

Case Study of the Month

December 2021

Tips and Tales from the Trenches Part II

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TRN
TAX REP NETWORK

Taxpayer Advocate Status

- ▶ Taxpayer Advocate Service (“TAS”) is dealing with extreme backlog.
- ▶ Filed a Form 911 Request for Taxpayer Advocate Assistance on June 8, 2021.
- ▶ Still no resolution for taxpayer.
- ▶ Today’s response:

I’m referring the case to a Technical Advisor, as the case is getting more complex than I anticipated. We are working through an unprecedented high inventory levels. Our technical advisors are taking longer than usual to review the cases. I’ll contact you again with an update by Mar. 8, 2022.

Taxpayer Advocate Status

- ▶ Expect longer than usual resolution times. Obviously, each case is different and has its own unique circumstances.
- ▶ Make sure TAS puts a collection hold in place, if necessary. Note, a collection hold put in place by TAS will not toll the collection statute.
- ▶ Ask if your TAS representative is willing to email with you. Your TAS case number should be in the subject line (and do not put the taxpayer name in email).

Taxpayer Advocate Status

Cases that we have requested TAS help:

- ▶ Passport issues
- ▶ Disputes over CSED dates
- ▶ Disputes over bankruptcy discharge/SFR issues

The IRS did SFRs for Mrs. Claus for 2008 and 2009 and then Mr. and Mrs. Claus filed original returns MFJ which the IRS processed but never went back and deleted Mrs. Claus's separate balances. A referral was prepared to request Mrs. Claus's separate balances be readjusted to zero for these years (see transcript, 10/29/19 claim pending). We also requested the IRS move the payments made on those years by Mrs. Claus. IRS coded the claim as resolved on 6/4/2020 but nothing appears to have happened. POA called IRS on 9/15/20, was transferred back and forth between ACS and accounts management but was unable to get a resolution.

Taxpayer Advocate Status

Cases that we have requested TAS help (continued):

► Issues setting up IA

On July 15, 2020 and January 4, 2021, the undersigned called the IRS to request an installment agreement. Each time, a 433D was faxed to the agent and the agent imputed the agreement for managerial approval. To date, the taxpayer has received no correspondence indicating the status of the agreement/whether it was accepted. Further, the account transcripts do not reflect a pending installment agreement.

► IRS Coding Issues:

Taxpayer filed and was granted tax-exempted status under 501(c)(3) on January 7, 2021 . Subsequently, on February 8, 2021, taxpayer received notice that it may be required to file a Form 990-N. On August 23, 2021, taxpayer's tax-exempted status was automatically revoked. There is no requirement to file Form 990-N until 2022 and we believe there is a coding issue in the IRS system.

Short Term Payment Plan Through ACS

- ▶ No financial information required
- ▶ Used to be 120 days but presently 180 days
- ▶ No managerial approval required.
- ▶ ACS must verify TP qualifies. If TP had a previous agreement that was defaulted on, may be an issue. Especially if they had another short term agreement – can't get another!
- ▶ No balance dollar threshold (must be under 1m, and case must be with ACS)!
- ▶ In my personal experience – no coding to reflect short term payment plan on account transcript!

Short Term Payment Plan Through ACS

Dear Taxpayer:

Thank you for your inquiry of Feb. 05, 2021.

We accept your proposal to pay the amount you owe by Aug. 04, 2021. Please note: We may levy any state income tax refunds of yours that become available during the extended time to pay, and apply them to your outstanding balance (subject to any Collection Due Process rights).

The current balance due for the tax periods shown above is \$39,601.91, which includes interest and applicable penalties figured to Aug. 04, 2021. We'll continue to charge interest and applicable penalties until you pay the balance due in full.

We updated your account to reflect this agreement.

We won't send you any further notices about this agreement. To ensure we receive your payment by the due date of Aug. 04, 2021, use one of the electronic payment options described in this letter. If you decide to pay by mail, send us the last page of this letter with your payment at least 10 days before your payment due date.

