

Delinquent Return Investigations

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Intro

Achieving full compliance is the goal of the Return Delinquency Program, including securing full payment of the tax liability with the delinquent return. Cases created by the Return Delinquency Program are worked in most functions of the Service. Delinquent return cases are created when a return is not filed by the program completion date (PCD) for Campus processing of timely filed returns. Delinquency checks are run against the Master File shortly after the PCD to identify individual and business taxpayers who have not filed their returns.

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Two Types - Individuals

- Filed in prior year
- Income matching
- Run 10 months after due date of return

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Businesses

- Ran 16 weeks after due date of return
- Use mainly 1099 and other reporting information

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Delinquent Return Gets Assigned to Collections

- All filing requirements
- All filing and payment compliance issues
- A plan of action to resolve the case

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State Reverse Matching Initiative

- Filed state but not Federal
- Filed state but with higher amount of income than Federal

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Client Onboarding

- Need to get an idea of the client
 - Do you own a business
 - Check other businesses filings like Form 5500, excise taxes
 - Check the box rules – are we even filing the right returns?
 - Foreign Issues
 - Engagement Letter
 - Remember, separate engagements for each possible return, plus payment for your representation work

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Circular 230 Ethics Warning

- Note – Circular 230 will most likely apply to return preparation here due to the representation capacity

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Contact/Interview

- Best ways to handle interview with IRS?
- 6020(b) Procedures as part of interview process
- Part of process “Determine and document the root cause for the tax delinquency and instruct the taxpayer to take the necessary corrective steps.”

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Buyer Beware – Special Cases

- Are potentially dangerous
- Use frivolous legal arguments to delay collection
- Are under investigation for potential tax fraud
- Are in bankruptcy

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Preparing Returns

- Process should get started when you first bring on the client
- Never file a return that's not due if under investigation if possible

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Common Errors

- Need to sign the return!
- Consider Referrals – like Form 5500
- Returns are more likely to be audited
- Disclosure of estimates

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Frivolous Returns

- Remember these are not considered act filing
- SOL does not start to run
- IRS Dirty Dozen:
- <https://www.irs.gov/newsroom/irs-wraps-up-its-2021-dirty-dozen-scams-list-with-warning-about-promoted-abusive-arrangements>