

# Preparing and Packaging Your IRS Response to Get Better Results

**2023 Training Event 8 | Angelene Wierzbic, EA, CTRS**

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

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## Only 3 Seats Left for Accelerator 006!

The Myrtle Beach Accelerator Course is a unique opportunity for business owners looking to expand their firms by adding tax resolution services, as well as individuals seeking to enhance their marketability in the ever-evolving tax industry. As a participant, you'll not only acquire valuable skills but also form lasting connections with fellow professionals in the field.

This course focuses on:

- Setting up your tax resolution firm.
- Starting a case: Investigation & Compliance.
- Case analysis: Crafting a resolution plan.
- Implementing your strategy.
- Managing your tax resolution case.
- Sales & Marketing for your firm.

With limited spots available for this in-demand course, interested tax pros are encouraged to register as soon as possible to secure their place in the upcoming Myrtle Beach ASTPS Accelerator Program!

Don't miss this unparalleled opportunity to elevate your practice and empower yourself with the tools and knowledge necessary to excel in IRS representation. Mark your calendar for Aug 22nd, and join the ASTPS for an unforgettable learning experience at Myrtle Beach!

Register now and learn more at

**[ASTPS.org/Accelerator](https://ASTPS.org/Accelerator)**

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# The Mother of All Audit Trainings

September 18th – 19th | Virtual

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**Become an IRS Tax Audit Expert!**

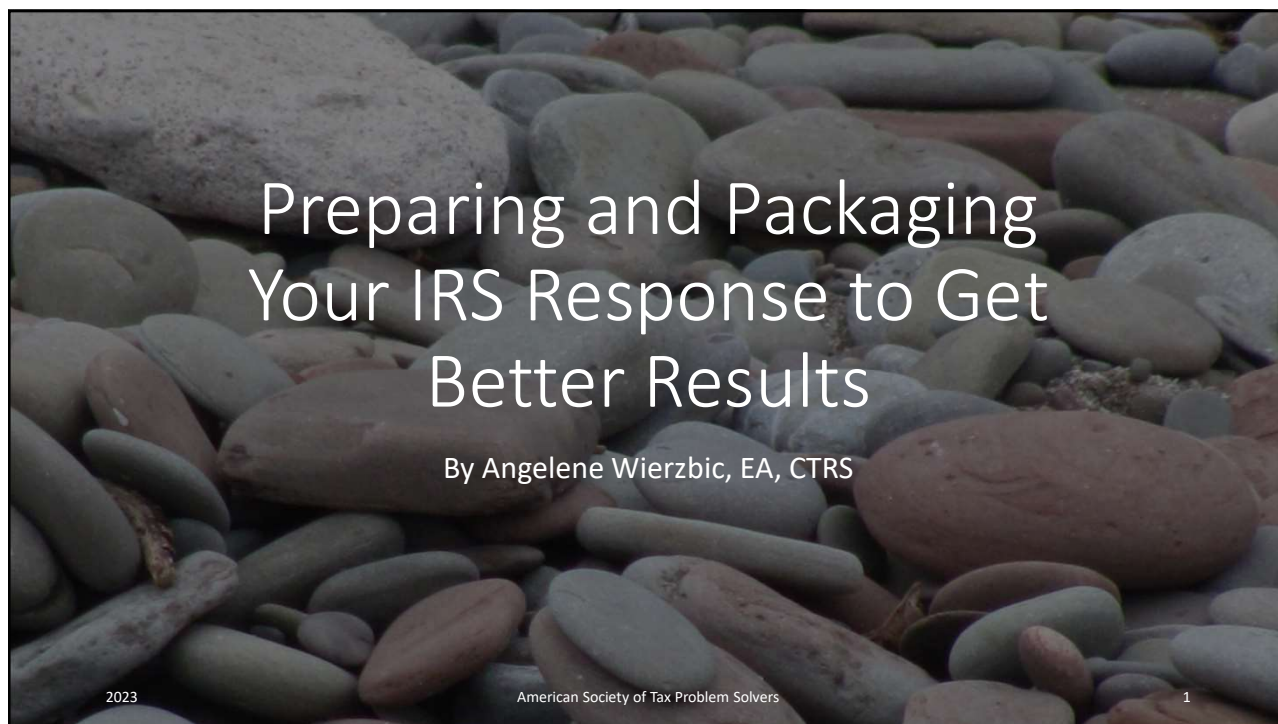
Get ready to put a MOAAT around your taxpayers under audit! This all-encompassing course will equip you with the skills necessary to defend and represent taxpayers amidst the coming wave of IRS audits. After this comprehensive training, you'll be an expert in the most effective strategies for tackling IRS examinations.

