

Resolution Tips & Tricks for Non-Filer Cases©

Angelene Wierzbic, EA, CTRS

2023 Training Event #1

Thursday, January 11th
2pm Eastern | 1pm Central
12pm Mountain | 11am Pacific

What's happening at ASTPS:

It's officially 2023 and tax season is looming on the horizon! It's time for our annual reminder that tax season is one of the best times to find tax resolution clients!

That being said ASTPS training and support doesn't end during the next 3 months. Monthly Webinars and office hours continue as normal and we hope you can block out the time on your schedule to join us!

Winter Conference Starts Tomorrow!

Thursday, January 12th 2023 | 7hrs CE/CPE

Don't miss these incredible topics:

- What EVERYONE Needs to Know About Community Property Law & Procedures
- Offer in Compromise? Bankruptcy? Both?
- Best Practices to Value Assets and Lower Your Client's Collection Potential
- The 24-12 Switch to Reduce the Amount of an OIC
- Handling a Sensitive IRS Audit
- The Client is Engaged, Now What?

Register now at **ASTPS.org/Winter**

Upcoming Schedule

Jan 12th - Winter Conf
Feb 15th - Free Webinar
Mar 8th - Free Webinar
Apr 26th - Free Webinar

**Less than 10
seats remaining!**

ASTPS | American
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Tax Problem
Solvers

Resolution Tips & Tricks for Non-Filer Cases©

Angelene Wierzbic, EA, CTRS



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About Angelene Wierzbic, EA, CTRS



Hi I'm Angelene! I am an Enrolled Agent and Certified Tax Resolution Specialist. Over my 18-year career at Lawler & Witkowski CPAs, I have handled mostly tax resolution cases alongside industry giants, Larry Lawler, LG Brooks and John Witkowski.

As a resident of the Buffalo NY area, I occasionally pop out of the snow pile to teach for the American Society of Tax Problem Solvers©.

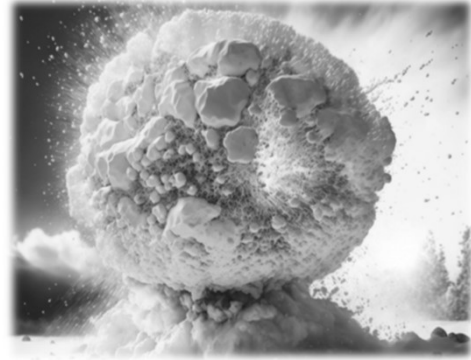
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Most non-filers had
no intention of
getting into their
position, one issue
started the problem,
and it just turned
into a snowball out
of control....



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How Taxpayers Become Non-Filers

Sources of Non-Filing start

- Family Crisis
 - Serious illness
 - Death in the family
 - Divorce
- Change of Career
- Newly Retired
- Financially Challenged
 - Prior Tax Balances
 - Audit
- Self-Employment & Start of a business

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This taxpayer hasn't filed in
20 years, how do I even
begin their case?

Polling Question

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Where to Start?

Get authorization to obtain IRS records

Verify unfiled returns with IRS

Get any possible IRS income records

Prepare the required returns per P-5-133

- Utilize IRS & taxpayer records to prepare returns
- Resolve missing record issues

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Two Ways to Get Authorization

Must get third party authorization to gain taxpayer records

Tax Preparers can use

- Form 8821 - Tax Information Authorization

Representative can use

- Form 2848 – Power of Attorney

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Form 8821

Tax Information Authorization

For licensed & unlicensed preparers

Allows them to obtain transcript records online

Request records from Practitioners Priority Service

Get reports on taxpayer compliance

No Requirement to represent

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Form 2848

Power of Attorney

For **licensed** preparers & representatives

- Attorneys, CPAs, & EAs

Allows them to obtain transcript records online

Request records from Practitioners Priority Service

Get reports on taxpayer compliance

PLUS

Become representative to the taxpayer

Ability to resolve collection issues that arise after filings

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Tips for Authorization Forms

1. Start with an 8821
 - You can get all the preparation information you need
 - Representatives can always file a Form 2848 later
2. Use the “blanket” theory
 - Requesting a large number of years allows us to see all records ex: 2010-2025
 - Better for compliance checks
 - Sometimes Taxpayers do not know correct timelines
 - Go into the future – IRS allows us to obtain records for 3 years after the current
 - Allows us to see all records
3. Listing type of tax, form, and year to get all related transcripts
4. One form per identifying number
 - If the taxpayer is married and you are dealing with both you need 2 forms
 - If you are dealing with an individual and an entity, get an 8821 for each one to gather records

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Verifying Unfiled Returns

IRS Account Transcripts will allow us to see what years are not on record

We can also request a compliance check with Practitioner's Priority Service to discover unfiled returns.

