Appeals will share Collection's comments with you and give you the opportunity to respond.

Publications and Other Resources

It is best to use the contact information on your CDP notice for any questions about your request for a hearing and the matters you wish to appeal.

You may refer to the publications listed below for questions about the Collection process and your rights.

Publication 594
The IRS Collection Process

Publication 1660 Collection Appeal Rights Publication 2105
Why do I have to pay taxes?

https://www.irs.gov/pub/irs-pdf/p594.pdf

https://www.irs.gov/pub/irs-pdf/p1660.pdf

https://www.irs.gov/pub/irs-pdf/p2105.pdf







Tax professionals who are independent from the Internal Revenue Service (IRS) may be able to help you. Low Income Taxpayer Clinics (LITCs) can represent low-income persons before the IRS or in court. LITCs can also help persons who speak English as a second language. Any services provided by an LITC must be for free or a small fee. To find an LITC near you:

- Go to www.taxpayeradvocate.irs.gov/litc;
- Download IRS Publication 4134, Low Income Taxpayer Clinic List, available at https://www.irs.gov/forms-instructions; or by scanning this QR code.
- · Call the IRS toll-free at 800-829-3676 and ask for a copy of Publication 4134.



State bar associations, state or local societies of accountants or enrolled agents, or other nonprofit tax professional organizations may also be able to provide referrals.

You can get copies of tax forms, schedules, instructions, publications, and notices at www.irs.gov, at your local IRS office, or by calling toll-free 1-800-TAX-FORM (829-3676).

Catalog Number 26685D www.irs.gov Form **12153** (Rev. 7-2022)

Form **8857**

(Rev. June 2021) Department of the Treasury Internal Revenue Service (99

Request for Innocent Spouse Relief

▶ Go to www.irs.gov/Form8857 for instructions and the latest information.

OMB No. 1545-1596

IMPORTANT THINGS YOU SHOULD KNOW

- Do not file this form with your tax return. See Where To File in the instructions.
- See the instructions for this form and Pub. 971, Innocent Spouse Relief, for help in completing this form and for a description of the factors the IRS takes into account in deciding whether to grant innocent spouse relief. The Form 8857 instructions and Pub. 971 are available at www.irs.gov.
- Attach the complete copy of any document requested or that you otherwise believe will support your request for relief.
- The IRS is required by law to notify the person listed on line 6 that you have requested this relief. That person will have the opportunity to participate in the process by completing a questionnaire about the tax years you enter on line 3 (the years for which you want innocent spouse relief).
- The IRS will not disclose the following information: your current name, address, phone numbers, or employer(s).
- Note: If you petition the Tax Court to review your request for relief, the Tax Court may only be allowed to consider information you or the person on line 6 provided us before we made our final determination, additional information we included in our administrative file about your request for relief, and any information that is newly discovered or previously unavailable. Therefore, it is important that you provide us with all information you want us or the Tax Court to consider.

Note: If you need more room to write your answer for any question, attach more pages. Be sure to write your name and social security number on the top of all pages you attach.

Part I Should you file this form?

Generally, both taxpayers who file a joint return are responsible, jointly and individually, for paying any tax, interest, or penalties from your joint return. If you believe the person with whom you filed a joint return should be solely responsible for an erroneous item or an underpayment of tax from your joint tax return, you may be eligible for innocent spouse relief.

Innocent spouse relief may also be available if you were a resident of a community property state (see list of community property states in the instructions) and did not file a joint federal income tax return and you believe you should not be held responsible for the tax attributable to an item of community income.

