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A portrait of Angelene Wierzbic, a woman with short brown hair, wearing glasses and a red top, smiling at the camera.


About Your Presenter



Angelene Wierzbic is an Enrolled Agent and Certified Tax Resolution Specialist. Over the last two decades, she has worked hundreds of resolution cases at Lawler & Witkowski, assisting clients with all sorts of tax issues.



Besides practicing, she presents continuing education courses. She received one of CPA Academy's "Speaker of the Year for 2023" awards. She is also one of the presenters for the American Society of Tax Problem Solvers Tax Resolution Accelerator program (formerly the Boot Camp).



Outside of work, Angelene likes to do acrylic paintings, various crafts, and take photos.

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Yay! I Survived Another
Tax Season...But

Rawr, My Client Just
Received an IRS Notice



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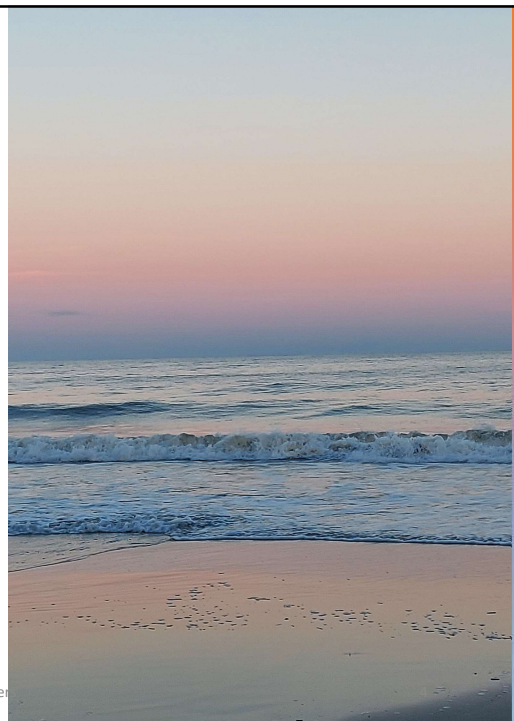
Getting Started

Pointers for dealing with IRS
correspondence:

- Don't be like a taxpayer...open the mail!
- Read the notice or letter
 - Same letter or notice number will contain same text
- Look it up on IRS website:
Understanding Your IRS Notice or Letter
www.irs.gov/individuals/understanding-your-irs-notice-or-letter
- IRS sends duplicates to taxpayer & spouse when filing MFJ

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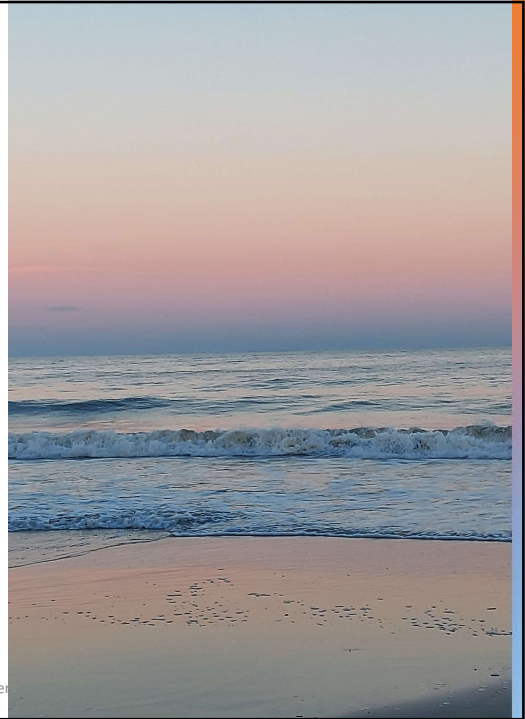
Sorting Out IRS Mail

There are a few important things to look for:

1. Identify the type of correspondence:
 - Letters vs. Notices
2. Periods involved
3. Response or action requested
4. DEADLINES
5. Taxpayer Rights

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Identifying the Correspondence

Letters vs. Notices

Notices:

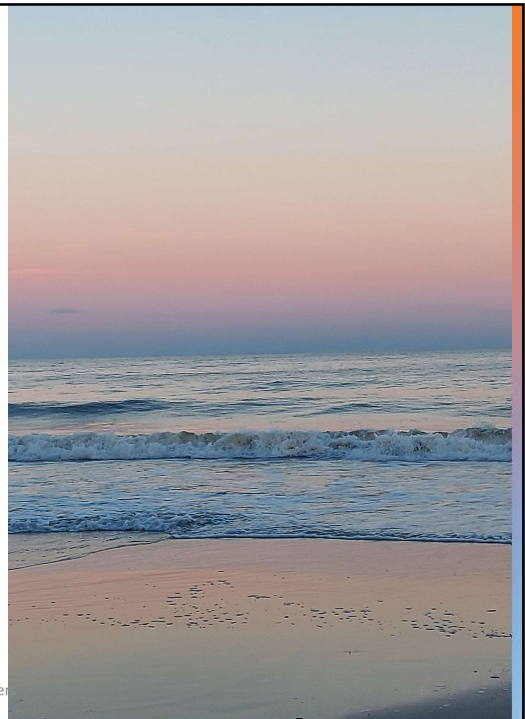
- Are strictly computer generated
- Generally, have a boxed in area at the top right
- Can be identified by a "CP" plus #
- Usually relate to only one tax form & period

Letters:

- Are generated by a person at IRS
- Will be formatted like a letter
- Can be identified by a "LT" plus # at the bottom right-hand corner

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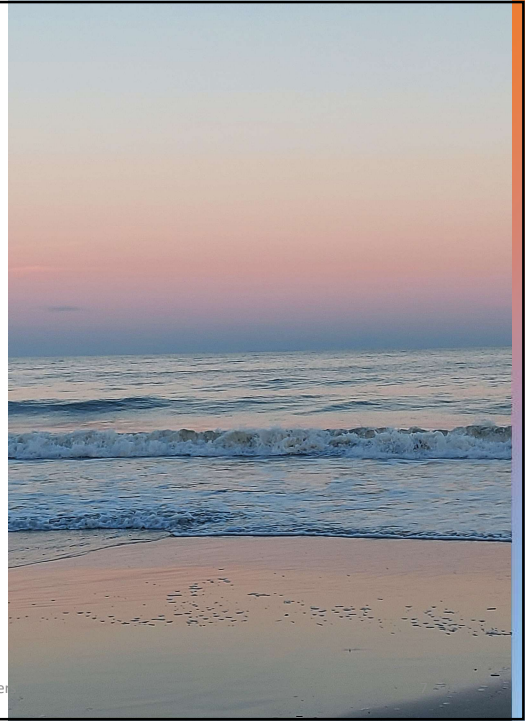
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Periods Involved