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Two Ways to Get Information – E-Services

E-Services

File your form 8821 or 2848 with the IRS CAF Unit

- Review instructions and fax your form to Ogden, Memphis or Philadelphia CAF Unit or
- Submit the form online
- After CAF unit processes you can get records
 - About one week wait with online submission
 - A few weeks wait with faxing

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Two Ways to Get Information - PPS

Practitioner's Priority Service Line (PPS)

Contact PPS at (866) 860-4259

Fax your form directly to the representative

Can provide compliance checks

Can provide all types of transcripts

Uploads external records to E-Services SOR mailbox

Faxes or mails internal transcript records

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Useful Transcripts for Individuals

Account Transcripts

Can see if returns were filed/unfiled

Extensions

Estimated payments

Substitute for Return filings (SFRs)

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Useful Transcripts for Individuals

Wage & Income Transcripts

For individuals only

Gives us list of income reported under the social security number

For married taxpayers, must request income records for each person

Available for the most current 9 years

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Useful Transcripts for Businesses

Account Transcripts

- For Same reasons as individuals

ENMOD – When the taxpayer does not know the entity type

- Internal Transcript that must be requested through PPS
- Will let us know if company is a Corporation, S-Corporation, Partnership or LLC
- If any returns were filed, it will show
- List all types of entities and “blanket” years on 8821
 - Form 1120 Corporation (will also let us know about 1120-S)
 - Form 1065 Partnership
 - Form 1040 Individual (for single member LLCs & Sole Proprietors reported on Schedule C)
 - Form 990 Non-Profits Organizations (if potentially non-profit)

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Compliance Checks

Only obtained through PPS staff

They can tell us:

Any unfiled tax periods

Balances due

If the case is in collections &
where it is assigned

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Why do a Compliance Check?

This helps us better understand

What transcripts to request

What years need filing

If there are collection issues that
warrant the filing of a POA

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Taxpayer Records

In conjunction with IRS records, utilize taxpayer documentation

Items like:

- Last Filed Tax Return (if possible)
- Income Records (W-2s, 1099s, etc.)
- Deduction Records (1098, property tax, etc.)
- Proof of dependents (Proof of residency)
- Legal documents relating to business structure
- Business Income & Expense Documents
- QuickBooks or other accounting program files

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The IRS didn't have any records for my taxpayer, how can I file a return?

Polling Question

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No IRS Records Taxpayers



Generally, will be Self-Employed with an EIN or business taxpayers.

Put the taxpayer to work:

- Utilize what resources they have
- Obtain records from past entities they did business with

If no records at all, prepare using best possible estimates

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Things the Taxpayer May Have or Can Obtain



Cannot get income records from the IRS

Invoices, receipts & business records

Bank Statements

- Entity and possibly personal if funds co-mingled

Payroll Company records (Quarterly Reports)

State Sales Tax Filings

Any Excise Tax filings

Records of subscriptions/leases/fixed spending

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No Record Taxpayers



We can prepare using best possible estimates

For lack of income records

- Work backwards off estimated monthly spending of the taxpayer
 - Look at standard of living
 - Fixed bills like mortgages, auto loans, utilities, etc.
 - Allowance for other spending

For businesses with lack of expense records

- Industry Standards
- Fixed payments

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Industry Standards



Based upon profitability of major companies in the industry

Can be used for Profit Margin guidelines

csimarket.com or similar websites

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Missing Record Example



Your client, Bob Jalapeño of Bob's Spicy Wings & Drinks, has come to you to prepare some unfiled returns. Bob opened his restaurant doors in early January 2017, and being a new business owner, had no experience in record keeping. He ran his business exclusively with cash and used some personal funds from his retirement to get things started. He made deposits into a bank account just to cover payroll, but everything else was paid with cash.