		to an item of communi	ty income.	and you believe you	snould not	be neid responsible to
1	Yes. You can file	tragraphs above des e this Form 8857. Go t this Form 8857, but go		different form.		
2		our share of a joint re	efund from any tax year to pay		ng past-du	e debt(s) owed ONLY
	 Child support 	 Spousal support 	 Student loan (or other feder 	al nontax debt) •	Federal or	state taxes
	Go to line 3 if yo	ou answered "Yes" to				on, and its instructions.
3	If you determine you	u should file this form,	" to line 1. If you answered "No" , enter each tax year you want ir) income tax refund to pay a 2018	nocent spouse relie	f. It is impo	
	Tax Year	Tax Year	Tax Year			
	Tax Year	Tax Year	Tax Yea		-0)	
Part	Tell us abou	t yourself and the	person listed on line 6 for t	ne tax years you	want relie	ef.
4	☐ Yes.	ary or preferred langu at is your primary or pr				
5	Your current name ((see instructions)			Your soc	ial security number
			ed. Check here if you want the I			
	Number and street	or P.O. box			Apt. no.	County
	City, town or post o	ffice, state, and ZIP co	ode. If a foreign address, see in:	structions.	number (b	afest daytime phone petween 6 a.m. and astern time)
					the IRS le	re if you consent to eaving a voicemail at this number ▶ □

For Privacy Act and Paperwork Reduction Act Notice, see instructions.

Cat. No. 24647V

Form **8857** (Rev. 6-2021)

Form 8857 (Rev. 6-2021) Your current name Your social security number Note: If you need more room to write your answer for any question, attach more pages. Be sure to write your name and social security number on the top of all pages you attach. Who was your spouse for the tax years you want relief? File a separate Form 8857 for tax years involving different spouses or former spouses. That person's current name Social security number (if known) Current home address (number and street) (if known). If a P.O. box, see instructions. Apt. no. City, town or post office, state, and ZIP code. If a foreign address, see instructions. Daytime phone number (between 6 a.m. and 5 p.m. Eastern time) What is the current marital status between you and the person on line 6? ☐ Married and still living together ☐ Married and living apart since MM/DD/YYYY ☐ Widowed since Attach a photocopy of the death certificate and will (if one exists). MM/DD/YYYY Legally separated since Attach a photocopy of your entire separation agreement. MM/DD/YYYY ☐ Divorced since Attach a photocopy of your entire divorce decree. MM/DD/YYYY Note: A divorce decree stating that your former spouse must pay all taxes does not necessarily mean you qualify for relief. What was the highest level of education you had completed when the return or returns were filed? If the answers are not the same for all tax years, explain below. ☐ Did not complete high school ☐ High school diploma or equivalent Some college ☐ College degree or higher. List any degrees you have ▶ List any college-level business or tax-related courses you completed ▶ Explain ► When any of the returns listed on line 3 were filed, did you have a mental or physical health problem or do you have a mental or physical health problem now? If the answers are not the same for all tax years, explain below. Yes, Attach a statement to explain the problem and when it started. Provide photocopies of any documentation, such as medical bills or a doctor's report or letter. No. Explain ► Is there any information you are afraid to provide on this form, but are willing to discuss? Tell us if and how you were involved with finances and preparing returns for the tax years you want relief. Part III Did you intend to file a joint return for the tax year(s) listed on line 3? See instructions.

Yes No

Form **8857** (Rev. 6-2021)

Explain why or why not ▶

Form 8857 (Rev. 6-2021) Your current name Your social security number Note: If you need more room to write your answer for any question, attach more pages. Be sure to write your name and social security number on the top of all pages you attach. Describe your involvement in preparing the returns. Include details such as whether you prepared or assisted in the preparation of joint returns (for example, by providing Forms W-2 or 1099, gathering receipts, canceled checks, or other documentation), and whether you reviewed the returns before they were filed (and, if you did not review them, why not). If you were not involved in preparing the returns, did you agree to file the joint returns or did you know that the joint returns were filed? Explain below. Explain what you knew about the income of the person on line 6 when the returns were filed. For example, describe each type of income that person had (such as wages, social security, gambling winnings, or self-employment business income), the amount of each type of income, and the year it was received. If that person had income you didn't know about when the returns were filed, explain why you did not know. If the person on line 6 was self-employed, explain whether and how you helped that person with the books and records. Explain what you knew about any missing information on the returns when they were filed, and whether you asked about anything on the returns that you knew was missing. Also, explain what you knew about any incorrect information on the returns, even if you did not know the information was incorrect when the returns were filed, and whether you asked about anything on the returns that was incorrect. For example, if there was a deduction or credit on the returns, were you aware of any facts that made the item not allowable as a deduction or credit? If the answer is not the same for all tax years, explain below. If the returns showed a balance due to the IRS, explain when and how you thought the balance due would be paid. If you didn't know the returns showed a balance due, explain why not. Describe any financial problems you were having when the returns were filed, such as bankruptcy or bills you could not pay. If the financial problems were not the same for all tax years, explain below. Describe how you were involved in the household finances and your role in deciding how money was spent. For example, explain whether you and the person on line 6 had joint accounts and how you or the person on line 6 used them (such as by making deposits, paying bills from those accounts, or reviewing the monthly bank statements). Explain what you knew about any separate accounts the person on line 6 had. If your involvement was not the same for all tax years, explain below. For the years you want relief, did you or the person on line 6 incur any large purchases and/or expenses? $\ \square$ Yes $\ \square$ No If "Yes," describe any large expenses you or the person on line 6 incurred (such as trips, home improvements, or private schooling), or any large purchases you or the person on line 6 made (such as automobiles, appliances, jewelry, etc.). Include the types and amounts of the expenses and purchases and the years they were incurred or made.