Short Term Payment Plan through Appeals

The determination of Appeals is:

- ▶ Our decision is to grant you relief under Internal Revenue Code (IRC) Section 6330 from the proposed collection action since you propose an acceptable alternative resolution. You were granted a 180 days extension of time to full pay by 03/26/2022.
- ▶ Failure to full pay your liability by 03/26/2022 could result in enforcement of the proposed collection action. During the hearing, your power of attorney stated if you did not full pay that once you come into compliance that you would contact Collection for an installment agreement or submit an offer to the Centralized Offer-in-Compromise Department.

Six Month Hardship Extension Form 1127

Form **1127**
(Rev. December 2020)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time for Payment of Tax Due to Undue Hardship

OMB No. 1545-2131

► Go to www.irs.gov/Form1127 for the latest information.

Before you begin: Use the Determination Chart later in the instructions to see if you should file this form.

Name(s) shown on return	Identifying number
Number, street, and apt., room, or suite no. If you have a P.O. box, see instructions.	
City, town, or post office, state, and ZIP code. If you have a foreign address, see instructions.	

Part I Request for Extension

I request an extension from _____, 20____, to _____, 20____, to pay tax of \$ _____.

Check only one box. This request is for:

- The tax shown or required to be shown on Form _____.
- An amount determined as a deficiency on Form _____.

This request is for calendar year 20____, or fiscal year ending _____, 20____.

Part II Reason for Extension

Undue hardship. Enter below a detailed explanation of the undue hardship that will result if your application is denied. (If more space is required, please attach a separate sheet.) To establish undue hardship, you must show that you would sustain a substantial financial loss if forced to pay a tax or deficiency on the due date. For a complete definition of "undue hardship," see *Who Should File*, later, in the instructions.

Six Month Hardship Extension Form 1127

- ▶ This is not the same as a Short Term Payment Plan
- ▶ Explain Undue Hardship
- ▶ Provide Supporting Documentation – Must attach: A statement of my assets and liabilities at the end of last month (showing book and market values of assets and whether securities are listed or unlisted), and An itemized list of my income and expenses for each of the 3 months prior to the due date of the tax

IRS Special Compliance
Direct Phone Number
833-282-7220

IRS Special Compliance Information

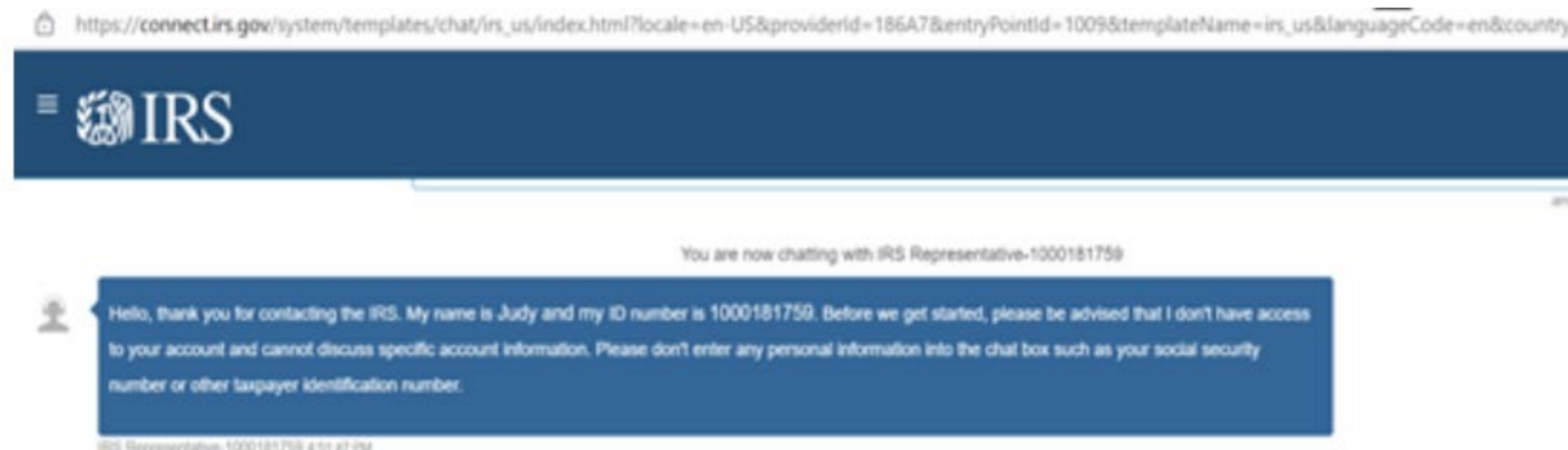
- ▶ Cases that the IRS flags as “seriously delinquent” may be assigned to IRS Special Compliance.
- ▶ Examples can include when the taxpayer is not paying, repeatedly owing a balance, not filing on time, and consistently owing! CSEDs and high balances may also come into play.