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Missing Record Example



All the income was properly reported to the state sales tax authority, but he had a system of throwing out his vendor invoices once they were paid. Bob contacted the payroll company to get the records for that year. Here is the information you were provided by Bob to prepare the Schedule C filings for 2017:

2017 Income per Sales Tax Reports	\$175,000
2017 Payroll per W-3 Form	\$ 80,250
2017 Payroll Taxes	\$ 10,204
2017 Rent Cost (\$1,500/mo.)	\$ 18,000

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Major Element Missing



Cost of Goods Sold

Can be obtained through profitability ratios
from industry standards

Broken down on a quarterly basis

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Utilizing Industry Profitability Standards

Restaurants Industry Profitability Ratios					
	4 Q 2017	3 Q 2017	2 Q 2017	1 Q 2017	4 Q 2016
Gross Margin	56.88 %	52.62 %	53.15 %	52.38 %	36.28 %
Gross Margin Annual (TTM)	53.95 %	48.36 %	46.96 %	45.99 %	48.77 %
Gross Margin Ranking	# 38	# 43	# 42	# 45	# 63
EBITDA Margin	24.66 %	22.83 %	22 %	21.05 %	20.12 %
EBITDA Margin Annual (TTM)	24.66 %	22.83 %	22 %	21.05 %	20.12 %
EBITDA Margin Ranking	# 15	# 32	# 31	# 31	# 30
Operating Margin	19.84 %	20.08 %	18.41 %	17.56 %	15.7 %
Operating Margin Annual (TTM)	19.12 %	18.22 %	17.56 %	16.7 %	17.15 %
Operating Margin Ranking	# 29	# 34	# 34	# 35	# 35
Pre-Tax Margin	22.01 %	17.09 %	15.94 %	14.71 %	13.37 %
Pre-Tax Margin Annual (TTM)	17.8 %	15.52 %	14.97 %	14.24 %	14.7 %
Pre-Tax Margin Ranking	# 15	# 23	# 23	# 29	# 31
Net Margin	17.39 %	11.76 %	11.07 %	10.6 %	10.44 %
Net Margin Annual (TTM)	12.93 %	11.15 %	10.98 %	10.41 %	10.68 %

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Calculating Bob's COGS



Gross Margin =
Income minus
COGS divided by
Income

COGS
Percentage =
100% of Income
minus Gross
Margin

Income
multiplied by
COGS Percentage

Quarter	Income	Gross Margin	COGS Percentage	Cost of Goods Sold
1 st 2017	\$50,000	52.38%	47.62%	\$23,810
2 nd 2017	\$35,000	53.15%	46.85%	\$16,398
3 rd 2017	\$30,000	52.62%	47.38%	\$14,214
4 th 2017	\$60,000	56.88%	43.12%	\$25,872
Totals	\$175,000			\$80,294

Restaurants Industry Profitability Ratios					
	4 Q 2017	3 Q 2017	2 Q 2017	1 Q 2017	4 Q 2016
	2017	2017	2017	2017	2016
Gross Margin	56.88 %	52.62 %	53.15 %	52.38 %	36.28 %
Gross Margin Annual (TTM)	53.95 %	48.36 %	46.96 %	45.99 %	48.77 %

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Income Calculation with Industry Standards



Account	Amount
Income	\$175,000
Cost of Goods (Industry Standard)	\$ 80,294
Gross Income	\$ 94,706
Payroll (W-3)	\$ 80,250
Payroll Taxes	\$ 10,204
Rent	\$ 18,000
Total Expenses	\$108,454
Net Income/loss	(\$ 13,748)

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When Estimating



Look at audit risks

SFRs & Audits will require proof of income & Expenses

Cohan Rule may be utilized in an audit for expenses

- Based upon situation it is reasonable to assume taxpayer has certain expenses
- Does not work for Meals & Entertainment, Auto Expenses or Travel that need logs or records

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When Estimating



Look at the overall picture

Sometimes better not to take expenses

- If taxpayer's finances look they qualify for Offer in Compromise
- Corporation or business not viable
 - Besides Employment Taxes or Self-Employed persons, most business debts die with the entity

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Now I have figured out their
income, what do I do?

Polling Question

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We should get the taxpayer
complaint with their filings...