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	857 (Rev. 6-2021) current name		Value acci	Page
our	current name		Your socia	al security number
	If you need more room to write your answer for any que per on the top of all pages you attach.	estion, attach more pages. Be su	re to write your na	ame and social securi
19	Did the person on line 6 transfer any assets to you?	Yes No		
	If "Yes," list the assets (money or property, such as reatransferred to you. Include the dates they were transfer was secured by any debt (such as a mortgage on real how much was owed on the debt at the time of transferred to you. If you no longer possess or own the	rred and their fair market value o estate), explain who was respon rr, and whether the debt has bee	n the dates of transible for making p n satisfied. Explai	nsfer. If the property ayments on the debt,
) Or	W Toll up about your ourrent financial cituati			
ar 20	•			
20	Tell us about your assets. Your assets are your mone bonds, and other property that you own. In the table be accounts. Also, list each item of property, the fair mark any outstanding loans you used to acquire each item.	elow, list the amount of cash you	n have on hand an ctions) of each ite	d in your bank m, and the balance of
	Description of Asset	Fair Market Value		any Outstanding Loan To Acquire the Asset
21 22	How many people are you currently supporting, inc Tell us your current average monthly income and ex	xpenses for your entire househ		A
	Monthly Income – If family or friends are helping to suppor Gifts	t you, include the amount of suppor	t as gitts below.	Amount
	Wages (gross pay)			
	Pensions			
	Unemployment			
	Social security			
	Government assistance, such as housing, food stamps	s, grants, etc		
	Alimony			
	Child support			
	Self-employment business income			
	Rental income			
	Interest and dividends Other income, such as disability payments, gambling w			
	Type			
	TypeType			
	Type Type Type			

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Your current name Your social security number

Note: If you need more room to write your answer for any question, attach more pages. Be sure to write your name and social security number on the top of all pages you attach.

Monthly Expenses – Enter all expenses, including expenses paid with income from gifts.	Amount
Food and Personal Care:	
Food	
Housekeeping supplies	
Clothing and clothing services	
Personal care products and services	
Transportation:	
Auto loan/lease payment, gas, insurance, licenses, parking, maintenance, etc.	
Public transportation	
Housing and Utilities:	
Rent or mortgage	
Real estate taxes and insurance	
Electric, oil, gas, water, trash, etc	
Telephone and cell phone	
Cable and Internet	
Medical:	
Health insurance premiums	
Out-of-pocket expenses	
Other:	
Child and dependent care	
Caregiver expenses	
Income tax withholding (federal, state, and local)	
Estimated tax payments	
Term life insurance premiums	
Retirement contributions (employer required)	
Retirement contributions (voluntary)	
Union dues	
Unpaid state and local taxes (minimum payment)	
Student loans (minimum payment)	
Court-ordered debt payments (for example, court- or agency-ordered child support, alimony, and	
garnishments). List each type below:	
Type	
Type	
Type	
Miscellaneous	
Total Monthly Expenses	
Part V Complete this part if you were (or are now) a victim of domestic violence or abuse	
This information is not mandatory. See Pub. 971 for assistance. If you have concerns about your safety, p	
contacting the confidential 24-hour National Domestic Violence Hotline at 1-800-799-SAFE (7233), or 1-8	.00-787-3224 (TTY), or
1-855-812-1001 (video phone, only for deaf callers).	
23a Were you or a member of your family a victim of abuse or domestic violence by the person on line 6? (
psychological, sexual, emotional, or financial abuse, and can include the abuser making you afraid to o	disagree with him or her
or causing you to fear for your safety.)	
Yes. Complete the questions below. We will put a code on your separate account. This will enable	us to respond
appropriately and be sensitive to your situation.	•
Note: We will remove the code from your account if you request it. If you do not want us to put the	code on your account
check here.	,
☐ No. If "No," go to Part VI.	
	2057