After this program you will understand:

- Introduction to Audits
- Field Audits
- Office Audits
- Correspondence Audits
- Employment and Retirement Plan Audits
- Employee Retention Credit Audits (ERC)
- Audit Reconsideration
- Preparer Penalties

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## Two Main Aspects to Submitting IRS Packages

### Documentation

- Provides substantiation and proof

### Correspondence

- It gives the case a direction and a voice



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## Cases Which Often Require Documentation

- Offer in Compromise filings
- Collection cases with Revenue Officers
- Audit cases



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## Cases Which Often Require Correspondence

- Responses to IRS Notices & Letters
- Requests for Resolution
- Various types of Audits
- Explanations regarding case documents or responses to questions proposed by the IRS



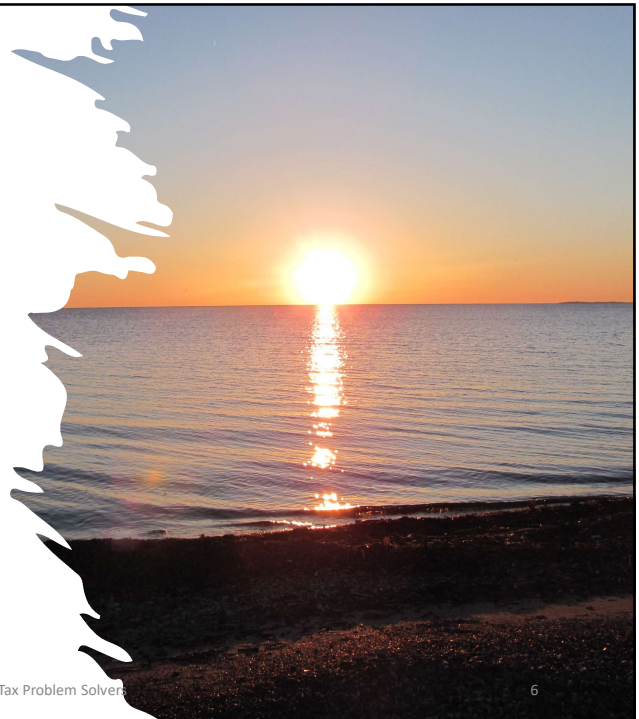
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## Submissions to the Offer Unit



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## What is an Offer in Compromise?

A contract between the taxpayer and the IRS to settle outstanding liabilities. It can be based upon:

- Doubt as to Collectibility DATC
  - Taxpayer does not and will not have the ability to pay
- Doubt as to Liability DATL
  - Taxpayer questions as to the validity of the debt



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## What Forms are Required with an OIC Based on DATC

- Form 656 *Offer in Compromise*
- Form 433-A(OIC) *Collection Information Statement for Wage Earners and Self-Employed Individuals* or Form 433-B(OIC) *Collection information Statement for Businesses*
- A copy of the 2848 *Power of Attorney*
  - If you are representing



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## What Documents are Required with an OIC Based on DATC

Detailed Listing in  
your Materials

- Proof of earnings
- Current Bank Statements
- Proof of Loan balances
- Court Orders or Legal Agreements
- Proof of Accounts Receivable for Businesses
- Documentation on Special Circumstances
- Documentation on State Tax Liabilities and Proof of Payment



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## Packaging a DATL OIC

- Form 656-L *Offer in Compromise (Doubt as to Liability)*
- Form 2848 *Power of Attorney*
- Documentation calculating the proper tax
  - Recommend enclosing amended returns
- Plus, applicable backup documents



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## Correspondence Tips For OICS

- Explain why your taxpayer cannot full pay for Doubt as to Collectibility
  - Discuss Financial Hardships
  - Discuss applicable background that got them into the financial situation
  - Measures taken to correct issues
- Explain why the tax is miscalculated for a Doubt as to Liability
- Make sure to list items on your cover letter
- Tab the information being mailed



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## Submissions to a Revenue Officer

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## What is a Revenue Officer's Job

Collection of:

- Delinquent debts
  - Through Levy, seizure or agreed resolution
- Information
  - Documents to prepare returns
  - Original returns from the taxpayer
  - Financial records


Requested with Form 9297

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## The Goals Behind the Form 9297

Make sure the taxpayer:

- Becomes compliant in filing requirements
- Is currently compliant with estimated payments/has proper withholding

Gathering Information:

- Determine ability to full pay
- Look at assets and income sources
  - Sources of levy or seizure

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## Items Commonly Requested Using 9297

- Copies of Returns
- Proof of current year/ quarter tax payments
- Collection Financial Statements
- Bank Accounts
- Proof of Assets
- Proof of Mortgages & Loans
- Safe/Safe Deposit Box Content Listing
- Business ownership information
- Case Specific Information

Detailed Listing in  
your Materials

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## Important Items on the Form 9297

Potential IRS actions if the taxpayer does not comply:

- Levy
- Lien
- Substitute for Return
- Summons

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## Tips for Responding in an RO Case

### Polling Question

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## Request the Form 9297

### First contact with the RO

- Request the Form 9297
  - Lists the information which they are requesting from the client to close the case
  - ROs usually fax the document or mail a copy to the POA.

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## Recommendations: Gathering Data

### Hardest part obtaining info from client

- For Collection cases provide a questionnaire
- Review the questionnaire for items where you need documentation
- Request the documents from the client
- Prepare any requested 433-A/433-B forms from the client records
- Review and verify the 433 with the taxpayer

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## Responses When Items are Missing or Do Not Apply

- If the taxpayer does not have information:
  - Include a statement in your correspondence
  - State the taxpayer does not have the item or it is not applicable.

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## Non-Compliance with Form 9297 Requests

- If all items on the Form 9297 are not addressed
  - RO can claim taxpayer did not provide a full response
  - Can move forward with collection, SFR preparation, or summons

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## Packaging the request

Depending upon the volume of items requested, you may be able to fax, email or mail the items

- Ask the RO how they prefer them submitted
- Make sure to clearly place divider pages if sent by fax or mailed
- Tab the information if mailed

If emailed, provide a separate Pdf of each category

- Note: Email does not allow for large items
- All items should be password protected or placed in a zip file and password protected to keep the client's information safe

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## Tips for Collection Correspondence

- Make sure to include a cover letter with the documentation
- Evaluate the financial situation
- Request a resolution
  - Installment Agreement
  - Partial Pay Installment Agreement
  - Currently Non-Collectible
  - Offer in Compromise (send to offer unit)
- Include any additional forms for your resolution
- In your cover letter include information on:
  - Taxpayer Hardships
  - Current Financial Situation
  - Anything that supports acceptance of your proposed resolution

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## Submissions in Response to an Audit



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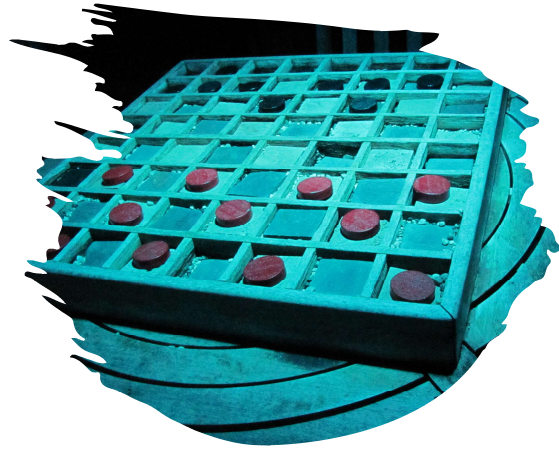
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## Three Types of Audits

1. Correspondence
2. Office Audit
3. Field Audit



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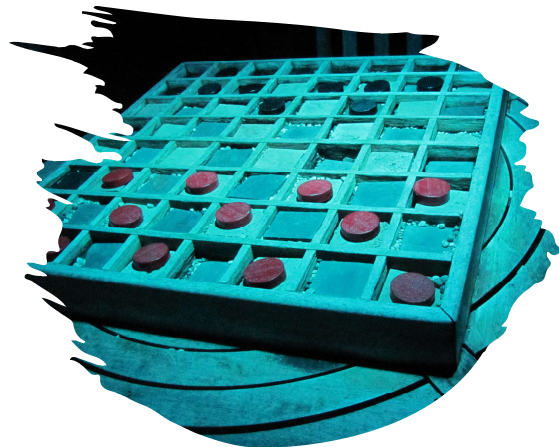
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## Correspondence Audits