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Compliance in Filing

IRS does not have records, nor do they require taxpayers to file for decades if they are delinquent

Require taxpayers to become compliant in filing

Per Policy statement P-5-133

- Most taxpayers are deemed compliant by filing most recent 6 years
- Unless Revenue Agent or Revenue Officer gets managerial approval to get older years **or**
- Taxpayer exhibits badges to fraud and potentially fraudulent Failure to file

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Policy Statement P-5-133

1.2.1.6.18 (08-04-2006)

Policy Statement 5-133, Delinquent returns—enforcement of filing requirements

1. Delinquent returns—enforcement of filing requirements

2. Taxpayers failing to file tax returns due will be requested to prepare and file all such returns **except in instances where there is an indication that the taxpayer's failure to file the required return or returns was willful or if there is any other indication of fraud.** All delinquent returns submitted by a taxpayer, whether upon his/her own initiative or at the request of a Service representative, will be accepted. However, if indications of willfulness or fraud exist, the special procedures for handling such returns must be followed.

3. Where it is determined that required returns have not been filed, the extent to which compliance for prior years will be enforced will be determined by reference to factors ensuring compliance and evenhanded administration of staffing and other Service resources.

4. Factors to be taken into account include, but are not limited to: prior history of noncompliance, existence of income from illegal sources, effect upon voluntary compliance, anticipated revenue, and collectibility, in relation to the time and effort required to determine tax due. Consideration will also be given any special circumstances existing in the case of a particular taxpayer, class of taxpayer, or industry, or which may be peculiar to the class of tax involved.

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Policy Statement P-5-133

1.2.1.6.18 (08-04-2006)

Policy Statement 5-133, Delinquent returns—enforcement of filing requirements

5. Normally, application of the above criteria will result in **enforcement of delinquency procedures for not more than six (6) years. Enforcement beyond such period will not be undertaken without prior managerial approval.** Also, if delinquency procedures are not to be enforced for the full six year period of delinquency, prior managerial approval must be secured

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Submitting the Returns

Electronically file the most current 3 years if possible

Older returns should be mailed

- Certified Return Receipt
- Even if taxpayer can't full pay send small checks
 - Helps us see when IRS opens the mailed returns and submits for processing

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What About the Refunds & the Balances?

Refunds

Subject to Refund Statute Expiration Date (RSED)

- Refunds available for most current 3 years or
- If payment has been made in last 24 months for older years

Refunds that do not fall into RSED criteria are lost

Viable refunds will be automatically applied to any outstanding liabilities

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What About the Refunds & the Balances Due?

Balance Due

Balances unpaid by tax due date are subject to Penalties & Interest

Failure to File Penalty - From due date of return with extensions

- 5% per month up to 25% of tax

Failure to Pay Penalty – From due date of return without extensions

- 0.5% per month up to 25% of tax

Interest – From due date of return without extensions

- Rates change quarterly, 1st Quarter 2023 rate 7%

Late filed S-Corporation and Partnership Returns are subject to Failure to file penalties based upon the amount of shareholders and months unfiled

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Why does my client's transcript record show a Substitute for Return?

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Where Does a Substitute for Return Come From?

Substitute For Return (SFR) is an IRS filing on behalf of the taxpayer based upon IRC § 6020(b)

- IRS utilizes the following to prepare the return
 - Wage & Income Records on file
 - Either Single or Married Filing Separate status
 - Generally, no dependents
 - No expenses

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SFR Process

IRM 4.12.1

Meant to either

- Secure a proper tax return filing from the taxpayer or
- Prepare an estimate of the tax, penalties, and interest to be collected based upon available IRS records

SFRs usually created relating to the most recent 6 years filings, unless other factors warrant older SFRs (ex: income from illegal sources)

IRS will determine if the tax implications from the creation of SFR warrants the time involved

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Step by step through an SFR

1. IRS reviews the taxpayer's filing history
2. IRS reviews the income records for the taxpayer
3. IRS determines the viability of preparing an SFR
4. If viable, IRS issues a Notice of Deficiency (NOD) proposing an assessment based upon the income records