Form **8857** (Rev. 6-2021)

Form 8857 (Rev. 6-2021) Page 6 Your current name Your social security number Note: If you need more room to write your answer for any question, attach more pages. Be sure to write your name and social security number on the top of all pages you attach. b Describe the abuse you experienced, including approximately when it began and how it may have affected you, your children, or other members of your family. Explain how this abuse affected your ability to question the reporting of items on your tax return or the payment of the tax due on your return. Please attach a written statement, if needed. c Are you afraid of the person listed on line 6? Yes No d Does the person listed on line 6 pose a danger to you, your children, or other members of your family? Yes To properly evaluate your claim, please attach copies of documentation you may have, for example: Protection and/or restraining order; Police reports: · Medical records, including those of therapists or counselors; · Doctor's report or letter; · Injury photographs; · A statement from someone who was a victim of or witnessed the abuse or the results of the abuse; and Any other documentation you may have. Additional information Please provide any other information you want us to consider from the years that this form is about or any other years during which you filed a joint return with the person you listed on line 6 in determining whether it would be unfair to hold you liable for the tax. Tell us if you would like a refund. By checking this box and signing this form, you are indicating that you would like a refund if you qualify for relief Reminder: Please attach the complete copy of any document requested or that you otherwise believe will support your request for innocent spouse relief. Caution: By signing this form, you understand that, by law, we must contact the person on line 6. See instructions for details. Under penalties of perjury, I declare that I have examined this form and any accompanying schedules and statements, and to the best of my knowledge and Sign belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge Here Date Your signature Кеер а сору for your records. Print/Type preparer's name Preparer's signature Date PTIN Check if Paid self-employed Preparer Firm's name Firm's EIN ▶ **Use Only** Firm's address Phone no

Form **8857** (Rev. 6-2021)



Notice	CP15B
Tax period	June 30, 2020
Notice date	October 10, 2021
Taxpayer ID number	
To contact us	
Your caller ID	
Page 1 of 3	



We charged you a penalty for not paying employment taxes

Amount due: \$

We charged you the Trust Fund Recovery Penalty (TFRP) for willfully failing to collect, account for, pay over, or otherwise evade employment taxes.

You are subject to this penalty because you were a person responsible for collecting, truthfully accounting for, or paying over employment taxes for the entity with employer ID for the period ended [June 30,

To avoid additional interest charges, pay the amount due by October 20,

Billing Summary	
Trust Fund Recovery Penalty	\$
Previous balance	
Interest on previous balance	
Payments you made	-
Amount due by October 20, 2021	\$

What you must do immediately

If you agree with the penalty charge

 Pay the amount due of \$ by October 20, additional interest charges.

to avoid

Continued on back...



Notice Tax period Notice date

CP15B June 30, 2020 October 20, 2021

Taxpayer ID number

Payment

Make your check or money order payable to the United States Treasury. , the tax period ending

Write your taxpayer ID number , the "TFRP" on your payment and any correspondence.

INTERNAL REVENUE SERVICE

Amount due by October 20, 2021



Notice	CP15B		VENEZO
Tax period	June 30	20	20
Notice date	October 1	10,	2021
Taxpayer ID number			
Dans 2 of 3		_	

Page 2 of 3

What you must do immediately—continued

If you agree with the penalty charge-continued

- Pay as much as you can now if you can't pay the full amount you owe and make payment arrangements that allow you to pay off the rest over time. You can find more information at www.irs.gov/payments about:
 - Installment and payment agreements—download required forms or save time and money by applying online if you qualify
 - Automatic deductions from your bank account
 - Payroll deductions
 - Credit card payments

You can also call us at to discuss your options.