- Review box on top right for notices
- Review header or text for letters
- If payment vouchers included will show on the voucher

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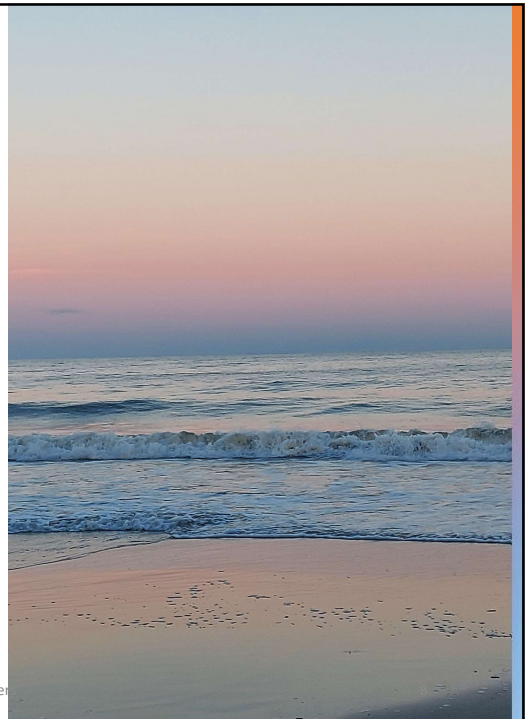
Response or Action

Is IRS:

- Informing taxpayer of a change
- Requesting additional documentation
- Verifying taxpayer identity
- Requesting payment
- Taking a further collection action
- Offering rights to appeals or Tax Court
- Summons to produce or appear

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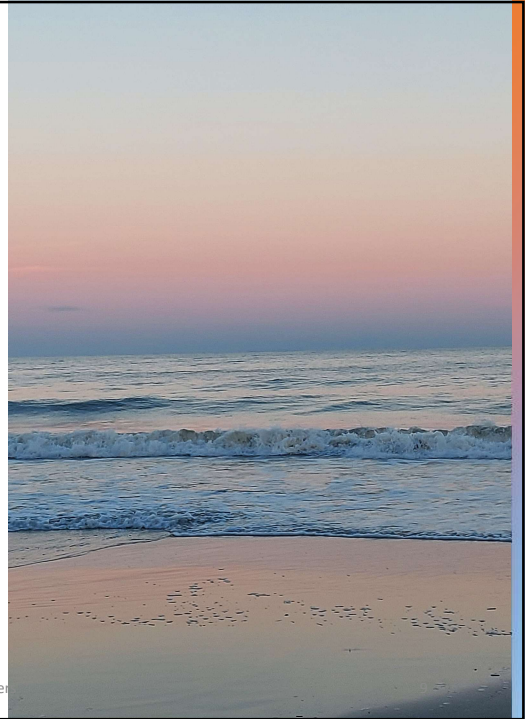
Important Deadlines

Is there:

- A deadline to refute a proposed change
- A deadline to provide documents
- A scheduled audit or conference date
- Date to request an appeal
- Date to petition tax court
- Summons date to produce or appear

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Most Common Notifications From IRS...

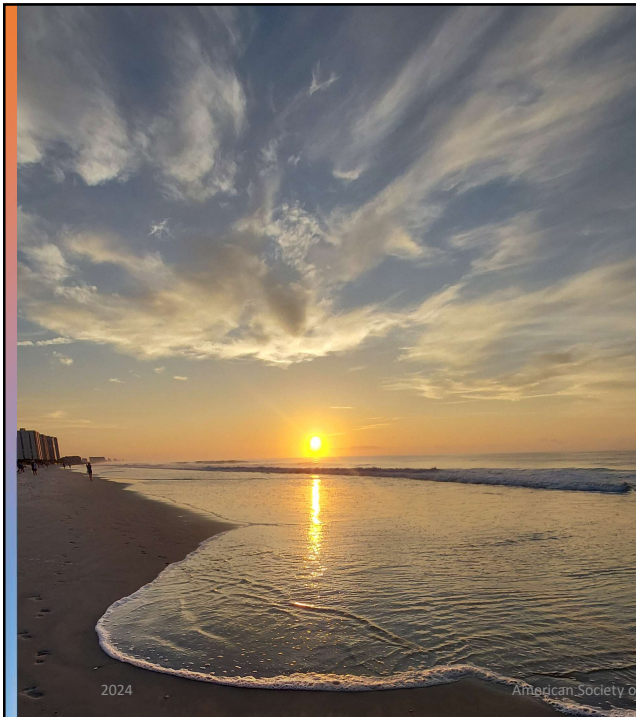
- Corrections to the Return filing
- Audit
- Notification of Balance Due