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Step by step through an SFR

5. One of four things can happen when the NOD is issued:

- The taxpayer can sign in agreement to the NOD, then the IRS will post the assessment
- The taxpayer can send a return to file in response, it will be subject to audit procedures. If it is not processed within the 90-day NOD window, taxpayer should file tax court petition
- If the taxpayer disagrees, they can file a tax court petition within 90 days, the taxpayer's return can be filed in pre-trial appeals or resolved in tax court
- If taxpayer does not respond by signing the NOD or filing a tax court petition within 90 days, the IRS will assess the tax from the NOD

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Types of SFR Assessments

Assessments from Unsigned SFRs

- Can be corrected by an original filing

Assessments from signed SFRs

- Count as a filed return
- Can be changed through an amended return

Unassessed SFRs

- Can be either agreed to, ignored, or sent for tax court review
- Returns filed during the SFR process are subject to regular audit procedures

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Other SFR Considerations

Statutes of Limitations & the SFR

- An assessment from an SFR begins the Collection Statute on that assessment
- An SFR DOES NOT start the assessment statute UNLESS the taxpayer signs it

SFR Assessments subject to penalties & interest

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Fraudulent Non-Filers



Polling Question

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Discovering Fraudulent Non-Filers

- IRS auditors are to be aware of potential for fraud during the SFR process
- If signs of fraud exist, the auditor should get approval from the manager to bring in a Fraud Technical Advisor (FTA)
- They will determine and build case for criminal or civil fraud
- Examiners are advised not to:
 - Solicit the return from the taxpayer
 - Volunteer advice to the taxpayer
 - Discuss fraud referral possibilities with the taxpayer



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Examination Indicators of Fraud

- History of audit disallowance of the same item
- Responding to underreported income with unsubstantiated deductions or expenses
- Large Unusual or Questionable expenses/deductions
- Conflicting false statements by the taxpayer
- Claiming different dependents year to year to qualify for EITC or other tax credits/benefits



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Examination Indicators of Fraud

- Suspicious statements from third parties
- Birth Certificate mis-matches
- Use of a decedent's Social Security Number as a Dependent
- Unsubstantiated Refundable Credits



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If Your Taxpayer Exhibits Fraud Indicators

Accountant privilege does not extend to tax returns, documents, and related information

- IRS could make you testify against your client

Stop asking questions and refer the case out

- Fraud can potentially go criminal
- If you are a CPA, EA, or tax preparer, protect yourself and your client, refer your client to an attorney

Trust your gut instinct

- If the taxpayer seems sketchy during your first conversations, don't take the case



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Protecting Ourselves from Fraudulent Non-Filers

- Look for additional assessments from audit on account transcripts
 - Discuss recollection of disallowed items/audit changes with taxpayer
- If you are responding to a proposed SFR, make sure taxpayer can document expenses
- Question taxpayers on items out of the normal
- Get out of you hear conflicting stories from the taxpayer or receive suspicious forms to prepare the returns
- Get backup for any credit related items (college tuition statements, proof of dependent residency, etc.)
- Watch out for discrepancies in dependents



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Final Thoughts

- Make sure you check IRS records, there is a lot of good information there
- If clients are missing records, there are a lot of good resources out there to help
- Compliance in most cases is catching up the most recent 6 years of returns
- SFRs can be corrected in various ways
- Watch for indicators of fraud



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Next Free Class: Wednesday, Feb 15th

2pm Eastern | 1pm Central
12pm Mountain | 11am Pacific

Can't make it live? Become a member and get access to the recordings of all of our live monthly trainings!

ASTPS.org/Membership



Department of the Treasury
Internal Revenue Service
IRS
Exam
Philadelphia PA 19255-0449

Date:
December 5, 2022
Taxpayer ID number:
XXX-XX-XXXX
Form:
1040
Tax year ended and deficiency:
DECEMBER 31, 2018 \$121,203.00
Person to contact:
Tax Examiner
Employee ID number:
10000000000
Contact telephone number:
1-866-000-0000
Contact hours:
7:00 am to 7:00 pm local
Last day to file petition with US tax court:
March 6, 2023

D. LYNN QUINCE
123 PROCRASTINATION WAY
BUFFLO, NY 14000

Certified Mail Number:

Notice of Deficiency
Penalties or Additions to Tax

IRC Section	Deficiency
IRC Section 6651(a)(1)	\$27,270.68
IRC Section 6654(a)	\$3,929.97
IRC Section 6651(a)(2)	\$25,452.63

Dear D. LYNN QUINCE:

You owe additional tax or other amounts, or both, as shown above. This letter is your **Notice of Deficiency** as required by law. The enclosed Form 4549, Report of Income Tax Examination Changes, shows how we figured the deficiency.