If you already paid your balance in full or made payment arrangements within the past 14 days, please disregard this notice.

If you disagree with the penalty charge

You can file a suit for refund. To do so, you must:

- Pay the withheld tax for one employee for each applicable quarter of liability
- File a claim for refund on Form 843, Claim for Refund and Request for Abatement, for the amount you paid

If you want to suspend collection of the penalty while the suit is pending, you must post a bond with the IRS for one and a half times the balance (the penalty amount minus any payments you make).





Notice Tax period Notice date CP15B June 30 2020 October 20, 2021

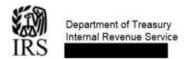
Taxpayer ID number

Contact information

If your address has changed,	please call	Of
www.irs.gov.		

☐ Please check here if you've included any correspondence. Write your Taxpayer ID number the plant of the period ending (June 30, 2010), and "TFRP" on any correspondence.

	□ as	m.	0	a.m.
	□ p.r	n.		p.m.
Primary phone	Rest time to call	Secondary phone	Best time to call	



Notice	CP15B	
Tax period	June 30, 2020	
Notice date	October 10, 202	
Taxpayer ID number	202	
To contact us		
Your caller ID		
Page 3 of 3		

We will continue to charge interest until you pay all charges in full.					
Internal Revenue Code (IRC) Section 6672					
Description				Amount	
Total Trust Fund Recovery Penalty					
How we computed your penalty					
The penalty is equal to the amount of tax the responsible person evaded, did not collect, or did not account for and pay over. Refer to Letter 1153 and Form 2751, Proposed Assessment for Trust Fund Recovery Penalty, which we previously sent you, for a summary of unpaid trust fund amounts.					
We charge interest on your unpaid penalty from the date we notified you that we assessed the penalty until you pay the balance in full (IRC Section 6601).					
Davs	Interest rate	Interest rate factor	Amount due	Interest charg	
Ĭ			S	S	
	Description Total 1 How w The perevaded Letter Recover unpaid We charge you that	Description Total Trust Fund Rec How we computed you The penalty is equal to evaded, did not collect Letter 1153 and Form Recovery Penalty, whi unpaid trust fund amou We charge interest on you that we assessed (IRC Section 6601).	Internal Revenue Code (IRC) Section 667 Total Trust Fund Recovery Penalty How we computed your penalty The penalty is equal to the amount of tax evaded, did not collect, or did not account Letter 1153 and Form 2751, Proposed As Recovery Penalty, which we previously se unpaid trust fund amounts. We charge interest on your unpaid penalty you that we assessed the penalty until you (IRC Section 6601).	Internal Revenue Code (IRC) Section 6672 Description Total Trust Fund Recovery Penalty How we computed your penalty The penalty is equal to the amount of tax the responsible pevaded, did not collect, or did not account for and pay ove Letter 1153 and Form 2751, Proposed Assessment for True Recovery Penalty, which we previously sent you, for a sun unpaid trust fund amounts. We charge interest on your unpaid penalty from the date we you that we assessed the penalty until you pay the balance (IRC Section 6601).	

Additional Information

the interest due each period.

Visit www.irs.gov/cp15b
For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).

We multiply your amount due by the interest rate factor to determine

. Keep this notice for your records.

If you need assistance, please don't hesitate to contact us.