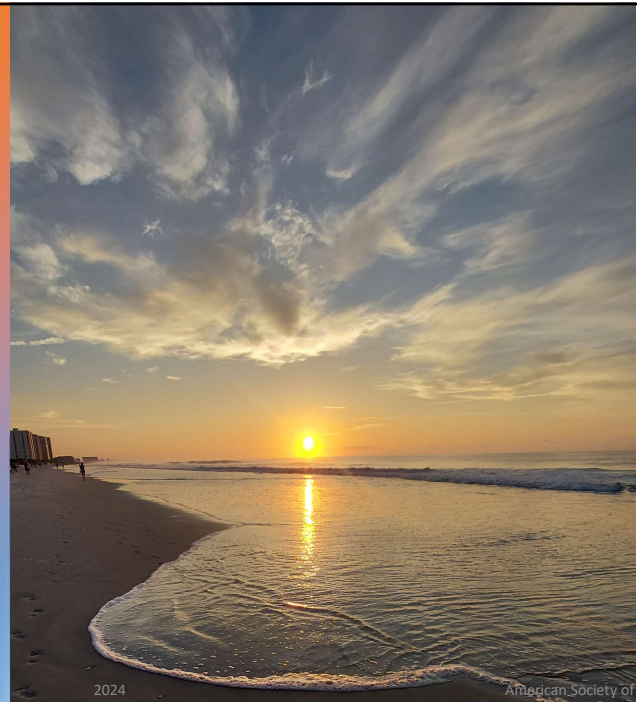
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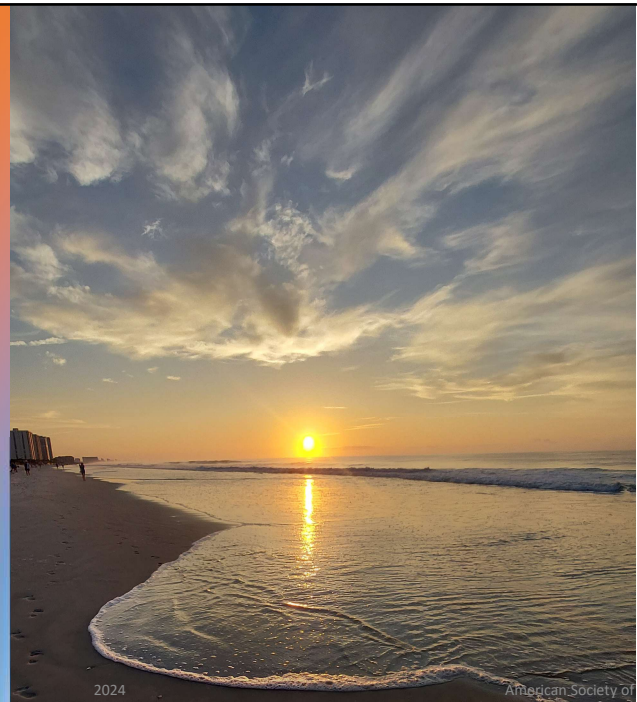
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Why Does the IRS Send Correction Notices?

The taxpayer's return reported all items properly but:

- Had a math error
- Made a clerical error

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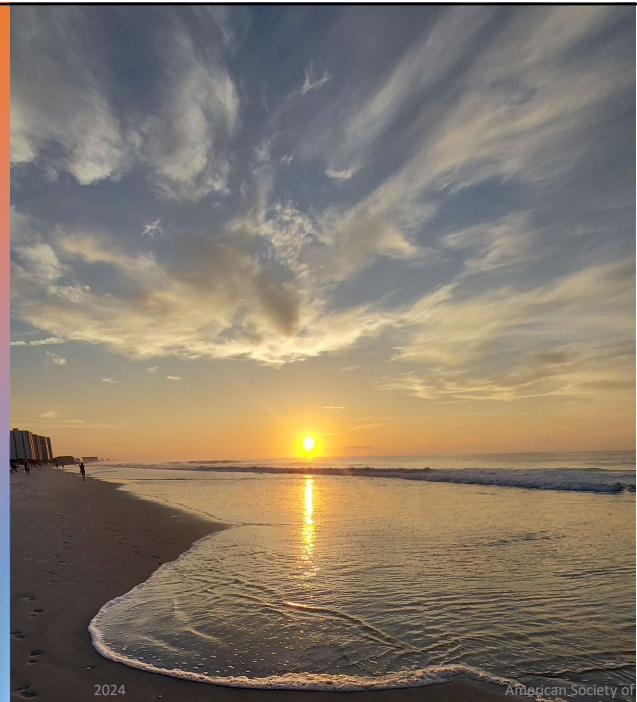


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Why Does the IRS Send Audit Notices?

- Income was omitted on the original filing
- IRS wants to verify reported amounts
- IRS filing on behalf of the taxpayer
- Random selection

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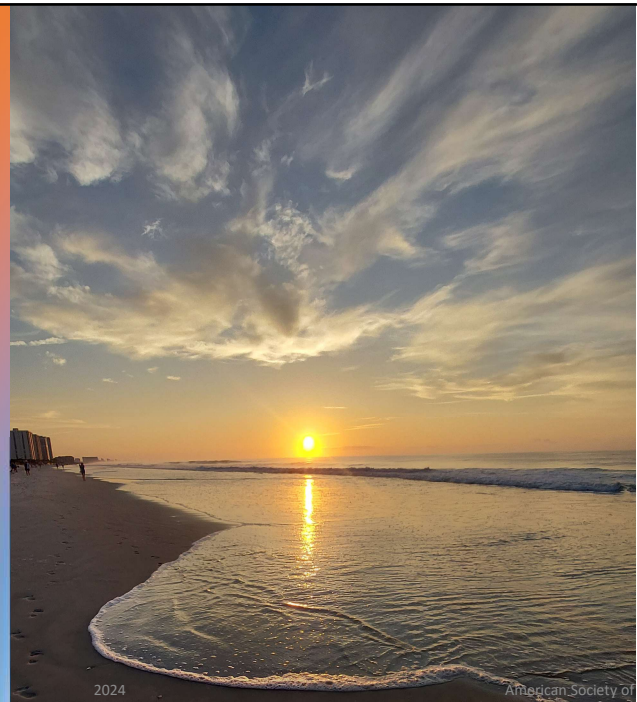
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Why Does the IRS Send Balance Due Notices?