### **Response to CP2000 Notice**

- All IRS responses done through mail
- Adjustments based upon the difference between the return and wage and income records
- Can respond with additional information through fax or mail



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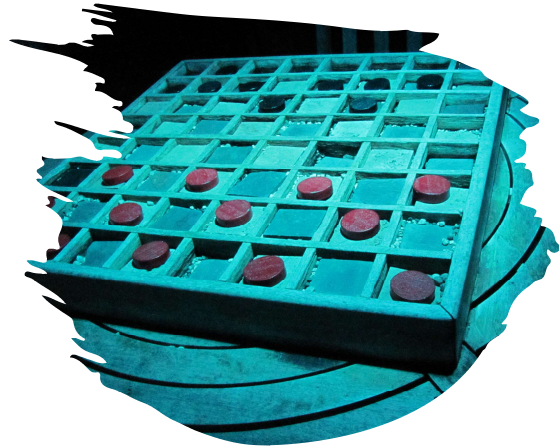
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## Records Requests for Office or Field Audits

### **Form 4564 – Information Document Request (IDR)**

- List of documents and records which the IRS is requesting to verify the information reported on the original return filing.
- Multiple IDRs can be issued during the same audit as the IRS needs additional records



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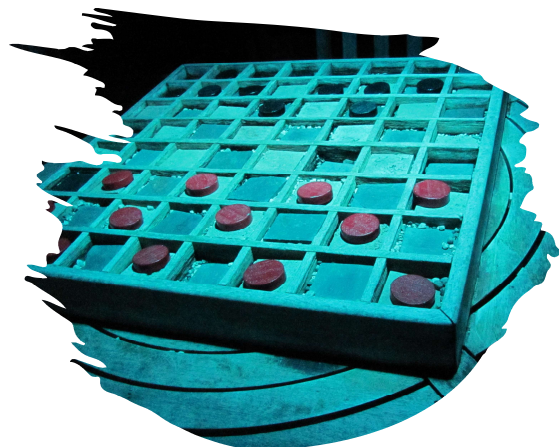
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## Providing Records in Response to the IDR

- Best to number the items on the IDR
  - Prepare the documents in the same order as the IDR
- Respond to all items requested
  - If there are no records, state that there are no records in your correspondence



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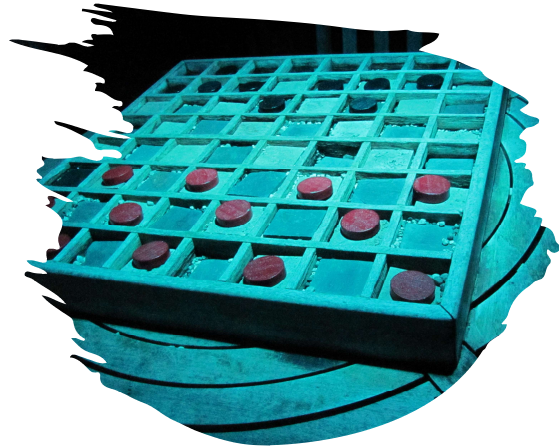
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## Tips For Preparing Correspondence for Audits

- Notate the date and number of the IDR (for office or field audits)
- Include a copy of the IDR with items numbered
- List in your correspondence the numbers and summaries of your records
- Address any items which taxpayer does not have or is still gathering records
- Provide explanation of any confusing or unclear items



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## Obtaining Documentation from Your Client

**Polling Question**

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## Reasons for Client Data Struggles

- Passed the job to you to deal with IRS
- Confusion over what is requested
- Feel the IRS is being invasive
- Procrastination to provide records
- Hesitation to share information with IRS
- Disclosure Issues (not providing records)
- IRS Summons power



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## Dealing with “I Hired You to Make It Go Away”

Resolution is a team effort

- Good records and data help a case

Make expectations clear from the start

- Engagement Letter

Remind the client that your success is dependent upon them



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## Dealing with Confusion Over Requests

### Prominent in Audit and Revenue Officer Cases

- Items that seem redundant on IDRs
- Things that the IRS has in their possession but want taxpayer records
- Lack of understanding what is being audited
- Giving the wrong records
- Giving old records

IRS asking for records in timeframes unavailable to the taxpayer

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## Taxpayers Who Feel the IRS is Being Invasive