A	Agreement	to Mediate	OME	No. 1545-1844	
To: Appeals Team Manager			Date		
Compliance Officer Information (The person to	to contact in Compliance	about this case)	I		
Name	,	Title			
Office telephone number		ID/Badge number			
Taxpayer's Identification Number (TIN)		Year(s)			
Source (FE/OE/CO, etc.)		MFT			
Type of Tax (1040, 1120 Emp., etc) or Collecti	ion Issue (CDP, OIC e	etc)			
Taxpayer's name			Phone (Include Area Code)	
Home street address (P.O. Boxes are not allow	wed)				
City		State		ZIP code	
Representative's name	presentative's name		Firm name		
Office street address (P.O. Boxes are not allow	wed)				
City		State	ZIP code		
Office phone number (Include Area Code)		FAX number (Include Area Code)			
IRS and Treasury employees who participate in any way in confidentiality and disclosure provisions of the Internal Reve also acknowledge that IRS and all other Treasury employee violations of any revenue law to the Secretary. The Mediat the issues being mediated. A copy of any submission a par	enue Code, including <i>I.R.C.</i> es involved in the mediation or will have the right to ask e	sections 6103, 7213, 7213A, and 7431. S are bound by I.R.C. section 7214(a)(8) ar either party for additional information if dee	See also 5 Û.S.C. sect nd must report informat emed necessary for a f	ion 574. The parties ion concerning	
The Taxpayer consents to the disclosure by the IRS of the including persons providing expert assistance for the IRS. If power of attorney must clearly express the Taxpayer's gran copy of that power of attorney must be attached to this agree	f the mediation agreement is t of authority to consent to d	s executed by a person pursuant to a pow	er of attorney executed	by the Taxpayer, that	
Taxpayer's signature			Date sig	ned	
Taxpayer's signature			Date sig	Date signed	
Taxpayer's Representative signature			Date sig	ned	
Compliance Officer's signature			Date sig	ned	
Other Participants (if applicable)					
<u> </u>	Position or Affiliation		Phone (Include Area Code)	
Name I	Position or Affiliation		Phone (Include Area Code)	
Name	Position or Affiliation		Phone (Include Area Code)	
Form 13369 (4-2003) Catalog Number 3	85327G	www.irs.gov Department of th	e Treasury - Interna	al Revenue Service	

Form **14017**

Department of the Treasury - Internal Revenue Service

(March 2020)	P	Application	for Fast Trac	k Settle	ment		
Submitted to IRS Ind	ependent Office of Ap	•				Type of tax	
Date Loc	ation	LB&I	SB/SE TE/GE	Other		-	
Taxpayer name			Representative name (if applicable)				
Taxpayer TIN/EIN	er TIN/EIN Tax years		Name of firm				
Address		Address					
City	State	Zip code	City		State	Zip code	
Telephone number	Fax numb	er	Telephone number		Fax number		
Examination Group/Team Manager			Source (i			E, etc.)	
City	State	Zip code	Telephone number		Fax number		
Other Particinants (if	annlicable)						
Other Participants (if applicable) Name Position or Affiliation			or Affiliation	Affiliation Telephone Number			
Signatures							
for which this assistand similar documents and consents, pursuant to issues being considere against ex parte comm Revenue Service Rest personnel, in facilitating Appeals settlement rol	the taxpayer's written in the taxpayer's written in the taxpayer's written in the tection 6103(c) of the Control of the FTS process to the taxpayer of	cribed in the Form(s) response, and are att code, to the disclosure those persons name peals personnel and act of 1998 does not a en the taxpayer and the ayer and persons inverse.	ice of Appeals in the Fast 5701, Summary of Issues ached to this application. e of the taxpayer's returns ed on the application as p other Service employees apply to the communication the other Service Operating ited to participate by the I ssion, except as provided	s, or Form 886 By signing thi s and return in articipants in t provided by s ns arising in F g Division, are RS or taxpaye	6-A, Explana is application information pe the process. section 1001(TS because is not acting in	tion of Items, or n, taxpayer ertaining to the The prohibition (a) of the Internal e Appeals n their traditional	
Taxpayer signature			D	Date signed			
Taxpayer Spouse's signature (if related to a joint return)					Date signed		
Taxpayer(s) Representative signature					Date signed		
IRS Group/Team Manager Signature				D	Date signed		
Approving Operating Division Official (signature and title)				D	Date signed		
Accepted by Appeals Official (Appeals Team Manager signature)				D	Date signed		
Accepted by Appeals (Official (Appeals Progra	am Manager signatur	e)	D	ate signed		
MFT	PBC	Potential Joint Com	mittee Yes No	Listed trai	nsaction	☐ Yes ☐ No	
LB&I practice area		Preferred conference			k end date		
Catalog Number 51767Y		www.ir	s.gov	— I	Form 1 4	4017 (Rev. 3-2020)	
						. ,	