- Return was filed but not paid
- Account in collections
- Annual reminders

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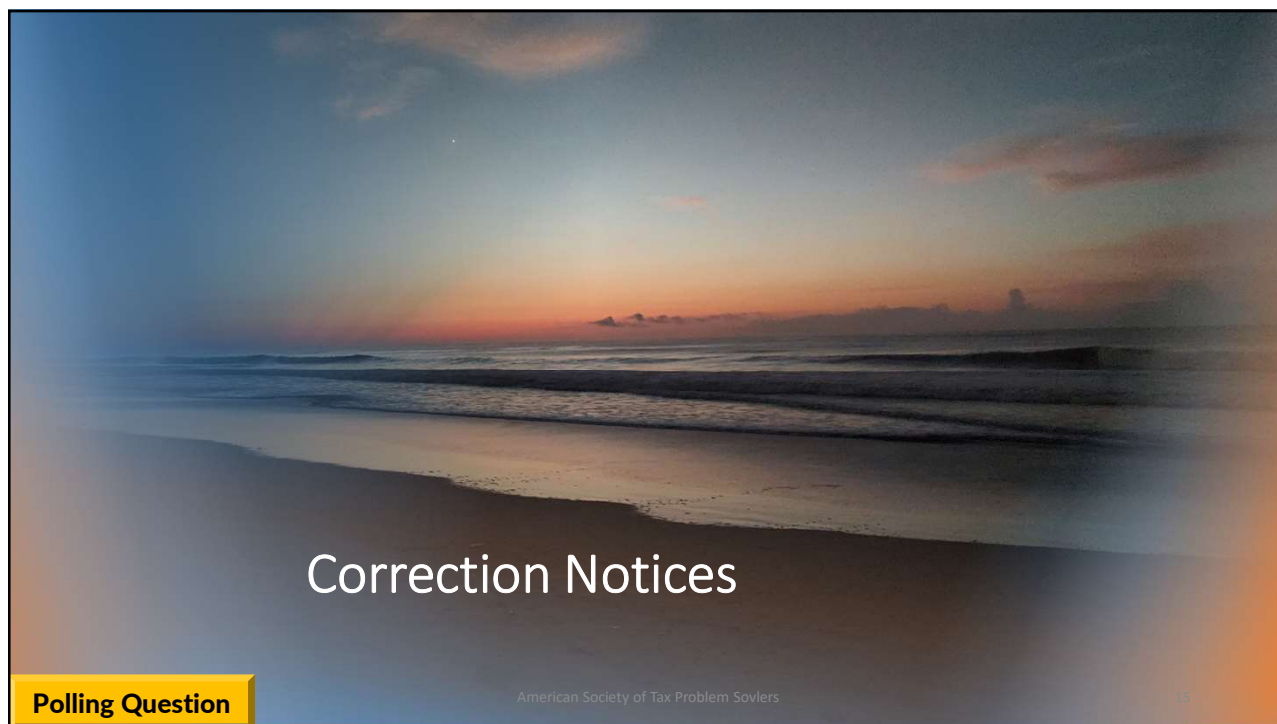
ID Theft Letters

Taxpayer must respond

- LT5071C – Can verify online
- LT4883C – Call IRS to verify
- LT5747C – Must verify in person

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Corrections vs. Audits

Corrections

- Everything reported properly but a minor error
 - Notifying of change
 - Requesting additional support
 - No Tax Court Rights

Audits

- Reviewing the return to correct errors, omissions, or verify reporting
 - Comparison of records
 - Changes proposed
 - Back and forth
 - Appeal & Tax Court Rights

A vertical rectangular image showing a sunset over a beach. The sky is a gradient of blue, orange, and yellow, with waves gently washing onto the shore. The image is positioned on the right side of the slide, partially overlapping the text area.

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Common Corrections

Filing Status Adjustments (IRM 21.6.3)

- Filing Status Errors
 - Incorrect TIN provided
 - Marital status last day of the year
- Dependents Errors

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Common Corrections

Math Error Notifications (IRM 21.5.4)

- Denial of claim or credit
 - Due to change in filing status
 - Appeal rights allowed
- Miscalculation of claim or credit
- Incomplete information to process claim or credit

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Common Corrections

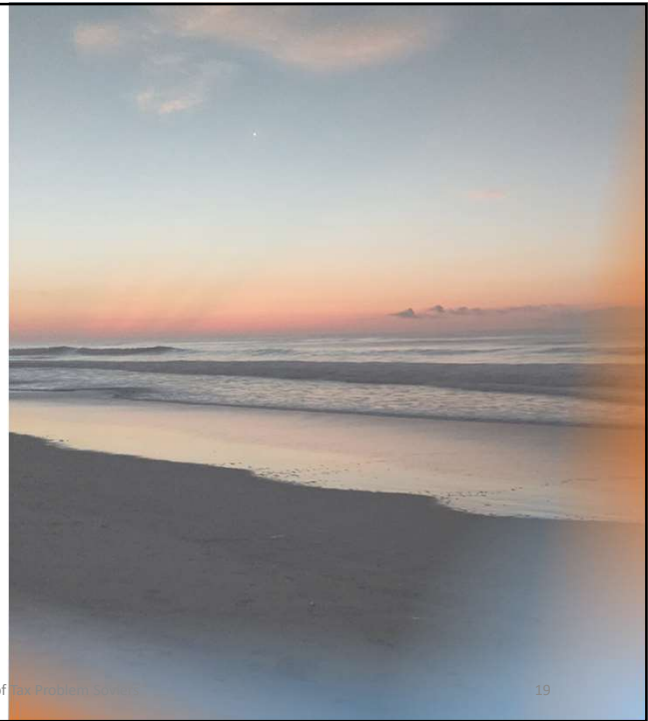
Credit Adjustments (IRM 21.6.1)

- Correction of miscalculated:
 - Child & Dependent Care Credit
 - Earned Income Tax Credit
 - Child Tax Credit/Other Dependent Credit
 - Additional Child Tax Credit
 - Lifetime Learning/American Opportunity Credit
 - Recovery Rebate Credit

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Examples of Correction Notices

| Notice (CP) or Letter (LT) | Meaning | Follow Up |
|----------------------------|--|---|
| CP54 | Mismatched TIN & Social | Verify TIN correctly reported, if yes, supply supporting documentation |
| CP21 CP22A | Removal of Dependency | Have taxpayer check with working age children or estranged spouses to verify dependency was not improperly claimed. |
| LT 105C LT 106C | Denial of Claim or credit due to change in filing status | Review change of filing status. If IRS incorrect, send supporting documents and request appeal |
| LT 916C | Claim for credit unable to be processed (amended) | Amended return was missing information to properly process claim. Review return, provide information to correct. |

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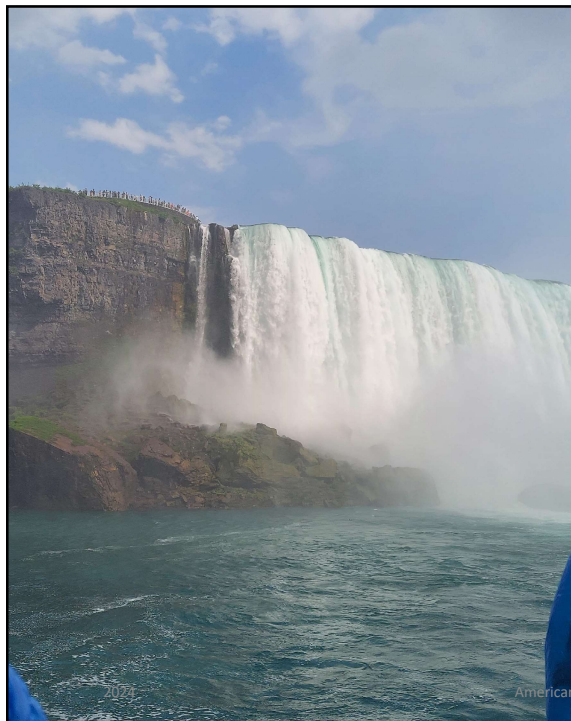
Handling Audit Notices

