

Dealing with Client's Non-Compliance

Case Study – January 2021

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TRN
TAX REP NETWORK

- ▶ Working on onboarding video series
- ▶ Additional forms and checklists
- ▶ Re-Record the Full-Day program (Civil and Criminal Tax Consequences)
- ▶ June 4th is the Full-Day Criminal Tax Program

Our Case Study

- ▶ Routine
- ▶ Happens every 4th quarter of the year
- ▶ Taxpayer shows up....

Client Calls

- ▶ Client owes \$54,000 for years 2017 – 2019.
- ▶ No estimated taxes paid in for 2020
- ▶ Wants to do an Offer

Issues

- ▶ Compliance
- ▶ RCP?
- ▶ Timing of all this....?



Steps

- ▶ Call ACS and get a 30-day hold
- ▶ Compliance
- ▶ RCP
- ▶ Offer/IA/CNC

Call ACS

- ▶ 800-829-3903
- ▶ ENQ
- ▶ Script:
 - ~ just met with client
 - ~ need to get client into compliance
 - ~ need to do a 433 and sort out a collection alternative
 - ~ request 30-day hold

Tax Compliance

- ▶ Can the client get into compliance (make up the 2020 estimated tax payments?)
- ▶ If yes, do we want to? See RCP
- ▶ If no, hurry up and get 2020 return done and filed in February
- ▶ Need more time? Submit a 433

Example

- ▶ Single taxpayer
- ▶ Live in New Haven
- ▶ Self-Employed

RCP Analysis

Sample				
Future Income Analysis				
Income	Actual	Expenses	Actual	Allowable
Wages (yourself)	\$ -	Food, Clothing and Misc	\$ 715	\$ 715
Wages (spouse)	\$ -	Housing & utilities	\$ 2,300	\$ 1,959
Interest - Dividends	\$ -	Vehicle Ownership	\$ -	\$ -
Net Business Income	\$ 6,000	Vehicle Operating Costs	\$ -	\$ -
Net Rental Income	\$ -	Public Transportation	\$ -	\$ -
Distributions	\$ -	Health Insurance	\$ 600	\$ 600
Pension/Soc Sec (taxpayer)	\$ -	Out of Pocket HealthCar	\$ 56	\$ 56
Pension/Soc Sec (spouse)	\$ -	Court ordered pmts	\$ -	\$ -
Social Security (taxpayer)	\$ -	Child/Dep Care	\$ -	\$ -
Social Security (spouse)	\$ -	Life Insurance	\$ 100	\$ 100
Child Support	\$ -	Current Year Taxes	\$ 1,800	\$ 1,800
Alimony	\$ -	Secured Debts	\$ -	\$ -
Other Income	\$ -	Delinquent State Taxes	\$ -	\$ -
	\$ -	Student Loans	\$ -	\$ -
	\$ -	Total Living Expenses	\$ 5,571	\$ 5,230
Total	\$ 6,000	Net Difference	\$ 429	\$ 770
CSED (100 months)	\$ 77,000			
Liability 17-19 + 2020	\$ 74,000			

- ▶ Can full-pay
- ▶ No OIC
- ▶ The “CNC then file the OIC” wont work

RCP Planning

- ▶ Get client disability insurance (\$250 a month)
- ▶ Borrows our fees from mom (\$5,000 over 24 months to repay)
- ▶ Note with Mom (must be repaid once Offer is settled over 24 months)

Revise 433 for quoted disability and note

- ▶ Submit 433 with no back-up
- ▶ Request a uncollectible (huh?) – argue for actual
- ▶ They will respond with the request for documents and argue for the \$312
- ▶ Then file the OIC once the paper trail is in place

Strategy

- ▶ Buy Time
- ▶ Line up the client with compliance
- ▶ Get document trail in order (3 months)

Final Thought – another case

- ▶ Client calls hysterical
- ▶ I compromised the \$423,000 for \$1,200 2 years ago
- ▶ She has a new job and got her return in April. She owes \$498, including an \$87 estimated tax penalty

Do Not Panic

- ▶ Tell client to extend the return
- ▶ She pays in \$600
- ▶ She can file her return in May or June
- ▶ Yes there is a penalty, but because the return has a refund, most likely no default
- ▶ Why? Default and fixed or no default is unknown

Questions