### Level of access to information IRS has:

- Wage & Income Transcripts
  - Income Sources & Levels
  - Form 5498 Records
    - Retirement Accounts
    - Valuation & Contributions
- Accrual
  - Related Aliases or Businesses
  - Real Estate & Judgements
  - Department of Motor Vehicle Records
- Third Party Records:
  - State Motor Vehicles – Auto Records
  - County Clerk -Real Estate Records
  - Credit Reports
  - FINCEN Filings
- Social Media
- Google Maps



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## Dealing with Procrastinators

Set a standard in the beginning

- Engagement letter should have a clause regarding providing records
- Give them a time frame to provide documentation
- Follow up email trail
- Phone/Text reminders
- Procrastination can cause:
  - IRS Levy in collection cases
  - Summons for records in audit cases



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## Dealing with Taxpayer Hesitation

- IRS has access to many records
- Look at privilege
  - Tax Returns or return information is not privilege
  - Tax Planning information can be deemed privileged by the taxpayer
- Is there a reason they are refusing to share?
  - Attempting to hide information
  - Trying to protect a 3<sup>rd</sup> party
  - Assumed/actual wrongdoing
  - Potential criminal activity



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# Dealing with Disclosure Issues

## Major issue in Collection Cases

- Forgetfulness versus Blatant Actions
  - Forgotten Items
    - Overlooked items due to lack of use
    - Things in storage
    - Things purchased years ago
    - Transferred family property



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# Dealing with Disclosure Issues

- Forgetfulness versus Blatant Actions
  - Blatant Actions
    - Don't want to provide records
    - Illogical stories given
    - No support to statements

## Collection Financial Statements signed under penalties of perjury

- Written answers/documentation from the client

## Letter from your firm

- Verifying client statements
- Require client signature



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## Summons Power

IRS may Summons Records that the taxpayer is refusing to provide/does not have

- Two types of summons
  - Appearance – For interview & questioning
  - Records – For preparation of returns, financial statements, or audit documents
- Did the taxpayer provide the records?
- Is it something the taxpayer can access?
- May have ability to quash 3<sup>rd</sup> party summons in court



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Practice Tips:  
Writing  
Correspondence

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## Cover letters for Collection Cases



Include a cover letter which:

- Identifies the taxpayer and ID
- States the resolution you are proposing & why
- Lists all the information being submitted
- Discusses any items which are not available
- Explains any extenuating circumstances the taxpayer is facing
- Include your contact information

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## Heading Format



- Your Address
- IRS Address
- Date
- Client Name & Identification Number
- Greeting

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## Intro Paragraph

- Should affiliate you with the taxpayer's case
- Include the date and form you are responding to
- Include the tax form & period the correspondence relates to
- For collection cases
  - Request your resolution
  - Summarize why you are requesting the resolution
- If documentation was requested or is being provided, introduce your list

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## Item Listing

- Bullet point or number your list
- Provide a brief description of each
- Include any explanations or clarifications as needed
- Stick to the items where you have records

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## Missing Items



- If applicable, discuss any items requested and not being provided
- Issues: why the taxpayer does not/cannot get the records
- Timeline of the taxpayer obtaining the record

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## Extenuating Circumstances



- This is your area to advocate!!
- For OIC or Collection Cases:
  - Background of the case
  - Why the taxpayer cannot full pay
  - Life situation the taxpayer is facing
  - Hardships in the taxpayer's life

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## Where Do We Get Information on the Extenuating Circumstances?



### From the Taxpayer through:

- Phone Conversations
- Emails
- Records
- Listen for Discussions on:
  - Medical Issues
  - Financial Problems
  - History of the Tax Problem
- Financial Data
  - Hardship
    - Inability to pay basic living expenses

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## Sample Taxpayer Scenarios

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## Example #1 – Mr. Smith Background



Mr. Smith owes the IRS \$175,000. He is a 40-year-old attorney who is a senior partner in his firm. His firm had a large settlement in December 2019 which doubled the business income. Since the money was kept in the firm to catch up on some back debts and for leasehold improvements to be made in 2020, he did not receive any additional funds from the unexpected windfall.

Due to the large K-1 income and lack of distributions to support the taxes, Mr. Smith incurred a large liability. Mr. Smith set up an installment agreement (IA) for \$10,000 per month when he filed his return.