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IRS Ramping up on Audits Plan per May 2, 2024 Release:

More audit focus on wealthiest taxpayers, large corporations, partnerships

IRS anticipates increasing audits on the wealthiest taxpayers, large corporations and large, complex partnerships by sizable percentages for tax year 2026:

Large Corporations (\$250+ million in assets)

- 22.6% in tax year 2026, up from 8.8% in tax year 2019 (Triple audit rates)

Large, Complex Partnerships (\$10+ million in assets)

- 1% in tax year 2026, up from 0.1% in tax year 2019 (Ten-fold increase)

Wealthy Individuals (Total Positive income \$10+ million)

- 16.5% in tax year 2026, up from 11% in tax year 2019 (50%+ increase)

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IRS Ramping up on Audits Plan per May 2, 2024 Release:

More audit focus on wealthiest taxpayers, large corporations, partnerships

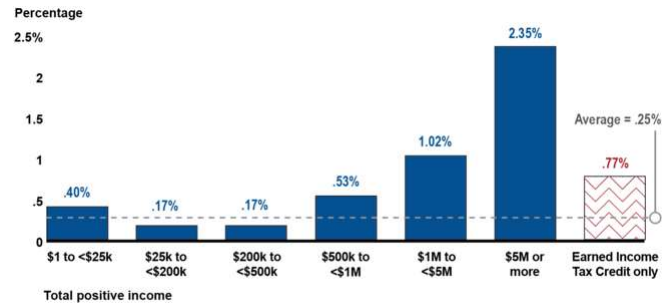
At the same time, the IRS continues to emphasize the agency will not increase audit rates for small businesses and taxpayers making under \$400,000, and those rates remain at historically low levels.

Other noteworthy audit news:

- IRS using AI to identify large corporate/partnership targets
- IRS addressing racial disparities in audit rates
 - Historically, Black taxpayer 3-5% more likely to be audited than others
- 125,000 letters issued to non-filers making over \$400K

2019 Audit Levels Per TPI

Audit Rates by Total Positive Income, Tax Year 2019



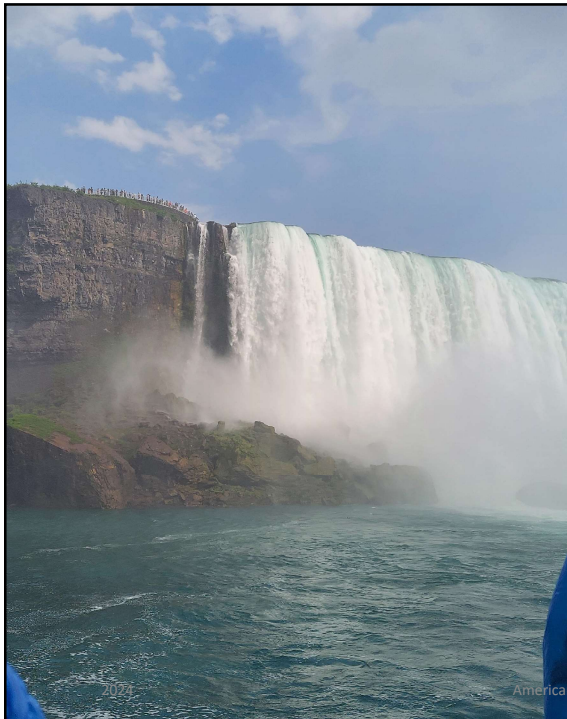
Source: GAO analysis of Internal Revenue Service data. | GAO-22-104960

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Types of IRS Audits

Correspondence:

- CP 2000 Notice of Proposed changes
 - IRS adjusts based on Wage & Income Records
 - IRS corrections for improper claims

Office

- Letter 2202 Initial Contact letter to set up appointment (comes with package that includes Form 4564 Information Document Request (IDR))
- Form 4564 Information Document Request

Field

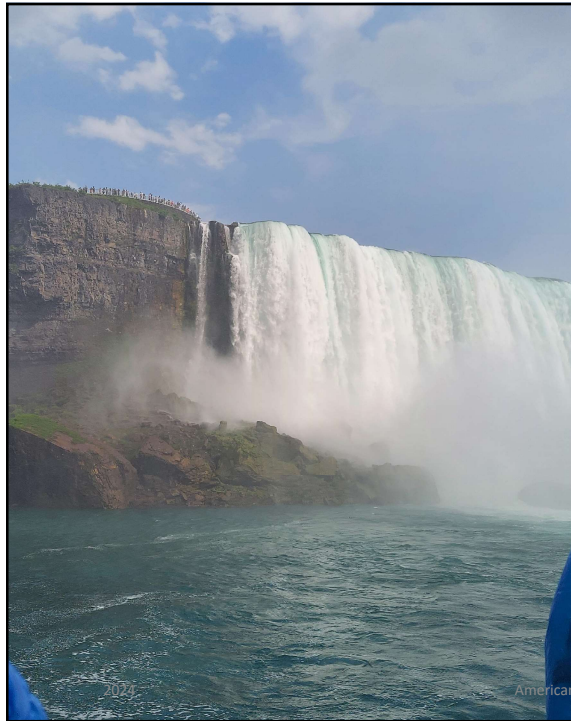
- Letter 2205 or 2205A Initial Contact letter from auditor (plus IDR)

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Other “Audit” Issues: Substitute for Return IRC §6020(b)

- Taxpayer did not file a return for the period
- IRS creates the return on their behalf based on Wage & Income records
- Issues a CP 2000 notice with the “adjustments” based upon income on IRS system
- Taxpayer can agree, or disagree and submit additional information
- If unagreed, no tax court petition filed and tax assessed, can be corrected by filing the original return for the period
- If agreed and signed, it is treated as an original return. Any future changes are made with an amended return

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Correspondence Audits: What If The Client Disputes the Notice...

There are many things we can do as practitioners to assist clients with notices.