It Work's!

Depending on where in the IRS you are calling, you may be prompted for a call-back option.
I tried it, it worked perfectly.

IRS Chat Box Service

Took 30 seconds. You can get a transcript of the log. Can't discuss specific cases at this time (only general information), but IRS is continually improving their technology.



Dealing with Death of TP when working with RO

Issues:

- ▶ Not retained by estate/POA null and void
- ▶ Disclosure issue: spouse was not aware of tax issue (they filed MFS)

Dealing with Death of TP when working with RO

Internal Revenue Service
300 N Los Angeles St.
Room 3124, Group 19
Stop 5501
Los Angeles, CA 90012-3308

Re:

Dear Ms. [REDACTED]:

Please be informed that Mr. [REDACTED] passed away on October [REDACTED], 2021. The taxpayer's spouse is still waiting on the death certificate and the appointment letter from the probate court as executrix/administrator of Mr. [REDACTED]'s estate.

In order for us to proceed with representation, we need to wait until we can be properly retained (and receive POA) from the estate, as our IRS POA is null and void upon the death of the taxpayer pursuant to the IRM.

Given the unexpected circumstances, we respectfully request a 30-day extension so that the estate may obtain representation (we assume that will continue to be us) and we can coordinate next steps with the estate's representative.

Please call with any questions.

Two Tricky IRS Collection Standards

▶ Vehicle Ownership

Ownership Costs	One Car	Two Cars
National	\$533	\$1,066

Two Tricky IRS Collection Standards

▶ Vehicle Ownership

Item	Claimed	Standard	Allowed
1st Car Ownership	\$625	\$533	\$533
2nd Car Ownership	\$300	\$533	\$300

Two Tricky IRS Collection Standards

▶ Public Transportation

Public Transportation	
National	\$217

- ▶ Taxpayers with no vehicle are allowed the standard amount monthly, **per household**, without questioning the amount actually spent (emphasis added)

Two Tricky IRS Collection Standards

Public Transportation

- ▶ **If a taxpayer owns a vehicle and uses public transportation, expenses may be allowed for both, provided they are needed for the health and welfare of the taxpayer or family, or for the production of income**

Two Tricky IRS Collection Standards

Public Transportation

▶ Example

Disabled taxpayer has vehicle (for her aides to drive her) but also uses public transportation. TP claimed both the vehicle ownership/operating expenses and the public transportation standard as TP uses both.

- ▶ Here is the tip: to claim BOTH the vehicle and public transportation, the public transportation expenses allowed would be **actual expenses** incurred (ie, don't expect to automatically receive the IRS standard amount for public transportation if you are claiming both)

Final Tip – Refunds in Innocent Spouse Cases

For my final tip:

If you are filing a Form 8857 *Request for Innocent Spouse Relief* and you believe your taxpayer is eligible for refunds, include that request in your package/make the request contemporaneously to speed up the process!

Include in your request proof the levied funds ONLY belonged to Taxpayer (ie, show the financial account was only in TP's name rather than joint by providing a copy of bank statement showing levy transaction).

Questions



Happy Holidays