In 2020, Mr. Smith's income dropped over \$100,000. He didn't want to default the installment agreement. With the reduction in income, he was making payments on the installment agreement but fell behind on his estimates. This pattern continued through 2021 when he finally defaulted the installment agreement.

He is a single father. His daughter's mother left the state and provides no support.

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## Paragraphs from Mr. Smith's OIC Letter



Mr. Smith does not have the financial means to full pay his liabilities. Mr. Smith is a **single father** who is a **self-employed attorney**. His tax issues started in 2019 when an **unexpected change in partnership income** led to him reporting double his normal income and the creation of a large tax liability. He attempted to set up a **payment arrangement** to resolve the issue. During **2020 and 2021** when he was making the installment payments, **his income dropped over \$100,000.00** from the amounts reported during 2019. He continued to make the installment payments, but **could not afford to make estimated payments too**. This created additional liabilities.

Mr. Smith has **corrected the issue** by **making proper estimated tax payments**, however he does not have the means to full pay the tax liability without creating a **financial hardship**. It is for this reason we respectfully request you accept this Offer in Compromise.

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## Example #2 – Mr. Hudson Background



Mr. Hudson is a full-time maintenance worker at a local community college. Even though he has many years in, he has the least seniority and makes a little over minimum wage. When college lets out for the summer, his position is reduced to a few hours a week. During this time, he runs a landscape business to help supplement his low wages and lack of summer income.

Mr. Hudson had a very successful landscaping company prior to his divorce in 2020. When his wife left him, he slipped into a massive depression. He began drinking to escape his problems at home. He frequented bars in the beginning, but began to drink alone at home from the time he awoke until he went to bed. During this period, he lost track of time and ignored his responsibilities.

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## Example #2 – Mr. Hudson Background



Mr. Hudson's landscape business declined as he kept missing appointments because he was at home drunk. Soon his reputation suffered, and his business was all but gone.

When he had no money coming in and could no longer afford food or alcohol, he realized he had hit rock bottom. Determined to get out of the depressive slump, at the advice of a friend, he went to counseling. The counselor helped him get through his struggles with drinking and prescribed him medication to assist him with his depression.

In the last 9 months since he began meeting with his counselor, Mr. Hudson has been putting his life back together. He realizes he has ignored his tax obligations and is determined to correct his ways and pay the delinquent taxes he owes.

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## Paragraphs from Mr. Hudson's RO Letter



Mr. Hudson owns a small **seasonal landscaping business** which primarily earns its income during the summer. During the rest of the year, he is a **full-time maintenance man** at a local college. He earns **a little over minimum wage** at his job. Mr. Hudson's financial situation will not allow him to full pay at this time.

Due to a **divorce in 2020**, Mr. Hudson **struggled with depression**. He struggled with his wife leaving him and **turned to alcoholism** to help cope with his difficulties. During this time period, he **fell behind on his financial responsibilities, including his taxes**. He **lost most of his large landscaping contracts** because he was not showing up to the jobs when scheduled **because he was at home drinking**. He has since **obtained medical and counseling help** to stop his drinking and assist with his depression. He has been **working to build his business back** to what it was prior to the divorce, but he is still struggling.

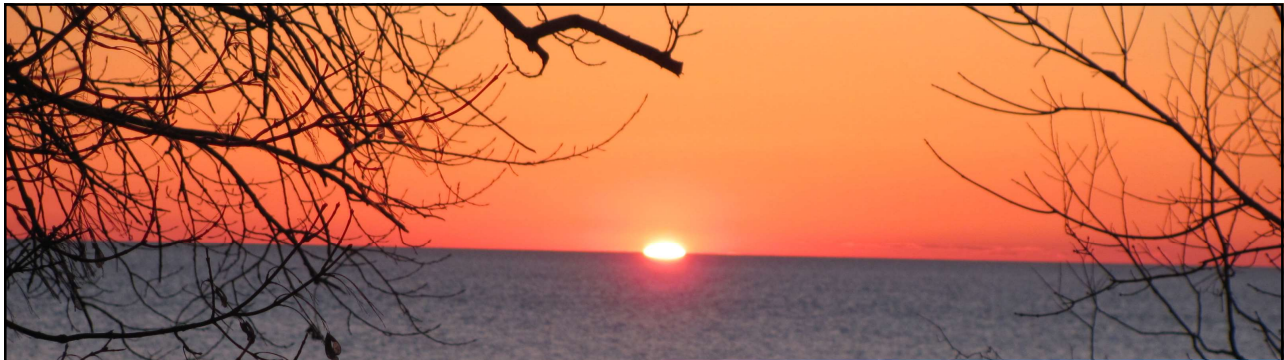
Based upon Mr. Hudson's financial situation, we respectfully request this Installment Agreement be accepted. Any forced collection would cause undue hardship for my client. He has made efforts to correct his tax problems over the last year and has become compliant in filing his returns. He has also had sufficient withholding in 2021, and it is projected he will in 2022 as well.