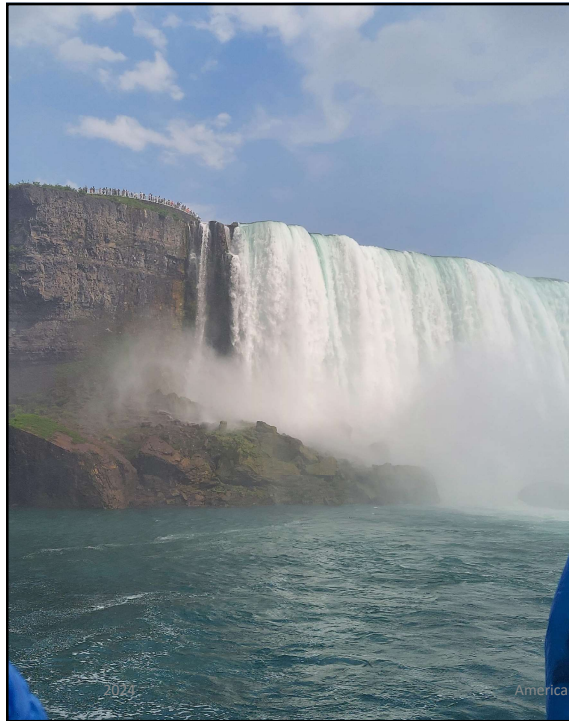
We can:

- Verify the return was properly processed
- Check credits and payments
- Review the calculation of Penalties and Interest
- Verify the balance due
- Check for IRS changes to the Return
- Verify taxpayer income documentation

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Handling Correspondence Audits

- Verify changes on CP 2000 notices
 - Pull Wage & Income (W&I) transcripts
 - Compare original return and W&I transcripts to CP2000
 - Watch for IRS calculation errors
- Agree to changes or respond with additional information
- IRS will respond with updates based on additional information (rare) or issue CP3219 Notice of Deficiency (NOD)
- NOD allows 90 days to petition tax court
- Tax court will remand generally send case to IRS appeals for pre-trial settlement

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Handling Office & Field Audits

- Gather and submit information requested on the Information Document Request (Form 4564) to auditor
- Auditor may ask additional questions on documentation, or for other records
- Most cases will involve an interview of the taxpayer (or representative if able to adequately answer questions)
- Auditor will issue 30 day letter and audit changes
 - Gives ability to appeal
- Auditor will issue Letter 513 (NOD)
 - 90 days to petition tax court on unagreed items

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Recap of Audit Notices

| Notice (CP) or Letter (LT) | Meaning | Follow Up |
|----------------------------|---|--|
| CP2000 | Correspondence Audit – IRS found discrepancy with return vs. their income records | Verify tax return was correct. Pull wage and income transcripts from IRS. Compare and respond |
| CP3219A | Correspondence Audit – Notice of Deficiency (90 days to petition Tax Court) | Can respond with additional information. If not reviewed in 90 days, file Tax Court petition and go to pre-trial appeals |
| LT 2202 LT 2205 | Office & Field Audits – Initial meeting letter with auditor. Includes Form 4564 (IDR) | Gather info to respond the IDR and submit on or before scheduled date |
| LT 513 | Office/Field Audit – Notice of Deficiency (90 days to petition Tax Court) | Can respond with additional information. If not reviewed in 90 days, file Tax Court petition and go to pre-trial appeals |

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But What if the
Taxpayer Missed the
Window to Fight the
Audit Results in
Court?

There is hope...

- Audit Reconsideration

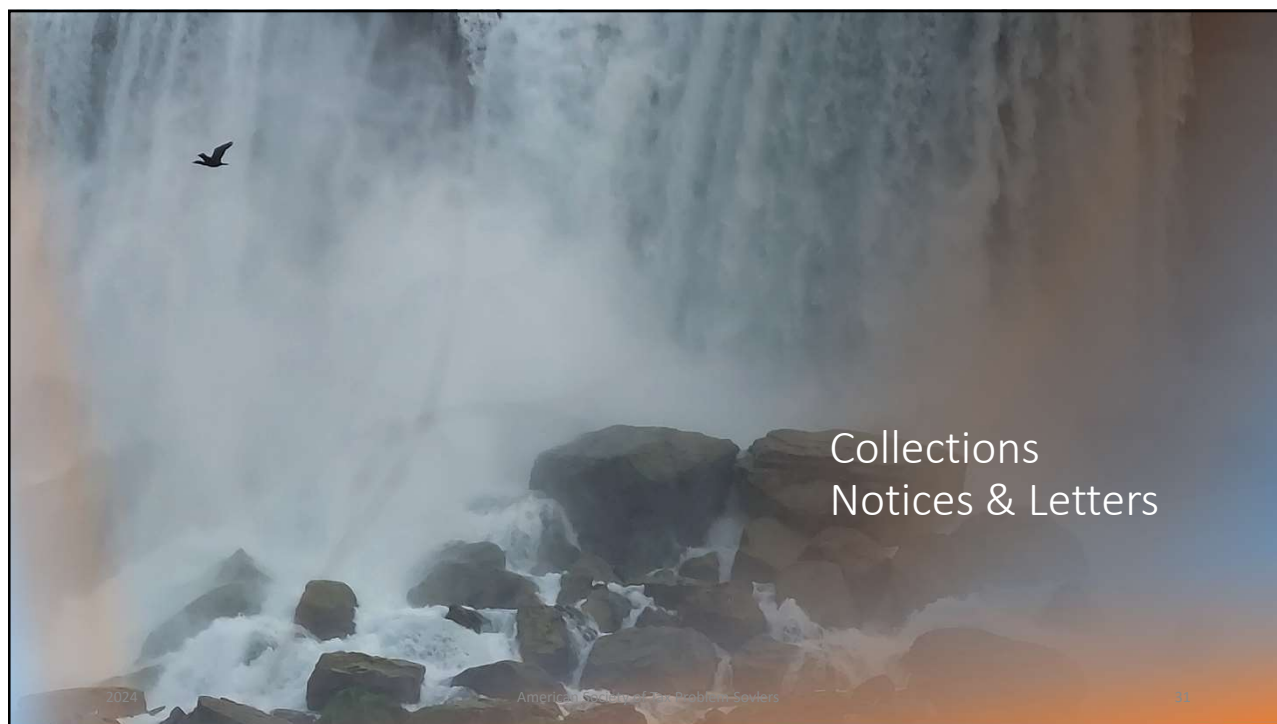
If you are a licensed practitioner (CPA, EA, or attorney) you can prepare and request these resolutions on behalf of your taxpayers.