What to do if you agree

Sign the enclosed Form 5564-A, Notice of Deficiency - Waiver, and return it in the enclosed envelope or send it to the return address shown above. Returning this now will help limit the accumulation of interest.

What to do if you disagree

If you want to contest our final determination, you can file a petition with the United States Tax Court.

How to file your petition

You can get a petition form and the rules for filing from the Tax Court's website at www.ustaxcourt.gov, or by contacting the Office of the Clerk at the address below, or by calling 202-521-0700. Do not send your petition form to the Internal Revenue Service. Do send your completed petition form, a copy of this letter, and copies of all statements and schedules you received with this letter to the address shown below:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

If this notice shows more than one tax year, you can file one petition form showing all the years you disagree with.

The Tax Court has a simplified procedure for small tax cases when the amount of the deficiency you dispute does not exceed \$50,000 (including additions to tax and penalties, but not including interest) for any tax year. If you plan to file a petition for one or more tax years and the amount in dispute for any tax year exceeds \$50,000 (including additions to tax and penalties, but not including interest), you can't use this simplified procedure. If you use this simplified procedure, you can't appeal the Tax Court's decision. You can get information about the simplified procedure from www.ustaxcourt.gov or by writing to the court at the address above.

You can represent yourself before the Tax Court, or anyone allowed to practice before the Tax Court can represent you.

When to file a petition

The court can't consider your case if you file the petition late.

- A petition is considered timely filed if the Tax Court receives it within
 - 90 days from the date this letter was mailed to you, or
 - 150 days from the date this letter was mailed to you 1) if this letter is addressed to you outside of the United States, or 2) if you are outside of the United States when this letter is mailed to you.
- A petition is also generally considered timely if the United States Postal Service postmark date is within the 90 or 150-day period and the envelope containing the petition is properly addressed with the correct postage. The postmark rule doesn't apply if mailed using the mail service of a foreign country.
- A petition is also generally considered timely if the date recorded by a designated private delivery service in its database as received within the 90 or 150-day period. Not all services offered by private delivery companies are designated delivery services. For a list of designated delivery services available for domestic and international mailings and rules pertaining to them, see Notice 2016-30, which is available on the IRS website at www.irs.gov/irb201618. Please note that the list of approved delivery companies may be subject to change.
- The time you have to file a petition with the Tax Court is set by law and can't be extended or suspended, even for reasonable cause. We can't change the allowable time for filing a petition with the Tax Court.

What to do if your're married


We're required to send a notice to each spouse. If both want to petition the Tax Court, both must sign and file the petition or each must file a separate, signed petition. If only one spouse timely petitions the Tax Court, we may assess the deficiency against the non-petitioning spouse.

What will happen if we don't hear from you

If you decide not to sign and return the waiver, and you don't file a timely petition with the Tax Court, we'll assess and bill you for the deficiency (and applicable penalties and interest) after 90 days from the date of this letter (150 days if this letter is addressed to you outside the United States).

**Information about the IRS Taxpayer Advocate Service**

The IRS office whose phone number appears at the top of the notice can best address and access your tax information and help get you answers. However, you may be eligible for free help from the Taxpayer Advocate Service (TAS) if you can't resolve your tax problem with the IRS, or you believe an IRS procedure just isn't working as it should. TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Contact your local Taxpayer Advocate Office:



Internal Revenue Service
Taxpayer Advocate Office
130 South Elmwood Ave., Suite 265
Buffalo, NY 14202
Phone: 716-961-5300
Fax: 855-818-4820

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Or call TAS at 877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to taxpayeradvocate.irs.gov. Do not send your Tax Court petition to the TAS address listed above. Use the Tax Court address provided earlier in the letter. Contacting TAS does not extend the time to file a petition.

Where you can get more information

See the enclosed Publication 1, Your Rights as a Taxpayer; Publication 3498-A, The Examination Process (Audits by Mail); and Publication 5, Your Appeal Rights and How to Prepare a Protest If You Don't Agree.