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## Wrap Up

- Most of our correspondence with the IRS is done through letters or faxes.
- Listen to your client and advocate.
- Preparing a package that includes all required documentation and good correspondence can help resolve your client's tax issues.

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## Cases With Revenue Officers

### Potential Form 9297

#### Cases for Individual Taxpayers:

- Verification of Estimated payments
- Copies of:
  - Wage statements
  - Banking and Investment Account Statements
  - Documents supporting monthly expenses
- Lists of:
  - Real property owned & records of attached mortgages or loan payoffs
  - Vehicles owned with lienholder documentation and payoffs
  - Virtual currency ownership and digital wallet information
- Delinquent income return filings
- Safe deposit box locations & contents
- Form 433-A if they owe delinquent taxes

#### Cases for Business Taxpayers:

- Verification of Federal Tax Deposits
- Copies of:
  - Banking and Investment Account Statements
  - Documents supporting monthly expenses
- Lists of:
  - Real property owned & records of attached mortgages or loan payoffs
  - Vehicles owned with lienholder documentation and payoffs
  - Virtual currency ownership and digital wallet information
  - Business machinery, inventory and copies of any encumbrance documentation
  - Accounts receivable or major client listing with aging
  - Business owners/officers/directors/shareholders and anyone on the bank signature cards
- Delinquent return filings for income or employment tax returns
- Information on any potential funding sources
- Safe deposit box locations & contents
- Business financial Statements
- Form 433-B if they owe delinquent taxes

## Offer In Compromise Cases Doubt as to Collectibility Documentation

### **Documents Required for Individual Taxpayers:**

- Copies of the most recent paystub or earnings statement from each employer
- Recent statement for investment or retirement accounts
- Copies of the most recent statements for income sources
- 3+ months bank statements (6 months for businesses)
- A completed 433-B for any business entities other than sole proprietorships
- Proof of any mortgages, loans, encumbrances on the assets
- Verification of delinquent state/local taxes and proof of payment
- Copies of court orders
- Copies of Trust Documents
- Substantiation of special circumstances
- For taxpayers with sole proprietorships, 6+ months of bank statements, and Accounts Receivable

### **Documents Required for Business Taxpayers:**

- Current Profit and Loss statement covering at least 6-12 months
- 6+ months bank statements
- Copies of Accounts Receivable
- Proof of any mortgages, loans, encumbrances on the assets
- Verification of state/local liability and monthly payments
- Any documentation relevant to special circumstances

## Offer In Compromise Cases Doubt as to Liability

- Form 656 -L Offer in Compromise Doubt as to Liability
- Form 2848 Power of Attorney
- Documentation calculating the proper tax
  - Recommend enclosing amended return
- Plus all applicable backup documents

# SAMPLE OIC LETTER

Your Firm Name Here  
123 Firm Street  
Firm City, NY 10000

April 13, 2023

Brookhaven Internal Revenue Service Center  
Centralized Offer in Compromise Unit  
PO Box 9007  
Holtsville, NY 11742-9007

Re: John Smith  
SS#: 000-00-0001

Dear Sir or Madame:

Enclosed you will find an Offer in Compromise submitted on behalf of our client, John Smith, to settle the personal income tax liabilities for the years ended December 31, 2019, 2020, and 2021 accompanied by the following supporting documentation:

- Form 433-A(OIC), *Collection Information Statement for Wage Earners and Self-Employed Individuals* detailing the taxpayer's financial situation is located after tab 1, along with appropriate attachments.
- Form 656, *Offer in Compromise*, offering to pay \$24,592.00 in settlement of the personal income tax liabilities for the years ended December 31, 2019, 2020, and 2021 is located after tab 2. Check #1 in the amount of \$750.00 for the first monthly payment and check #2 for \$205.00 for the filing fee are stapled to the first page of the 656.
- Documentation to support information provided on Form 433-A