Polling Question

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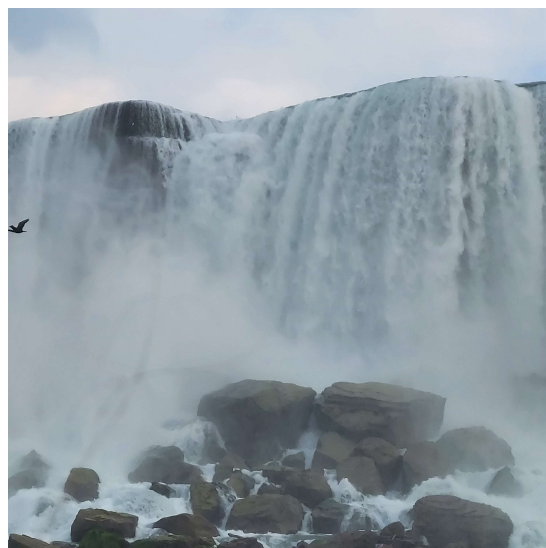
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Why Do Taxpayers Receive These Notices & Letters?

- IRS has processed their return and there is a balance due
- The taxpayer has not paid the balance due
- The taxpayer's case is in collections
- IRS is going to levy the taxpayer's assets
- The IRS has placed a lien on the taxpayer



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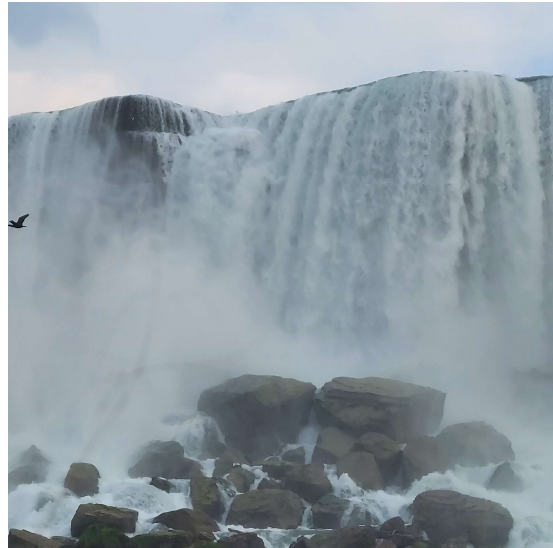
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CP14 - Start of Collections

- Acknowledges IRS has processed the return
- States balance due after processing
- Creates a “silent” lien on taxpayer assets
- Penalties and interest till payoff date included in the payoff amount
- Gives 30 days to pay balance due



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The Follow Up Notices: CP 501 & CP 503

- Reminders to the taxpayer of balance due
- Issued 8 weeks apart
- Penalties and interest accrue until paid



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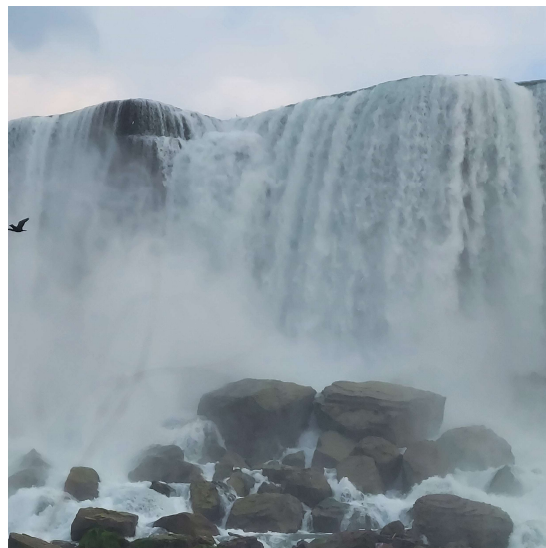
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CP 504 -The First “Levy” Notice

- More aggressive sounding than prior notices
- Gives IRS ability to levy taxpayer’s state tax refunds
- 8 weeks until next notices



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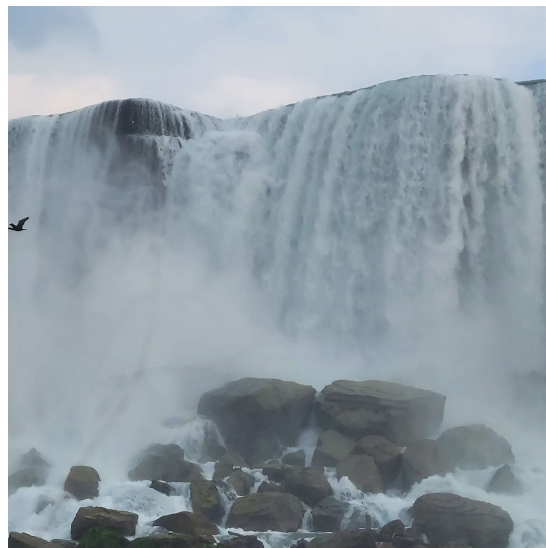
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Final Notice of Intent to Levy: LT 11, LT 1058, or CP 90

- Last warning shot before levy
- Gives taxpayer 30 days to pay, propose a resolution, or request a Collection Due Process (CDP) hearing
- After 30 days, if no response from taxpayer IRS can:
 - Levy bank accounts
 - Garnish wages



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Notice of Federal Tax Lien LT 3172

Notice of Federal Tax Lien

- Issued 5 days after lien is filed
- Gives taxpayer rights to a CDP hearing
- Lien secures the IRS interest in taxpayer's assets

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Recap of Collection Notices

Low Priority Notices:

| Notice (CP) or Letter (LT) | Meaning | Follow Up |
|----------------------------|--|---|
| CP14 | Unpaid Balance Notice (shows initially posted P&I on return filing). CP501 to follow | Verify tax assessed was correct amount/Possible start of gathering financial data |
| CP71C | Reminder of Overdue Taxes | |
| CP89 | Annual Installment Agreement Statement | Verify client payments match IRS records |
| CP501 | Follow up to CP14. CP503 to follow. | Possible start of gathering financial data |

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Recap of Collection Notices

Medium Priority Notices:

| Notice (CP) or Letter (LT) | Meaning | Follow Up |
|----------------------------|---|--|
| CP503 | Reminder of unpaid balances/ IRS has right to levy state tax refunds. CP504 to follow | Have taxpayer make payment or look at a resolution |
| CP504 | Notice of Intent to levy. Final "warning shot" before IRS issues the levy notice for bank accounts or wages | Have taxpayer make payment or look at a resolution |
| LT4837 | Appeals has received your request for review | This is the initial scheduling for the appeals conference. This should be reviewed and any scheduling conflicts should be addressed. Prepare for the appeal. |