If you write, include the enclosed Form 14817, Reply Cover Sheet, with your response and write your telephone number and the hours we can reach you.

If you have questions, you can call the contact person shown on the first page of this letter.

Thank you for your cooperation.

Sincerely,

Commissioner
By

Enclosures:
Form 4549
Form 5564-A
Envelope
Form 14817
Publication 1
Publication 3498-A
Publication 5

Snowy Freeze
Operations Manager, Examination

Form **4549**
(December 2020)

Department of the Treasury-Internal Revenue Service

Report of Income Tax Examination Changes

Name and address of taxpayer

D. LYNN QUNICE
123 PROCRASTINATION WAY
BUFFALO, NY 14000

Taxpayer identification number

XXX-XX-XXXX

Return form number

1040

Person with whom
examination
changes were
discussed.

Name and title

1. Adjustments to Income**Period Ended**
12/31/2018**Period Ended****Period Ended**

a. Nonemployee Compensation

363,766.00

b. SE AGI Adjustment

(12,832.00)

c. Standard Deduction

(12,000.00)

d.

e.

f.

g.

h.

i.

j.

k.

l.

m.

n.

o.

p.

2. Total adjustments

338,934.00

3. Taxable income per return or as previously adjusted

0.00

4. Corrected taxable income

Tax method

Filing status

338,934.00

TAX RATE

Single

5. Tax**6. Additional taxes/Alternative minimum tax**

94,316.00

7. Corrected tax liability

94,316.00

8. Less

credits

a.

b.

c.

d.

9. Balance (line 7 less lines 8a through 8d)

94,316.00

10. Plus
other
taxes

a. Self Employment Tax

b. Additional Medicare Tax

c.

d.

25,664.00

1,223.00

11. Total corrected tax liability (line 9 plus lines 10a through 10d)

121,203.00

12. Total tax shown on return or as previously adjusted

0.00

13. Adjustments to:

a.

b.

c.

14. Deficiency-Increase in tax or (overassessment-decrease in tax) (line 11 less line 12 adjusted by lines 13a through 13c)

121,203.00

15. Adjustments to prepayment credits - increase (decrease)**16. Balance due or (overpayment) - (line 14 adjusted by line 15) (excluding interest and penalties)**

121,203.00

The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

Name of taxpayer D. LYNN QUINCE	Taxpayer identification number XXX-XX-XXXX	Return form number 1040	
17. Penalties, additions to tax, and additional amounts -- IRC sections	Period Ended 12/31/2018	Period Ended	Period Ended
a. Delq-IRC 6651(a)(2)	25,452.63		
b. Delq-IRC 6651(a)(1)	27,270.68		
c. Estimated Tax-IRC 6654	3,929.97		
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
18. Total penalties, additions to tax, and additional amounts	56,653.28		
19. Summary of taxes, penalties and interest			
a. Balance due or (overpayment) taxes - (line 16, page 1)	121,203.00		
b. Penalties and additions (line 18) - computed to 10/03/2022	56,653.28		
c. Interest** (IRC § 6601) - estimated and computed to 11/02/2022	22,830.44		
d. Amount due or (refund) - (sum of lines a, b, and c)	200,686.72		

**Interest, as provided by law, will be charged on any unpaid amount until it is paid in full.

Other information

Make sure items adjusted on this report are reported properly on previously filed and future returns. If the same deductions/credits adjusted on this report are present on returns you already filed, you can file amended returns to correct them and minimize related penalties and interest.

Examiner's signature Tax Examiner	Employee ID 1000000000	Office Philadelphia, Pa	Date 10/03/2022
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Consent to Assessment and Collection- I do not wish to exercise my appeal rights with the Internal Revenue Service or to contest in the United States Tax Court the findings in this report. Therefore, I give my consent to the immediate assessment and collection of any increase in tax and penalties, and accept any decrease in tax and penalties shown above, plus additional interest as provided by law. It is understood that this report is subject to acceptance by the Area Director, Area Manager, Specialty Tax Program Chief, or Director of Field Operations.

PLEASE NOTE: If a joint return was filed. BOTH taxpayers must sign

Signature of taxpayer	Date	Signature of taxpayer	Date
By	Title		Date