Tab 3. Checking Accounts  
Tab 4. Income Documents  
Tab 5. Delinquent State Taxes

Mr. Smith does not have the financial means to full pay his liabilities. Mr. Smith is a single father who is a self-employed attorney. His tax issues started in 2019 when an unexpected change in partnership income led to him reporting double his normal income and the creation of a large tax liability. He attempted to set up a payment arrangement to resolve the issue. During 2020 and 2021 when he was making the installment payments, his income dropped over \$100,000.00 from the amounts reported during 2019. He continued to make the installment payments, but could not afford to make estimated payments too. This created additional liabilities.

Mr. Smith has corrected the issue by making proper estimated tax payments, however he does not have the means to full pay the tax liability without creating a financial hardship. It is for this reason we respectfully request you accept this Offer in Compromise.

Please feel free to contact me if any additional information is needed to assist in your review of the Offer in Compromise.

Sincerely,

Your Name, EA, CTRS  
Your Firm

# SAMPLE RO LETTER

YOUR FIRM NAME HERE

Firm Street

Firm City, NY 10000

December 13, 2022

Ms. Anita Finanshell, RO  
Internal Revenue Service  
500 Collection Ave, Ste 1  
Detroit, MI 48000

Re: Henry Hudson  
SS#: 100-00-0000

Dear RO Anita Finanshell,

In response to your Form 9297 request made on November 28, 2022 to my client, Mr. Henry Hudson, we are providing you the enclosed information. Based upon Mr. Hudson's financial situation, he is unable to full pay the liabilities he owes. We respectfully request an installment agreement can be established for \$275 per month. We are enclosing the following information for your review:

- Paystub - A copy of Mr. Hudson's current paystub for 2022 showing he has sufficient withholding. I have also enclosed a copy of the 2021 W-2 for my client per your request.
- Form 1040 - We have enclosed a signed copy of the Form 1040 Individual tax return for 2021. The original filing was submitted by mail on October 15, 2022 and has not been posted yet.
- Form 9465, Installment Agreement Request -We are also a packet of information to request an installment agreement. The form 9465 is located on top of the package. We are requesting a payment of \$275 per month due by the 28<sup>th</sup> on the \$18,277 account balance he should have upon the posting of the 2021 return and the application of the refund to prior liabilities. We have enclosed the first payment of \$275.00 by check #233. It is attached to the front of the 9465 form. We have enclosed the following requested documents in support of the installment agreement request:

Tab 1. Form 2848, verifying the Power of Attorney for my client Mr. Hudson

Tab 2. Form 433-A, Collection Information Statement for Wage Earners and Individuals with the following substantiation:

Tab 3. Checking Account Statements

Tab 4. Real Estate

Tab 5. Purchased Vehicles

Tab 6. Income Documents

Tab 7. Housing & Utilities

Tab 8. Transportation

Tab 9. Health Insurance

- Tab 10. Out of Pocket Medical
- Tab 11. Taxes
- Tab 12. Rental Loss
- Tab 13. Business Account
- Tab 14. Business Assets
- Tab 15. 2021 Tax Return

Mr. Hudson owns a small seasonal landscaping business which primarily earns its income during the summer. During the rest of the year, he is a full-time maintenance man at a local college. He earns a little over minimum wage at his job. Mr. Hudson's financial situation will not allow him to full pay at this time.

Due to a divorce in 2020, Mr. Hudson struggled with depression. He struggled with his wife leaving him and turned to alcoholism to help cope with his difficulties. During this time period, he fell behind on his financial responsibilities, including his taxes. He lost most of his large landscaping contracts because he was not showing up to the jobs when scheduled because he was at home drinking. He has since obtained medical and counseling help to stop his drinking and assist with his depression. He has been working to build his business back to what it was prior to the divorce, but he is still struggling.

Based upon Mr. Hudson's financial situation, we respectfully request this Installment Agreement be accepted. Any forced collection would cause undue hardship for my client. He has made efforts to correct his tax problems over the last year and has become compliant in filing his returns. He has also had sufficient withholding in 2021, and it is projected he will in 2022 as well.

Please feel free to contact me with any questions.

Sincerely,

Your Name, CPA, CTRS

Firm Name



## **Next Free Class: Tuesday, Sept 5th**

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

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