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URGENT NOTICES

High Priority Notices:

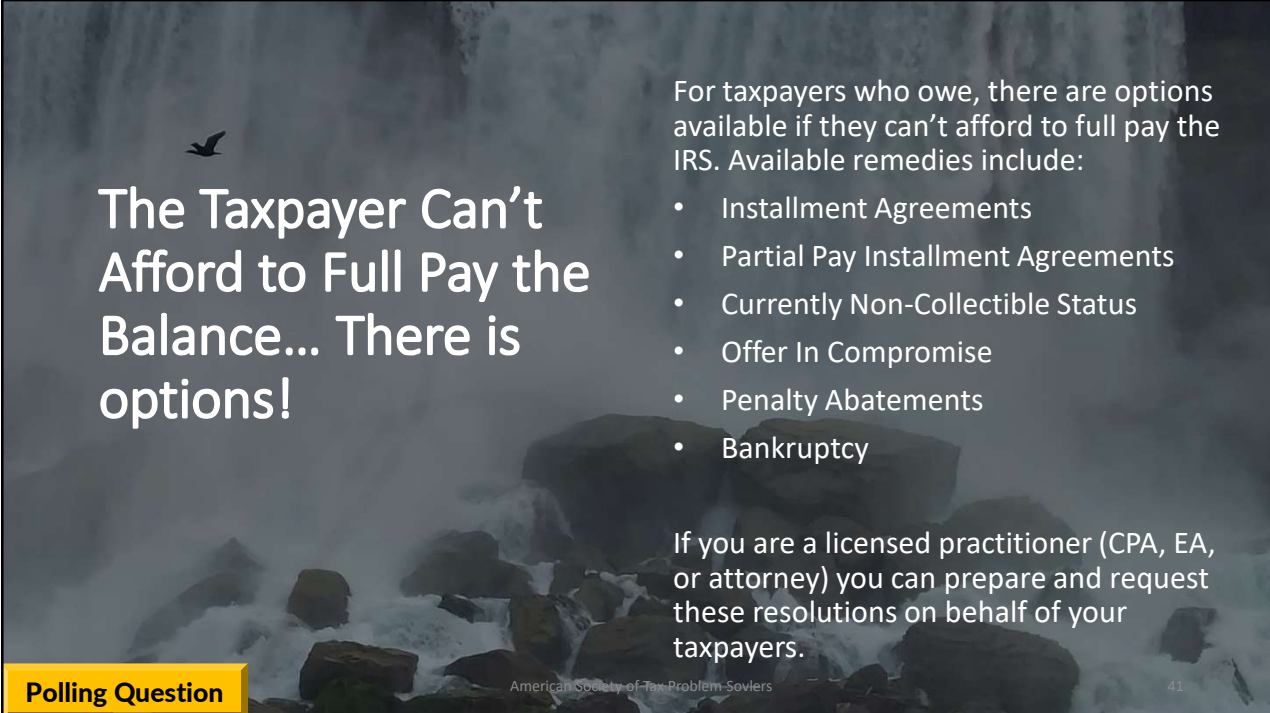
| Notice (CP) or Letter (LT) | Meaning | Follow Up |
|----------------------------|---|---|
| CP90 | Final Notice of Intent to levy | Taxpayer has 30 days to appeal or IRS will issue bank or wage levy. Have taxpayer make payment or look at a resolution, OR appeal and propose resolution in CDP |
| CP523 | Final notice of intent to levy - IRS has defaulted IA | Taxpayer can contact IRS to re-instate IA or respond to levy, or propose a new resolution |
| LT11 | Final Notice of Intent to levy | See CP90 response |
| LT1058 | Final Notice of Intent to Levy | See CP90 response |
| LT3172 | Notice of filing of Federal Tax Lien | Taxpayer has appeal rights if unlawful Lien filing, or pay the balance and request the release |

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The Taxpayer Can't Afford to Full Pay the Balance... There is options!

For taxpayers who owe, there are options available if they can't afford to full pay the IRS. Available remedies include:


- Installment Agreements
- Partial Pay Installment Agreements
- Currently Non-Collectible Status
- Offer In Compromise
- Penalty Abatements
- Bankruptcy

If you are a licensed practitioner (CPA, EA, or attorney) you can prepare and request these resolutions on behalf of your taxpayers.

Polling Question

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Full Payment

Some taxpayers do not qualify for other relief

- Do not meet the financial requirements
- Have liquid assets to pay

Positive - Saves future penalty and interest vs. other full pay options

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Installment Agreements (I/A)

Taxpayer can full pay but needs time

- Generally, up to 72 months or Collection Statute Expiration Date (CSED), whichever is first
- May need to provide collection financial standards
- Different IAs based on balances, tax type and IRS staff

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Partial Pay Installment Agreement (PPIA)

Taxpayer can pay something but cannot full pay the liability by the CSEDs

- Pays what they can
- IRS may remove taxpayer from PPIA if financial situation improves
- If unpaid by CSEDs, debt goes away

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Currently Non Collectible (CNC)


For taxpayers that cannot pay anything

- Used in financial or other hardship situations
- IRS can put taxpayers in CNC for other reasons

Will remain in CNC so long as financial situation does not change

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Doubt as to Collectibility Offer in Compromise (OIC)

Settlement plan for taxpayers who cannot afford to pay the IRS in the foreseeable future

- Based upon the current value of assets and a future income component of 12 or 24 months
- If accepted, IRS will write the debts off

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Bankruptcy (B/R)


Debts may be written off through discharge or paid through long term plans

Some tax debts may be dischargeable if:

- Not from the most recent 3 tax years
- Must be assessed more than 240 days ago
- Rules depend upon where taxpayer lives

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Penalty Abatement

First Time Abatement


- Reversal of failure to file, failure to pay or failure to deposit
- 3 years prior compliance with no penalties (besides failure to make estimates)

Reasonable Cause

- Unfair for IRS to charge penalties
- Reason taxpayer could not file/pay was outside of their control

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Key Take Aways

- IRS has 2 forms of written communication, Notices and Letters
- Read the notice or letter
- Communications are sent for ID thefts, corrections, audits or collections
- Knowing the basics of responding can help your clients
- For taxpayers that cannot afford what's owed, programs exist to help

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